

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**

ANNUAL REPORT

SEPTEMBER 30, 2001

THE OAKMARK FAMILY OF FUNDS

2001 Annual 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) 449-6274.

Turn to the end of this report to read about Oakmark's Philosophy and Process and look up financial terms in the Oakmark Glossary.

Dear Fellow Shareholders,

On September 11, 2001, our country suffered a horrible tragedy. Although more than three weeks have passed since the attack, our thoughts remain with those who were lost and the heroes who courageously came to their aid. The mutual fund industry had very strong links to the World Trade Center since it stood at the heart of New York's financial district. We've lost friends and acquaintances, but thankfully all of our staff is safe. In addition, because we are based in Chicago, there was no disruption to our business.

As a firm, we collectively were horrified and fearful on September 11th. These emotions slowly evolved into a determination to look ahead. While we will never forget this tragedy, our leaders have reminded us that the country needs to get back to business—the right action for our country and the memory of the people who died. We share this view and have acted accordingly. Therefore, we were fully staffed on September 12th and realized that our responsibilities required disciplined thoughts and strategies, instead of an emotional response.

Market reaction to the terrorist actions was not unexpected, and it has been a difficult quarter for all investors. As we have witnessed in the past, great uncertainty creates short-term instability in the financial markets. However, we have also experienced how markets recover from shock and then return stronger than before. Companies we invest in—like retailers, consumer products firms, telecommunications businesses, medical products companies—are priced attractively and positioned for long-term growth. In international and domestic markets, our value investment strategy resulted in taking advantage of lower prices by adding to our portfolio positions and establishing new positions. There was some erosion in our portfolios, but our conviction is intact. As a sign of our faith in the markets, we also made additional personal investments in each of our Funds.

In the face of turbulent markets we continue to look for undervalued companies that have strong free cash flow, solid balance sheets, and high quality management—characteristics we believe are critical for businesses to prosper. Our strategy, which remains unchanged regardless of market conditions, is to buy bargains, minimize portfolio risk, and focus on long-term



performance. Please take a look at the following letters from each of our portfolio managers, as they address strategy, holdings and our steps following the attack.

Like all Americans, the tremendous support and heroism we witnessed following the tragedy inspired us. We are confident in the financial markets and, most importantly, in our country's spirit and resolve. We have quickly returned to customary business routines—travelling around the U.S. and the globe to gain insight into businesses we are considering and the managers who guide them.

Please keep in mind that patient investors have been rewarded for maintaining a long-term perspective. Thank you for your support and continued investment.

A handwritten signature in black ink that reads "Robert M. Levy". The signature is written in a cursive, flowing style.

Robert M. Levy
President and CEO

October 5, 2001

THE OAKMARK FAMILY OF FUNDS

Summary Information

<i>Performance for Period Ended September 30, 2001¹</i>	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
3 Months*	-9.01%	-3.82%	-15.04%
6 Months*	-0.59%	5.09%	1.18%
1 Year	20.42%	25.75%	0.07%
<i>Average Annual Total Return for:</i>			
3 Year	6.32%	26.74%	6.37%
5 Year	9.59%	N/A	6.35%
Since Inception	19.28%	28.63%	10.46%
<i>Value of \$10,000 from inception date</i>	\$59,986 (8/5/91)	\$34,496 (11/1/96)	\$18,026 (11/1/95)
<i>Top Five Holdings as of September 30, 2001³</i>	Washington Mutual, Inc. 3.5% H&R Block, Inc. 3.1% The Kroger Co. 2.7% AT&T Corp. 2.7% Fortune Brands, Inc. 2.7%	Washington Mutual, Inc. 16.1% H&R Block, Inc. 7.5% Toys 'Я' Us, Inc. 5.0% AT&T Corp. 4.7% Electronic Data Systems Corporation 4.5%	Catellus Development Corporation 5.0% The PMI Group, Inc. 4.7% Ralcorp Holdings, Inc. 4.3% ITT Educational Services, Inc. 4.2% BankAtlantic Bancorp, Inc., Class A 3.9%
<i>Company and % of Total Net Assets</i>			
<i>Top Five Industries as of September 30, 2001</i>	Retail 12.1% Other Consumer Goods and Services 8.9% Computer Services 6.2% Bank and Thrifts 5.6% Telecommunications 5.5%	Retail 16.9% Bank and Thrifts 16.1% Other Consumer Goods and Services 11.2% Information Services 8.9% Telecommunications 8.8%	Bank and Thrifts 10.1% Computer Software 7.8% Food and Beverage 7.2% Real Estate 6.8% Medical Products 5.9%
<i>Industries and % of Total Net Assets</i>			

* Not annualized

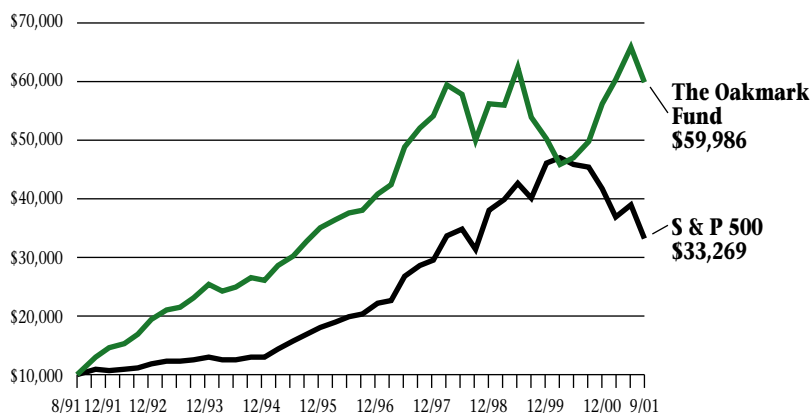
The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
-2.84%	-16.69%	-19.39%	-11.35%
4.99%	-3.56%	-11.34%	-8.17%
14.40%	1.37%	-13.10%	-6.18%
16.05%	N/A	13.27%	19.41%
16.40%	N/A	5.28%	3.83%
15.73%	4.80% ²	10.07%	5.83%
\$23,751 (11/1/95)	\$11,071 (8/4/99)	\$23,728 (9/30/92)	\$13,987 (11/1/95)
PartnerRe Ltd. 3.3%	ITT Educational Services, Inc. 5.6%	Givaudan 4.0%	Asatsu-DK Inc. 4.1%
SAFECO Corporation 3.2%	Novell, Inc. 5.3%	Diageo plc 3.8%	Ducati Motor Holding S.p.A. 3.6%
UST Inc. 3.0%	Synopsys, Inc. 5.0%	Hunter Douglas N.V. 3.8%	Jarvis Hotels plc 3.5%
XTO Energy, Inc. 3.0%	Michael Page International plc 4.8%	Metso Corporation 3.8%	Pacific Dunlop Limited 3.3%
Watson Pharmaceuticals, Inc. 3.0%	Valassis Communications, Inc. 4.3%	Enodis plc 3.6%	Fletcher Building Limited 2.9%
U.S. Government Notes 26.4%	Computer Software 14.4%	Bank and Thrifts 11.2%	Food and Beverage 12.2%
Oil and Natural Gas 8.4%	Educational Services 9.0%	Other Industrial Goods and Services 9.9%	Retail 9.2%
Insurance 6.5%	Food and Beverage 7.4%	Food and Beverage 9.5%	Diversified Conglomerates 7.2%
Computer Software 5.4%	Information Services 6.6%	Publishing 7.5%	Building Materials and Construction 4.6%
Pharmaceuticals 4.9%	Retail 6.1%	Chemicals 7.0%	Publishing 4.2%

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 (9/30/01) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX⁴



Average Annual Total Returns¹

(as of 9/30/01)

	Year to Date Total Return* (as of 9/30/01)	1-year	5-year	10-year	Since Inception (8/5/91)
The Oakmark Fund	6.74%	20.42%	9.59%	18.42%	19.28%
S&P 500	-20.39%	-26.62%	10.22%	12.69%	12.56%
Dow Jones Average ⁵	-16.95%	-15.54%	10.36%	13.85%	13.66%
Lipper Large Cap Value Index ⁶	-15.91%	-15.61%	9.18%	11.98%	11.97%

Past performance is no guarantee of future results. Investment return and principal value vary, and you may have a gain or loss when you sell shares. Average annual total return measures annualized change, while total return measures aggregate change.

* Not annualized

The Oakmark Fund increased in value 20% for the fiscal year and 7% for the calendar year-to-date despite losing 9% of its value in the last quarter. Though we will never be satisfied when we lose money, we did lose less than most investors—the S&P 500 was down 15% for the quarter. The S&P 500 declined 27% for the fiscal year and 29% since its March 2000 peak.

The bear market has been led by large capitalization growth companies, and an increasing number of them now meet our criteria. In the last quarter alone, we added positions in American Express, Fannie Mae, Gap, Honeywell, Interpublic Group and Safeway. A year or two ago these stocks were owned mostly by growth funds. We think the market is creating an unusual opportunity to purchase high-quality, large-capitalization growth companies at value prices. As value managers, we prefer to purchase companies that achieve above-average earnings growth. However, because we are unwilling to pay more than 60% of estimated intrinsic value, we are usually unable to buy them. Companies that grow earnings at above average rates, yet are priced below the market multiple, combine the best elements of “growth” and “value” investing. An increasing percentage of The Oakmark Fund is now invested in such stocks. (For more detail on our new positions, please check our website at www.oakmark.com).

Happy Anniversary, Oakmark

Last quarter we celebrated the ten-year anniversary of the start of The Oakmark Fund. We feel that milestone is significant for several reasons. First, not many mutual funds are as old as The Oakmark Fund. According to Morningstar, there are now 7004 mutual funds that invest primarily in domestic equities, and only 868 of those, or 12%, have ten-year histories. Interestingly, there are two reasons so few funds have long-term records. The most obvious reason is the rapid proliferation of funds—there are more than three

times as many funds available today compared to ten years ago. The less well-known reason that such a small percentage of funds have long-term records is that over half the funds from ten years ago no longer exist. Funds with poor performance have been closed or merged into larger funds, effectively eliminating their negative effect on the track records of the fund management companies.

Another reason our ten-year anniversary is significant is that we have always encouraged evaluation of investment track records over long periods of time. Short-term records might reflect the portfolio manager's ability, but they might simply reflect luck or a briefly favorable investment climate. Eighteen months ago investors thought there were many more talented growth managers than value managers—today it's the reverse. At Oakmark, we believe a decade is enough time to experience the ups and downs of different market cycles, so track records that cover a decade are meaningful report cards. Seven out of eight mutual funds don't have such a report card. Since we do, let's look at the record.

Get Rich Slowly

Our goal for The Oakmark Fund has always been to compound wealth. A diverse group of great thinkers—Albert Einstein, Benjamin Franklin, John Maynard Keynes and Baron de Rothschild—have each been credited with the quote, “compound interest is the eighth wonder of the world.” Why is compound interest so wonderful? Because of interest-on-interest, ten years of 20% returns grows capital not by 200% but by 519%. Pretty amazing! This explains why there are so many stories of surprisingly large estates left by persons of modest means or of retirement accounts that have grown to become very large assets. Although the recent market decline and concern about the economic outlook has focused investors on the near-term, it may be useful to step back and think about a longer period of time.

At the beginning of 1991 we were completing the process of registration to launch The Oakmark Fund. Not only were we confident that our approach to value investing would create good long-term results but we were also excited about the short-term—the uncertainty surrounding the Gulf War led to an unusually large number of stocks selling well below our buy targets. By August 5, 1991, The Oakmark Fund's inception date, the Gulf War victory had already ended six-months earlier. The S&P 500 had increased 25% since the start of the war, a statistic that is frequently cited as we try to put today's events in perspective. We were disappointed that we were starting the fund immediately following such a strong increase in prices.

In the ensuing decade we experienced the Oklahoma bombing, the depression in Asian economies, the Russian debt default and the resulting bankruptcy of Long Term Capital Management, the impeachment of a President, Y2K fears, the Internet stock bubble and its collapse, a

presidential election that appeared to end in a tie and the World Trade Center and Pentagon terrorist attacks. At the time, each of these events loomed so large that investors' time horizons became very short. Throughout this period, we pursued our long-term approach of focusing on what a company might earn in five years and, unlike most investors, not worrying about the next five weeks or months.

The results speak for themselves. Since its inception, The Oakmark Fund has achieved a compound return of over 19% per year—one of the highest returns of any mutual fund. That return not only substantially exceeded inflation, money market funds and bonds but also exceeded the S&P 500 by more than 6 percentage points per year. And as you would expect from a value fund, by almost any measure this return was achieved with less than the market level of risk: a beta of 0.6, nine down quarters out of 41 compared to 10 down quarters for the S&P 500, and a worst loss quarter of 13.8% compared to 14.7% for the S&P 500. But the statistic that we think best sums up our first ten years is the one shown on the performance graph on the first page of this report: \$10,000 invested in The Oakmark Fund at inception on August 5, 1991 is now worth \$59,986.

Shifting from the past to thinking about the future, we're reminded of something Buffett said—Jimmy, not Warren—“Yesterday's over my shoulder, so I can't look back for too long. There's just too much to see waiting in front of me and I know that I can't go wrong.” We think the outlook for the next decade is exciting. Economic effects of the September 11th attack will undoubtedly make most companies miss earnings estimates for 2001; many will still be negatively effected into 2002. Our judgement, however, is that corporate profitability in 2003-2005 will not be significantly reduced. For that reason, we believe stocks are attractively priced and The Oakmark Fund is structured to continue compounding capital at excellent long-term rates. Because of that belief, last month we each made a significant additional personal investment in The Oakmark Fund.

Finally, this time of year usually brings a flood of e-mails asking for information about capital gains distributions. We continue to enjoy a large capital loss carry forward and will therefore have no capital gains distribution in 2001.



William C. Nygren, CFA

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Kevin Grant, CFA

Portfolio Manager
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October 4, 2001

THE OAKMARK FUND

Schedule of Investments—September 30, 2001

	Shares Held	Market Value
Common Stocks—90.4%		
Food & Beverage—4.9%		
H.J. Heinz Company	1,610,000	\$ 67,861,500
Kraft Foods Inc. (a)	1,445,000	49,664,650
Sara Lee Corporation	1,692,400	36,048,120
		<u>153,574,270</u>
Retail—12.1%		
The Kroger Co. (a)	3,450,000	\$ 85,008,000
J.C. Penney Company, Inc.	3,080,700	67,467,330
Tricon Global Restaurants, Inc. (a)	1,450,000	56,869,000
Toys 'Я' Us, Inc. (a)	3,125,000	53,843,750
CVS Corporation	1,605,000	53,286,000
Safeway Inc. (a)	927,000	36,820,440
The Gap, Inc.	1,987,400	23,749,430
		<u>377,043,950</u>
Household Products—4.1%		
Newell Rubbermaid Inc.	2,700,000	\$ 61,317,000
The Clorox Company	1,440,200	53,287,400
Energizer Holdings, Inc. (a)	670,200	11,138,724
		<u>125,743,124</u>
Household Appliances—0.9%		
Maytag Corporation	1,126,500	\$ 27,756,960
Office Equipment—1.8%		
Xerox Corporation	7,113,500	\$ 55,129,625
Hardware—1.7%		
The Black & Decker Corporation	1,722,200	\$ 53,732,640
Other Consumer Goods & Services—8.9%		
H&R Block, Inc.	2,530,600	\$ 97,579,936
Fortune Brands, Inc.	2,484,300	83,224,050
Mattel, Inc.	4,152,800	65,032,848
Cendant Corporation (a)	2,395,100	30,657,280
		<u>276,494,114</u>
Bank & Thrifts—5.6%		
Washington Mutual, Inc.	2,850,000	\$ 109,668,000
U.S. Bancorp	2,900,000	64,322,000
		<u>173,990,000</u>
Insurance—1.5%		
MGIC Investment Corporation	700,000	\$ 45,738,000
Other Financial—1.9%		
Fannie Mae	615,000	\$ 49,236,900
American Express Company	300,000	8,718,000
		<u>57,954,900</u>
Hotels & Motels—1.3%		
Starwood Hotels & Resorts Worldwide, Inc.	1,785,000	\$ 39,270,000
Marketing Services—1.5%		
The Interpublic Group of Companies, Inc.	2,200,000	\$ 44,880,000

THE OAKMARK FUND

Schedule of Investments—September 30, 2001 cont.

	Shares Held	Market Value
Common Stocks—90.4% (cont.)		
Information Services—0.7%		
Moody's Corporation	379,100	\$ 14,026,700
Equifax Inc.	410,900	<u>8,998,710</u>
		23,025,410
Computer Services—6.2%		
Electronic Data Systems Corporation	1,216,500	\$ 70,046,070
First Data Corporation	1,090,000	63,503,400
SunGard Data Systems Inc. (a)	2,531,600	<u>59,163,492</u>
		192,712,962
Semiconductors—0.5%		
Teradyne, Inc. (a)	805,000	\$ 15,697,500
Telecommunications—5.5%		
AT&T Corp.	4,325,000	\$ 83,472,500
Sprint Corporation	2,756,000	66,171,560
Citizens Communications Company (a)	2,288,400	<u>21,510,960</u>
		171,155,020
Telecommunications Equipment—2.7%		
Motorola, Inc.	3,525,000	\$ 54,990,000
General Motors Corporation, Class H (Hughes Electronics Corporation) (a)	2,200,000	<u>29,326,000</u>
		84,316,000
TV Programming—2.1%		
Liberty Media Corporation, Class A (a)	5,100,000	\$ 64,770,000
Publishing—3.2%		
Knight-Ridder, Inc.	1,066,000	\$ 59,536,100
Gannett Co., Inc.	684,500	<u>41,145,295</u>
		100,681,395
Pharmaceuticals—1.5%		
Chiron Corporation (a)	1,079,000	\$ 47,875,230
Medical Products—2.3%		
Guidant Corporation (a)	1,730,500	\$ 66,624,250
Apogent Technologies Inc. (a)	136,700	<u>3,267,130</u>
		69,891,380
Automobiles—1.6%		
Ford Motor Company	2,875,000	\$ 49,881,250
Aerospace & Defense—3.1%		
Honeywell International Inc.	1,550,000	\$ 40,920,000
Rockwell Collins	2,646,800	37,584,560
Goodrich Corporation	970,000	<u>18,895,600</u>
		97,400,160
Waste Disposal—0.9%		
Waste Management, Inc.	1,030,000	\$ 27,542,200
Machinery & Industrial Processing—1.1%		
Eaton Corporation	552,900	\$ 32,737,209

THE OAKMARK FUND

Schedule of Investments—September 30, 2001 cont.

	Shares Held/ Par Value	Market Value
Common Stocks—90.4% (cont.)		
Building Materials & Construction—1.5%		
Masco Corporation	2,333,000	\$ 47,686,520
Utilities—2.0%		
TXU Corp.	1,365,000	\$ 63,226,800
Oil & Natural Gas—5.0%		
Phillips Petroleum Company	992,700	\$ 53,546,238
Burlington Resources Inc.	1,550,500	53,042,605
Conoco Inc., Class A	1,950,000	49,588,500
		<u>156,177,343</u>
Diversified Conglomerates—1.1%		
Textron, Inc.	1,000,000	\$ 33,610,000
Recreation & Entertainment—3.2%		
Brunswick Corporation	2,576,700	\$ 42,438,249
Carnival Corporation	1,500,000	33,030,000
Park Place Entertainment Corporation (a)	3,391,300	24,858,229
		<u>100,326,478</u>
Total Common Stocks (Cost: \$2,652,596,710)		2,810,020,440
Short Term Investments—7.0%		
U.S. Government Bills—1.3%		
United States Treasury Bills, 3.35 - 3.69% due 11/15/2001 -1/31/2002	\$40,000,000	\$ 39,753,510
Total U.S. Government Bills (Cost: \$39,683,693)		39,753,510
Commercial Paper—2.9%		
Citicorp, 3.51% due 10/1/2001	\$20,000,000	\$ 20,000,000
American Express Credit Corporation, 2.90% due 10/5/2001	20,000,000	20,000,000
General Electric Capital Corporation, 3.25% due 10/1/2001	50,000,000	50,000,000
		<u>90,000,000</u>
Total Commercial Paper (Cost: \$90,000,000)		90,000,000
Repurchase Agreements—2.8%		
State Street Repurchase Agreement, 3.05% due 10/1/2001, repurchase price \$88,465,479, collateralized by U.S. Treasury Bonds	\$88,443,000	\$ 88,443,000
Total Repurchase Agreements (Cost: \$88,443,000)		88,443,000
Total Short Term Investments (Cost: \$218,126,694)		218,196,510
Total Investments (Cost \$2,870,723,403)—97.4% (b)		\$3,028,216,950
Other Assets In Excess Of Other Liabilities—2.6%		<u>81,011,553</u>
Total Net Assets—100%		<u>\$3,109,228,503</u>

(a) Non-income producing security.

(b) At September 30, 2001, net unrealized appreciation of \$157,493,547, for federal income tax purposes, consisted of gross unrealized appreciation of \$364,570,741 and gross unrealized depreciation of \$207,077,194.

THE OAKMARK SELECT FUND

Report from Bill Nygren and Henry Berghoef, Portfolio Managers

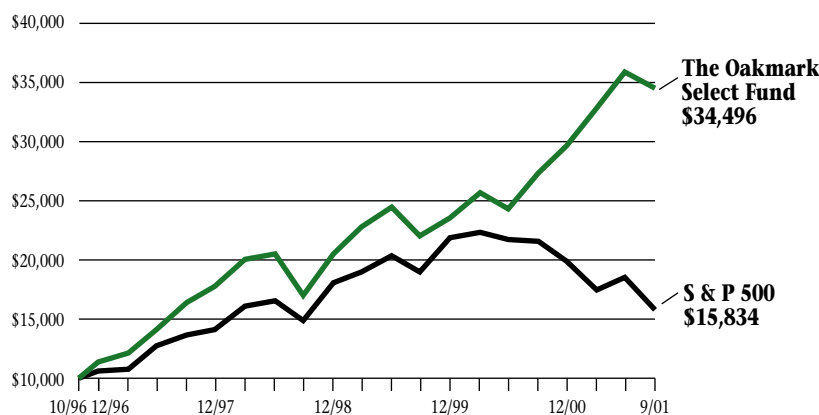


The Oakmark Select Fund lost 4% for the quarter, significantly outperforming the 17% loss in the S&P Midcap 400 and the 15% loss in the S&P 500. For the calendar year-to-date and fiscal year, The Oakmark Select Fund gained 16% and 26% respectively, compared to double-digit losses for both indices over both periods.

During the quarter, strong performances by several of our holdings allowed us to lose so little relative to the market. First, Office Depot increased by nearly one-third with most of that gain occurring shortly after the disclosure in August that Warren Buffett's Berkshire Hathaway had acquired a stake in the company. We continue to be impressed by Office Depot's growing and profitable Internet business and the U.S. retail store turnaround being engineered by CEO Bruce Nelson. In addition to Office Depot, stocks of businesses relatively unaffected by the slowing economy also performed well—H&R Block, Sprint and Moody's each had gains of around 10%.

AT&T, a relatively new holding, also appreciated about 10% in the quarter. In July, a large cable operator, Comcast, approached AT&T about the possibility of issuing Comcast stock—to be distributed to AT&T shareholders—in exchange for acquiring the cable assets known as AT&T Broadband. We purchased AT&T stock last Fall believing that its disparate business units—business and residential long distance, AT&T Wireless and AT&T Broadband—represented underlying value far in excess of the AT&T stock price. In July, AT&T distributed to shareholders its stock in AT&T Wireless and now is focusing on extracting the maximum value from the Broadband

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (9/30/01) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX⁴



Average Annual Total Returns¹

(as of 9/30/01)

	Year to Date Total Return* (as of 9/30/01)	1-year	Since Inception (11/1/96)
Oakmark Select Fund	16.40%	25.75%	28.63%
S&P 500	-20.39%	-26.62%	9.80%
S&P MidCap 400 ⁷	-15.76%	-19.00%	13.84%
Lipper Mid Cap Value Index ⁸	-6.88%	-4.92%	8.18%

Past performance is no guarantee of future results. Investment return and principal value vary, and you may have a gain or loss when you sell shares. Average annual total return measures annualized change, while total return measures aggregate change. The graph and table do not reflect the deduction of taxes that you would pay on Fund distributions or redemption of Fund shares.

* Not annualized

assets. We believe that despite a price increase of over 40% this year, AT&T stock continues to sell at a discount to its business value and are pleased with the actions of AT&T's management and board in their pursuit of value-maximizing transactions.

Looking back, it was another good fiscal year for our stock selection. In 1998 and 1999, when it seemed like everyone was outperforming us just by owning technology stocks, some wondered if our research team and its approach had become obsolete. We don't get those questions anymore! In fiscal 2001, 75% of our holdings performed better than market, and 65% actually had positive returns. Our biggest gainers were H&R Block and Office Depot, but the largest contributor to the fund's positive performance was our largest holding, Washington Mutual. In last quarter's report, we extensively discussed the many reasons why we like Washington Mutual and, despite its strong performance, continue to want it to be the Fund's largest holding. Without covering all that ground again, we should simply point out that as risk has increased in the economy, we expect more investors to appreciate Washington Mutual's lower risk profile.

Highlights

- For the fiscal year ending 9/30 the largest contributor to positive performance was Washington Mutual. Despite strong performance we believe it still deserves to be the Fund's largest holding.
- Office Depot, AT&T, H&R Block, Sprint, and Moody's also turned in strong performances for the quarter.
- The 2001 capital gains distribution will be zero.

Among the stocks that declined in value this year were two holdings—USG and US Industries—which were sold at large losses after we concluded that business values had permanently been impaired. The other decliners—Ceridian, Energizer and Visteon—are suffering from cyclically depressed results, but we continue to believe they are undervalued businesses run by shareholder friendly management where intrinsic value is likely to be substantially higher in the future.

The only good thing that resulted from selling stocks in which we lost money was that we captured tax losses. Those losses more than offset the gains we realized on profitable sales, so we will have zero taxable gains to distribute this year. When we started The Oakmark Select Fund nearly five years ago, most mutual funds were concerned only about their pre-tax returns. We, however, explicitly stated our goal of maximizing after-tax returns. While we have been very pleased with our pre-tax returns, we are especially proud of how little of our pre-tax return has been lost to taxes.

Average Annual Total Returns¹ (as of 9/30/01)

	Year to Date Total Return* (as of 9/30/01)	1-year	Since Inception (11/1/96)
Oakmark Select²¹			
Return before taxes	16.40%	25.75%	28.63%
Return after taxes	16.40%	23.69%	26.87%
Return after taxes on distributions and sale of Fund shares	9.90%	16.37%	24.04%

Past performance, before and after taxes, cannot predict future investment results. * Not annualized

As explained in more detail in The Oakmark Fund report, we believe the outlook for the market and for us as stock pickers is positive. Although our portfolio has performed well, much of the market has been experiencing lower prices for the last year-and-a-half. Our goal, as always, is to concentrate The Oakmark Select Fund assets in our favorite stocks. There were no changes in our holdings last quarter, but we continue to scour the fallen angels in an attempt to either increase the portfolio's expected return or decrease its risk. Thank you for your continued support.



William C. Nygren, CFA

Henry R. Berghoef, CFA

Portfolio Manager
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Portfolio Manager
berghoef@oakmark.com

October 4, 2001

THE OAKMARK SELECT FUND

Schedule of Investments—September 30, 2001

	Shares Held	Market Value
Common Stocks—91.3%		
Apparel—2.3%		
Liz Claiborne, Inc.	2,563,200	\$ 96,632,640
Retail—16.9%		
Toys 'Я' Us, Inc. (a)(b)	12,223,500	\$ 210,610,905
The Kroger Co. (a)	7,000,000	172,480,000
Office Depot, Inc. (a)	12,546,000	170,625,600
Tricon Global Restaurants, Inc. (a)	4,015,400	157,483,988
		<u>711,200,493</u>
Household Products—2.4%		
Energizer Holdings, Inc. (a)(b)	5,997,300	\$ 99,675,126
Other Consumer Goods & Services—11.2%		
H&R Block, Inc.	8,110,400	\$ 312,737,024
Mattel, Inc.	10,073,000	157,743,180
		<u>470,480,204</u>
Bank & Thrifts—16.1%		
Washington Mutual, Inc.	17,519,700	\$ 674,158,056
Information Services—8.9%		
Moody's Corporation	4,143,600	\$ 153,313,200
The Dun & Bradstreet Corporation (a)(b)	4,928,500	137,998,000
Ceridian Corporation (a)	5,834,500	84,600,250
		<u>375,911,450</u>
Computer Services—8.6%		
Electronic Data Systems Corporation	3,250,900	\$ 187,186,822
First Data Corporation	2,965,200	172,752,552
		<u>359,939,374</u>
Computer Software—2.8%		
The Reynolds and Reynolds Company, Class A (b)	5,079,700	\$ 118,357,010
Telecommunications—8.8%		
AT&T Corp.	10,268,000	\$ 198,172,400
Sprint Corporation	7,209,000	173,088,090
		<u>371,260,490</u>
Publishing—3.5%		
Knight-Ridder, Inc.	2,606,500	\$ 145,573,025
Pharmaceuticals—3.8%		
Chiron Corporation (a)	3,572,400	\$ 158,507,388

THE OAKMARK SELECT FUND

Schedule of Investments—September 30, 2001 cont.

	Shares Held/ Par Value	Market Value
Common Stocks—91.3% (cont.)		
Automotive—1.9%		
Visteon Corporation	6,184,400	\$ 78,851,100
Oil & Natural Gas—4.1%		
Burlington Resources Inc.	5,024,500	\$ 171,888,145
Total Common Stocks (Cost: \$3,081,214,225)		3,832,434,501
Short Term Investments—8.1%		
U.S. Government Bills—0.5%		
United States Treasury Bills, 3.35% due 1/24/2002	\$20,000,000	\$ 19,851,779
Total U.S. Government Bills (Cost: \$19,785,972)		19,851,779
Commercial Paper—5.5%		
Citicorp, 2.35% - 3.51% due 10/1/2001 - 10/10/2001	\$60,000,000	\$ 60,000,000
American Express Credit Corporation, 2.44% due 10/5/2001 - 10/15/2001	60,000,000	60,000,000
Ford Motor Credit Corp., 2.45% - 3.00% due 10/2/2001 - 10/12/2001	60,000,000	60,000,000
General Electric Capital Corporation, 3.25% due 10/1/2001	50,000,000	<u>50,000,000</u>
Total Commercial Paper (Cost: \$230,000,000)		230,000,000
Repurchase Agreements—2.1%		
State Street Repurchase Agreement, 3.05% due 10/1/2001, repurchase price \$90,701,047 collateralized by U.S. Treasury Bonds	\$90,678,000	\$ 90,678,000
Total Repurchase Agreements (Cost: \$90,678,000)		90,678,000
Total Short Term Investments (Cost: \$340,463,972)		340,529,779
Total Investments (Cost \$3,421,678,197) — 99.4% (c)		\$ 4,172,964,280
Other Assets In Excess Of Other Liabilities — 0.6%		<u>23,776,551</u>
Total Net Assets — 100%		<u>\$4,196,740,831</u>

(a) Non-income producing security.

(b) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.

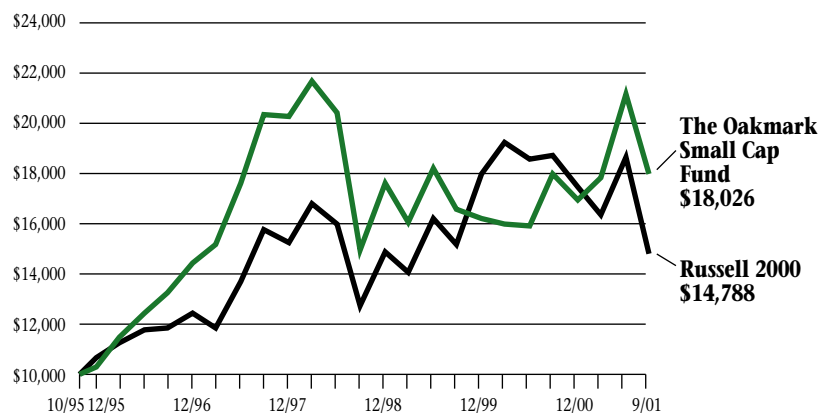
(c) At September 30, 2001, net unrealized appreciation of \$751,286,083, for federal income tax purposes, consisted of gross unrealized appreciation of \$834,734,223 and gross unrealized depreciation of \$83,448,140.

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 (9/30/01) AS COMPARED TO THE RUSSELL 2000 INDEX⁹



The third calendar quarter of 2001 was difficult as nervousness concerning the slowing economy, combined with September's tragic events, caused a steep decline in the prices of U.S. equities. Additionally, the flight to quality that typically accompanies periods of national crisis resulted in small cap stocks underperforming their larger cap peers. The Russell 2000 small cap index declined 21% for the just ended quarter and on a year-to-date basis this index of small company stocks was down 15%. We feel fortunate to report that your Fund, while down by 15% in the most recent quarter, still is in positive territory for 2001 with a gain of 6%. Despite last quarter's challenges, your Fund widened its year-to-date performance relative to the Russell 2000 from 18% at the end of June to 21% at the close of September. We believe the current jumbled investment environment has created incremental potential for our group of analysts to find fundamentally undervalued small cap stocks and we are working diligently to identify stocks with excellent expected future returns.

Uncertain Times

Little did we realize three months ago, when we wrote to our shareholders about preparing the Fund's portfolio for uncertain times, that the uncertainty would reach such unprecedented levels so soon. As we wrote to you last quarter: "During the past few quarters we have actively migrated the investments within the portfolio toward companies that have an above average probability of thriving during sluggish economic times. If you were to view the Fund's portfolio as a single entity you would notice that we have been upgrading the portfolio's financial dynamics. We have been buying

Average Annual Total Returns¹

	Year to Date Total Return* (as of 9/30/01)	1-year	5-year	Since Inception (11/1/95)
Oakmark Small Cap Fund	6.43%	0.07%	6.35%	10.46%
Russell 2000	-15.36%	-21.21%	4.54%	6.83%
S&P Small Cap 600 ¹⁰	-11.72%	-10.62%	7.76%	10.05%
Lipper Small Cap Value Index ¹¹	-1.14%	2.33%	8.69%	10.05%

Past performance is no guarantee of future results. Investment return and principal value vary, and you may have a gain or loss when you sell shares. Average annual total return measures annualized change, while total return measures aggregate change.

* Not annualized

stocks in companies that have strong balance sheets, good levels of cash flow per dollar invested, growth potential over time and bright managements that are committed to enhancing shareholder value. Our goal is to not only own companies that are well positioned to benefit when economic growth resumes, but also own those firms that can handle a period of economic contraction. By positioning your Fund's investments in this fashion we hope to realize above average investment returns regardless of the economic environment."

The aforementioned comments not only remain pertinent, but by positioning the portfolio's investments in this fashion, we have entered this period of great economic uncertainty with only modest concern about the financial viability of most of the companies in which we have invested. That is not to say several of our companies will not suffer short-term hits to their operations, but rather these firms have the financial staying power to emerge from this period of uncertainty as strong and vibrant competitors in their respective businesses. As we search for new investments for the Fund, we anticipate our bias for financially robust firms will continue to be key in selecting stocks that are added to the Fund's portfolio.

Managing Investments During Turmoil

The events of recent weeks have been emotionally unsettling, but for long-term optimists like us we see numerous opportunities. After the markets reopened on September 17th, we were able to add to many of our positions at good prices as we utilized some of the cash that the Fund

Highlights

- Flight to quality that typically accompanies periods of national crisis resulted in small cap stocks underperforming large cap peers. However, we expect the rebound in small cap value that began in 2000 to continue despite recent volatility, and to persist for the next few years.
- As the markets regained some stability after 9/17, we added to many positions at attractive prices. These trades not only upgraded the portfolio but also brought our estimated distribution to zero as of September 30.
- We added six new stocks and sold two stocks. All new purchases are companies with above-average balance sheet strength operating in diverse industries.

had been holding awaiting lower stock prices. As the markets regained some stability we undertook some trades that not only upgraded the portfolio but also brought our estimated distribution down to zero as of September 30 with one month to go in the Fund's tax year. It is our intention to try and keep the potential distribution at zero, but in a volatile stock market no firm promises can be made. The Fund's portfolio grew by four positions to stand at fifty stocks at the end of the third calendar quarter. We added six new stocks and sold two stocks. We sold Heidrick & Struggles and Spherion Corp. due to deteriorating outlooks. We initiated positions in Cabot Oil & Gas, Grey Global Group, MCSi Inc., Measurement Specialties, Mentor Graphics and Optimal Robotics.

All of our new purchases are companies with well above average balance sheet strength. Cabot Oil & Gas is an asset rich petroleum company with a stock that trades at a significant discount to our estimate of what their reserves are worth. Grey Global is an advertising agency with an underappreciated ability to generate future cash flow. MCSi Inc. is the leading firm that installs and services video conferencing equipment while Measurement Specialties is a growing provider of sensors to industrial and retail consumers. Mentor Graphics, a maker of software design tools for the semiconductor industry, reentered the portfolio. We originally bought this stock at prices under \$15 in March 2000 and sold those shares in December at prices above \$25. We have been able to reacquire Mentor shares in the mid-teens. Finally, we purchased a small position in Optimal Robotics, a rapidly growing, cash rich manufacturer of self-service checkout systems for grocery and general merchandise retailers. We believe that these new investments in financially strong companies in diverse industries should aid the Fund's future performance.

Opportunities In Technology Stocks

In general, technology stocks have been a difficult sector in which to achieve positive investment returns over the past couple of years. While we are not known for our technology investments since they typically comprise less than 15% of the Fund's total assets, we have invested in and will in the future invest in technology companies. Firms that meet our investment criteria usually have either very solid business models in non-commodity niches and/or undervalued assets on their balance sheets. This disciplined approach has only yielded ten technology related investments for your Fund since January 1, 1999. However, these ten investments have resulted in net realized and unrealized gains of over \$43 million for your Fund through September 30, 2001. By being selective our

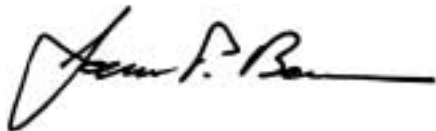
technology investments have resulted in six stocks achieving significant gains, two were approximately breakeven performers and two suffered losses.

Mentor Graphics fits our investment parameters. First, Mentor has a rock solid balance sheet with minimal debt and over \$2 per share in net cash. Second, Mentor has a strong and growing market share with its customers, and the company's research & development efforts continue to yield exciting new products. Finally, Mentor trades at less than eight times our estimate of 2002 cash flow which is a modest valuation based upon both Mentor's expected growth rate and the current low level of interest rates. Therefore, based upon these favorable factors, we have recently reestablished a position in Mentor for your Fund.

The Future

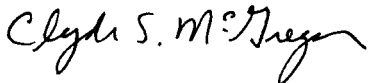
Many small cap stocks are selling at very compelling valuations. Therefore, we continue to expect the rebound in small cap value stocks that began in 2000 will, despite the recent volatility, likely persist for the next few years.

We sincerely thank our shareholders for your steadfast support of The Oakmark Small Cap Fund.



James P. Benson, CFA

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Clyde S. McGregor, CFA

Portfolio Manager
mcgregor@oakmark.com

October 5, 2001

THE OAKMARK SMALL CAP FUND

Schedule of Investments—September 30, 2001

Name	Shares Held	Market Value
Common Stocks—93.8%		
Food & Beverage—7.2%		
Ralcorp Holdings, Inc. (a)	579,000	\$ 11,267,340
Del Monte Foods Company (a)	1,020,000	7,854,000
		<u>19,121,340</u>
Apparel—1.4%		
R.G. Barry Corporation (a)(d)	907,000	\$ 3,664,280
Retail—3.3%		
ShopKo Stores, Inc. (a)	936,000	\$ 7,759,440
Ugly Duckling Corporation (a)	370,000	1,024,900
		<u>8,784,340</u>
Office Equipment—2.2%		
InFocus Corporation (a)	357,500	\$ 4,665,375
MCSi, Inc. (a)	75,000	1,208,250
		<u>5,873,625</u>
Other Consumer Goods & Services—3.5%		
Department 56, Inc. (a)	600,000	\$ 3,810,000
Central Parking Corporation	250,000	3,497,500
American Greetings Corporation, Class A	150,000	1,986,000
		<u>9,293,500</u>
Bank & Thrifts—10.1%		
BankAtlantic Bancorp, Inc., Class A	1,023,700	\$ 10,339,370
People's Bank of Bridgeport, Connecticut	325,000	7,215,000
Golden State Bancorp Inc.	190,000	5,776,000
PennFed Financial Services, Inc.	150,000	3,372,000
		<u>26,702,370</u>
Insurance—4.7%		
The PMI Group, Inc.	200,000	\$ 12,478,000
Other Financial—2.3%		
NCO Group, Inc. (a)	450,000	\$ 6,156,000
Hotels & Motels—2.9%		
Prime Hospitality Corp. (a)	860,000	\$ 7,568,000
Educational Services—4.2%		
ITT Educational Services, Inc. (a)	349,800	\$ 11,193,600
Marketing Services—0.2%		
Grey Global Group Inc.	1,000	\$ 553,000
Data Storage—1.6%		
Imation Corp. (a)	200,000	\$ 4,180,000

THE OAKMARK SMALL CAP FUND

Schedule of Investments—September 30, 2001 cont.

Name	Shares Held	Market Value
Common Stocks—93.8% (cont.)		
Computer Services—2.7%		
CIBER, Inc. (a)	960,000	\$ 6,048,000
Interland, Inc. (a)	1,050,000	<u>1,102,500</u>
		7,150,500
Computer Software—7.8%		
MSC.Software Corp. (a)	625,000	\$ 10,062,500
Mentor Graphics Corporation (a)	520,000	7,165,600
SilverStream Software, Inc. (a)	700,000	2,604,000
Symantec Corporation (a)	20,000	<u>693,400</u>
		20,525,500
Computer Systems—0.5%		
Optimal Robotics Corp., Class A (a)	50,000	\$ 1,225,000
Security Systems—3.8%		
Checkpoint Systems, Inc. (a)	910,000	\$ 9,946,300
Pharmaceuticals—2.1%		
Elan Corporation plc (a)(b)	115,000	\$ 5,571,750
Medical Research—1.0%		
Covance Inc. (a)	155,000	\$ 2,776,050
Medical Products—5.9%		
CONMED Corporation (a)	322,500	\$ 5,708,250
Sybron Dental Specialties, Inc. (a)	250,000	4,650,000
Hanger Orthopedic Group, Inc. (a)(d)	960,000	3,552,000
ORATEC Interventions, Inc. (a)	250,000	<u>1,730,000</u>
		15,640,250
Automotive—0.5%		
Standard Motor Products, Inc.	120,000	\$ 1,404,000
Automobile Rentals—1.2%		
Dollar Thrifty Automotive Group, Inc. (a)	310,000	\$ 3,084,500
Transportation Services—3.2%		
Teekay Shipping Corporation (c)	250,000	\$ 7,795,000
Frontline Limited (c)	75,000	<u>682,500</u>
		8,477,500
Instruments—4.4%		
IDEXX Laboratories, Inc. (a)	400,000	\$ 9,348,000
Measurement Specialties, Inc. (a)	225,000	<u>2,225,250</u>
		11,573,250
Machinery & Industrial Processing—2.1%		
Columbus McKinnon Corporation	525,000	\$ 5,460,000

THE OAKMARK SMALL CAP FUND

Schedule of Investments—September 30, 2001 cont.

	Shares Held/ Par Value	Market Value
Common Stocks—93.8% (cont.)		
Chemicals—2.1%		
H.B. Fuller Company	70,000	\$ 3,206,000
Georgia Gulf Corporation	150,000	2,410,500
		<u>5,616,500</u>
Oil & Natural Gas—4.8%		
St. Mary Land & Exploration Company	300,000	\$ 4,779,000
Cabot Oil & Gas Corporation, Class A	200,000	3,990,000
Berry Petroleum Company, Class A	250,000	3,862,500
		<u>12,631,500</u>
Other Industrial Goods & Services—1.3%		
Intergrated Electrical Services, Inc. (a)	360,000	\$ 1,980,000
Gardner Denver Inc. (a)	65,000	1,443,000
		<u>3,423,000</u>
Real Estate—6.8%		
Catellus Development Corporation (a)	750,000	\$ 13,110,000
Trammell Crow Company (a)	500,000	5,000,000
		<u>18,110,000</u>
Total Common Stocks (Cost: \$255,152,479)		248,183,655
Short Term Investments—3.6%		
Commercial Paper—1.9%		
General Electric Capital Corporation, 3.25% due 10/1/2001	\$5,000,000	\$ 5,000,000
Total Commercial Paper (Cost: \$5,000,000)		5,000,000
Repurchase Agreements—1.7%		
State Street Repurchase Agreement, 3.05% due 10/1/2001, repurchase price \$4,565,160, collateralized by U.S. Treasury Bonds	\$4,564,000	\$ 4,564,000
Total Repurchase Agreements (Cost: \$4,564,000)		4,564,000
Total Short Term Investments (Cost: \$9,564,000)		9,564,000
Total Investments (Cost \$264,716,479)—97.4% (e)		\$ 257,747,655
Other Assets In Excess Of Other Liabilities—2.6%		<u>6,864,550</u>
Total Net Assets—100%		<u>\$264,612,205</u>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) Represents foreign domiciled corporation.

(d) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.

(e) At September 30, 2001, net unrealized depreciation of \$6,968,824, for federal income tax purposes, consisted of gross unrealized appreciation of \$43,469,101 and gross unrealized depreciation of \$50,437,925.

THE OAKMARK EQUITY AND INCOME FUND

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



Quarter and Annual Review

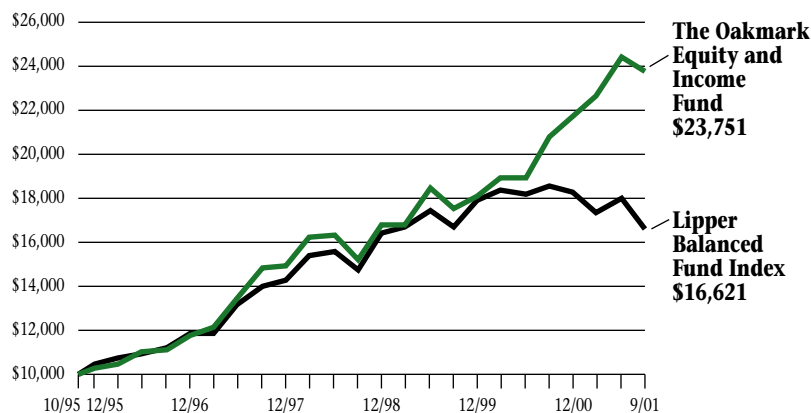
Despite ending at a difficult moment, fiscal 2001 proved to be another profitable period for The Oakmark Equity and Income Fund. The return for the twelve months was 14%, which contrasts with a loss of 10% for the Lipper Balanced Fund Index, our primary standard of comparison. The September quarter itself, however, was not positive as the stock market's drastic downturn overwhelmed the moderate gains we realized from bonds. For the quarter, the Fund declined 3%, again far better than the 8% loss that the Lipper posted.

Oakmark Equity and Income garnered many new shareholders over the last twelve months, so a brief refresher course on some of our firm's guiding principles may be appropriate. Our first three rules of investing are "Don't lose money," "Don't lose money," "Don't lose money." The power of negative returns has been amply demonstrated over the last 18 months. Mathematics dictates that a loss of 20% in a period requires a gain of 25% in the subsequent period just to get back to the starting point. Turning to our recent results for the Fund, we are grateful to have bested our standard of comparison in the quarter, but we are unimpressed with the absolute outcome. The quarter was the third to lose money in the Fund's 23-quarter lifespan. Our goal is to improve upon that record.

Outlook in the Aftermath

Even before September 11th the US economy appeared to be headed for a period of torpor. Given the horrors of that date and the subsequent layoffs, bankruptcies, etc., a recession seems probable. Speaking only about the economy, September 11th not only diminished consumer and

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (9/30/01) AS COMPARED TO THE LIPPER BALANCED FUND INDEX¹²



Average Annual Total Returns¹

(as of 9/30/01)

	Year to Date Total Return* (as of 9/30/01)	1-year	5-year	Since Inception (11/1/95)
Oakmark Equity and Income Fund	9.34%	14.40%	16.40%	15.73%
S&P 500 ⁴	-20.39%	-26.62%	10.22%	12.08%
Lehman Govt./Corp. Bond ¹³	8.44%	13.17%	8.00%	7.25%
Lipper Balanced Index	-9.13%	-10.33%	8.19%	8.96%

Past performance is no guarantee of future results. Investment return and principal value vary, and you may have a gain or loss when you sell shares. Average annual total return measures annualized change, while total return measures aggregate change.

* Not annualized

investor confidence but also introduced new taxes on business in the guise of security measures.

Since September 11th, economists and clients have suggested many possible paths for the economy. Over the last month our clients have frequently espoused the hypothesis that major acts of terrorism will become a regular feature of our socio-political environment. Another common model has the United States repeating the Japanese experience of the previous decade. In this model American consumers lose their natural ebullience and government fiscal and monetary policy fail to stimulate economic recovery. In either of these economic scenarios, the investing environment would be extremely difficult.

We have no more ability to forecast the economy successfully than we do to predict when (or if) acts of terrorism may hit. We do believe that in our country the process of reversion to the mean is very powerful and that extreme outcomes for the economy or stocks tend to be unsustainable. In this cycle government leadership initiated efforts to head off recession far earlier than is usually the case, and the new spirit of bipartisanship may enable additional stimulus efforts to be enacted quickly. We believe our most appropriate course of action for you, our shareholders, is to continue to invest according to the tenets of our value-based investing style. In this manner we attempt to make sense of a world and investing environment that periodically does not make sense.

What Did We Do?

Historically this quarter's report has focused on the Fund's successful holdings of the previous 12 months. Given the unprecedented events in September, we will break with tradition and recount our actions in the last two weeks of that month. This exercise will demonstrate both our inability to forecast the future correctly and the positive attributes of adhering to our investing approach.

The stock market was closed from September 11th through Friday, the 15th. This gave us time to prepare for a challenging market opening on the following Monday. Our first thought was that shareholders of all mutual funds would become more risk-averse and that redemptions from Equity and Income were likely. We also observed that during the period our markets were closed foreign stock markets sank while the prices of oil and gold rallied. We believed the equity portion of the Fund was favorably positioned with minimal exposure to the most affected industries while the largest industry exposure was

Highlights

- The Fund returned 14% for the 12-month period ending 9/30, compared to a loss of 10% for the Lipper Balanced Fund Index.
- We initiated positions in eight stocks and two bonds after the market reopened on 9/17, as the Fund received positive cash flow from our investors over the period.
- After drastic price declines, new stock purchases we made included industrial conglomerates, a hotel company, a retailer, an advertising agency, and an energy name. We also found timely buys in the fixed-income sector as rattled sellers sought liquidity.

in energy. Accordingly, we prepared to react to three possibilities: significant redemptions from the Fund, a strong rally in energy stocks that could be a selling opportunity, and potential buying opportunities in insurance and travel-related issues.

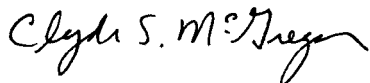
So how effective did our preparations prove? To our surprise, the Fund received positive cash flow from our investors over the period. Second, energy prices sank like a stone on the morning the stock market reopened, pulling the prices of our energy company holdings down. Our readiness to buy issues with depressed prices, however, did prove fruitful.

We initiated positions in eight stocks and two bonds after the market reopened. PartnerRe, a Bermuda-based reinsurance company and previous holding of the fund, has enjoyed such a vigorous recovery from its post-9/11 bottom that the stock is today the Fund's largest holding. Other new positions we purchased after drastic price declines include industrial conglomerates (Cooper, Dover, and Textron), a hotel company (Starwood), a retailer (Gap), an advertising agency (Interpublic), and another energy name (Cabot Oil & Gas). We also found timely buys in the fixed income sector as rattled sellers sought liquidity wherever they could find it. We purchased the bonds of Park Place Entertainment and Rite Aid at prices that we estimate to offer the return potential of an equity holding.

The obvious conclusion is that we serve our clients best when we stick to our knitting: constructing a portfolio by


the disciplined application of our value-investing style to the opportunities the markets present to us. And, the corollary to this rule is that the best opportunities arise when we are buying from an “informationless” seller, *i.e.* an investor who is selling because of reasons that have nothing to do with fundamental knowledge of the investment.

In closing, we once again thank you our shareholders for your support and loyalty through this difficult time. Your constancy has made our job easier. We all pray that our next letter will cover a more tranquil time period. In the meantime we welcome your e-mailed questions or comments.



Clyde S. McGregor, CFA

Portfolio Manager
mcgregor@oakmark.com



Edward A. Studzinski, CFA

Portfolio Manager
estudzinski@oakmark.com

October 4, 2001

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 2001

	Shares Held	Market Value
Equity and Equivalents—57.6%		
Food & Beverage—3.0%		
UST Inc.	560,000	\$ 18,592,000
Retail—3.6%		
Office Depot, Inc. (a)	980,000	\$ 13,328,000
J.C. Penney Company, Inc.	350,000	7,665,000
The Gap, Inc.	125,000	<u>1,493,750</u>
		22,486,750
Household Products—0.2%		
Energizer Holdings, Inc. (a)	80,000	\$ 1,329,600
Bank & Thrifts—2.2%		
U.S. Bancorp	610,703	\$ 13,545,393
Insurance—6.5%		
PartnerRe Ltd. (b)	440,600	\$ 20,752,260
SAFECO Corporation	650,000	<u>19,714,500</u>
		40,466,760
Other Financial—2.7%		
GATX Corporation	500,000	\$ 16,820,000
Hotels & Motels—0.7%		
Starwood Hotels & Resorts Worldwide, Inc.	200,000	\$ 4,400,000
Marketing Services—0.3%		
The Interpublic Group of Companies, Inc.	100,000	\$ 2,040,000
Information Services—1.6%		
Ceridian Corporation (a)	705,000	\$ 10,222,500
Computer Software—5.4%		
Novell, Inc. (a)	3,500,000	\$ 12,810,000
Synopsys, Inc. (a)	275,000	11,030,222
The Reynolds and Reynolds Company, Class A	414,000	<u>9,646,200</u>
		33,486,422
Printing—1.5%		
Valassis Communications, Inc. (a)	289,400	\$ 9,234,754
Pharmaceuticals—4.9%		
Watson Pharmaceuticals, Inc. (a)	336,000	\$ 18,382,560
Chiron Corporation (a)	270,000	<u>11,979,900</u>
		30,362,460
Medical Products—3.4%		
Sybron Dental Specialties, Inc. (a)	341,666	\$ 6,354,988
Edwards Lifesciences Corporation (a)	275,000	6,160,000
Guidant Corporation (a)	125,000	4,812,500
Apogent Technologies Inc. (a)	150,000	<u>3,585,000</u>
		20,912,488

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 2001 cont.

	Shares Held	Market Value
Equity and Equivalents—57.6% (cont.)		
Transportation Services—0.2%		
Nordic American Tanker Shipping Limited (b)	96,900	\$ 1,452,531
Aerospace & Defense—1.9%		
Rockwell Collins	823,600	\$ 11,695,120
Agricultural Equipment—0.3%		
Alamo Group Inc.	141,900	\$ 1,827,672
Instruments—0.7%		
Varian Inc. (a)	177,900	\$ 4,532,892
Machinery & Industrial Processing—3.9%		
Cooper Industries, Inc.	300,000	\$ 12,441,000
Rockwell International Corporation	811,000	11,905,480
		<u>24,346,480</u>
Forestry Products—2.3%		
Georgia-Pacific Corporation (Timber Group)	401,200	\$ 14,531,464
Oil & Natural Gas—8.4%		
XTO Energy, Inc.	1,328,000	\$ 18,525,600
Conoco Inc.	675,000	17,165,250
St. Mary Land & Exploration Company	780,000	12,425,400
Berry Petroleum Company	148,100	2,288,145
Cabot Oil & Gas Corporation	85,500	1,705,725
		<u>52,110,120</u>
Real Estate—1.9%		
Catellus Development Corporation (a)	695,900	\$ 12,164,332
Diversified Conglomerates—2.0%		
Textron, Inc.	286,100	\$ 9,615,821
Dover Corporation	100,000	3,011,000
		<u>12,626,821</u>
Total Equity and Equivalents (Cost: \$362,269,593)		359,186,559
Fixed Income—29.3%		
Preferred Stock—0.5%		
Bank & Thrifts—0.3%		
BBC Capital Trust I, Preferred, 9.50%	48,000	\$ 1,183,200
Pennfed Capital Trust, Preferred, 8.90%	27,500	694,375
Fidelity Capital Trust I, Preferred, 8.375%	43,500	426,300
		<u>2,303,875</u>
Telecommunications—0.1%		
MediaOne Finance Trust III, Preferred, 9.04%	20,000	\$ 510,000

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 2001 cont.

	Shares Held/ Par Value	Market Value
Fixed Income—29.3% (cont.)		
Real Estate—0.1%		
Host Marriott Corporation, Preferred Class B, 10.00%	21,000	\$ 483,000
Host Marriott Corporation, Preferred Class A, 10.00%	5,000	113,600
		<u>596,600</u>
Total Preferred Stock (Cost: \$3,350,448)		3,410,475
Corporate Bonds—1.5%		
Retail—0.4%		
Rite Aid Corporation, 7.625% due 4/15/2005, Senior Notes	\$ 2,000,000	\$ 1,760,000
Ugly Duckling Corporation, 12.00% due 10/15/2003, Subordinated Debenture	650,000	520,000
		<u>2,280,000</u>
Office Equipment—0.1%		
Xerox Capital Europe Plc, 5.75% due 5/15/2002	\$ 500,000	\$ 474,830
Hotels & Motels—0.5%		
Park Place Entertainment, 7.00% due 7/15/2004, Senior Notes	\$ 2,700,000	\$ 2,679,658
Park Place Entertainment, 7.375% due 6/1/2002, Senior Notes	320,000	322,112
		<u>3,001,770</u>
TV Programming—0.3%		
Liberty Media Corporation, 8.25% due 2/1/2030, Debenture	\$ 2,500,000	\$ 2,224,510
Building Materials & Construction—0.1%		
Juno Lighting, Inc., 11.875% due 7/1/2009, Senior Subordinated Note	\$ 750,000	\$ 690,000
Utilities—0.1%		
Midland Funding Corporation, 11.75% due 7/23/2005	\$ 500,000	\$ 559,375
Total Corporate Bonds (Cost: \$9,369,855)		9,230,485
Government and Agency Securities—27.3%		
U.S. Government Notes—26.4%		
United States Treasury Notes, 3.375% due 1/15/2007, Inflation Indexed	\$42,576,720	\$ 43,800,801
United States Treasury Notes, 10.75% due 8/15/2005	20,000,000	25,040,620
United States Treasury Notes, 7.00% due 7/15/2006	20,000,000	22,655,460
United States Treasury Notes, 6.625% due 5/15/2007	20,000,000	22,512,500
United States Treasury Notes, 11.875% due 11/15/2003	15,000,000	17,728,710
United States Treasury Notes, 7.875% due 11/15/2004	15,000,000	16,958,790
United States Treasury Notes, 7.25% due 8/15/2004	5,000,000	5,541,600
United States Treasury Notes, 5.25% due 5/15/2004	5,000,000	5,267,190
United States Treasury Notes, 5.25% due 8/15/2003	5,000,000	5,220,655
		<u>164,726,326</u>

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—September 30, 2001 cont.

	Par Value	Market Value
Fixed Income—29.3% (cont.)		
U.S. Government Agencies—0.9%		
Federal Home Loan Bank, 6.75% due 5/1/2002	\$ 2,000,000	\$ 2,049,550
Federal Home Loan Bank, 7.85% due 6/7/2004, Consolidated Bond	1,250,000	1,295,501
Federal Home Loan Bank, 6.50% due 10/19/2001	1,000,000	1,016,071
Federal Home Loan Mortgage Corporation, 7.00% due 2/23/2016	1,000,000	<u>1,004,236</u>
		5,365,358
Total Government and Agency Securities (Cost: \$165,122,927)		170,091,684
Total Fixed Income (Cost: \$177,843,230)		182,732,644
Short Term Investments—14.3%		
Government and Agency Securities—3.2%		
U.S. Government Agencies—3.2%		
Federal Home Loan Bank, 2.75% due 10/9/2001, Discount Note	\$20,000,000	\$ 19,987,778
Total Government and Agency Securities (Cost: \$19,987,778)		19,987,778
Commercial Paper—8.0%		
Citicorp, 3.20% due 10/2/2001	\$10,000,000	\$ 10,000,000
American Express Credit Corporation, 3.35% due 10/1/2001	20,000,000	20,000,000
General Electric Capital Corporation, 3.25% due 10/1/2001	20,000,000	<u>20,000,000</u>
Total Commercial Paper (Cost: \$50,000,000)		50,000,000
Repurchase Agreements—3.1%		
State Street Repurchase Agreement, 3.05% due 10/1/2001, repurchase price \$18,844,789, collateralized by U.S. Treasury Bonds.	\$18,840,000	\$ 18,840,000
Total Repurchase Agreements (Cost: \$18,840,000)		18,840,000
Total Short Term Investments (Cost: \$88,827,778)		88,827,778
Total Investments (Cost \$628,940,601) - 101.2% (c)		\$ 630,746,981
Other Liabilities In Excess Of Other Assets - (1.2)%		<u>(7,390,585)</u>
Total Net Assets—100%		<u>\$ 623,356,396</u>

(a) Non-income producing security.

(b) Represents foreign domiciled security.

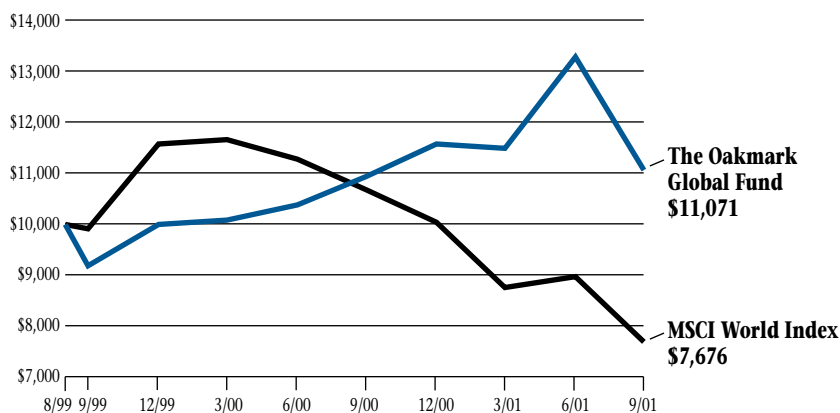
(c) At September 30, 2001, net unrealized appreciation of \$1,806,380, for federal income tax purposes, consisted of gross unrealized appreciation of \$29,993,999 and gross unrealized depreciation of \$28,187,619.

THE OAKMARK GLOBAL FUND

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



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK GLOBAL FUND FROM ITS INCEPTION (8/4/99) TO PRESENT (9/30/01) AS COMPARED TO THE MSCI WORLD INDEX¹⁴



Average Annual Total Returns¹

(as of 9/30/01)

	Year to Date Total Return* (as of 9/30/01)	1-year	Since Inception (8/4/99)
Oakmark Global Fund	-4.24%	1.37%	4.80%²
MSCI World	-23.40%	-28.20%	-11.48%
Lipper Global Index ¹⁵	-23.18%	-27.35%	-6.84%

Past performance is no guarantee of future results. Investment return and principal value vary, and you may have a gain or loss when you sell shares. Average annual total return measures annualized change, while total return measures aggregate change.

* Not annualized

Fellow Shareholders,

The Oakmark Global Fund suffered from significant declines in world equity markets this quarter, declining by 17% for the three-month period ending September 30, 2001. This performance was roughly in line with the MSCI World and the Lipper Global Fund indices, which were down 14% and 15%, respectively.

For the twelve-month period ending September 30, 2001, which represents our fiscal year end, The Oakmark Global Fund returned 1% compared to large declines of 28% and 27% for the MSCI World Index and the Lipper Global Fund Index, respectively. This significant out-performance by your Fund during these times of turbulent markets is a reflection of our focus on downside protection in the portfolio as well as capital appreciation.

Opportunities

We believe that in times of extraordinary share price volatility the markets usually provide greater long-term opportunity. More volatility usually creates greater gaps between share prices and intrinsic business value. In taking advantage of these opportunities, we strive to upgrade the quality of the portfolio while maintaining the same expected return. We focus on businesses with higher profitability, and higher growth; in short, companies that in most circumstances would be too expensive to meet our investment criteria. Two top ten positions that illustrate this are **Synopsys** and **Michael Page International (UK)**, both of which were added during the quarter.

Synopsys sells design automation solutions to the manufacturers of advanced semi-conductors. These software programs help chip companies design and test new chips. So far,

Synopsys' underlying business has been resilient to the downturn in the industry as chip companies usually cut back on R&D as a last resort. As indicated on several occasions we prefer to own "growth" stocks but only on our own terms: where the share price fails to accurately reflect the intrinsic value of the business.

Although there remains the possibility that the company will be temporarily impacted by the problems currently facing its customers, an important margin of safety lies in the company's balance sheet. An accounting change has both masked the company's true earnings power and allowed for the effective elimination of price discounting. We believe the market has misunderstood the true economic impact on the business, and as a result has caused the share price to dive. As reported earnings normalize over the next two years, most of this hidden value and the significant under-valuation of Synopsys will become visible.

In the UK we have added **Michael Page International**, one of the premier recruiting consultants in Europe. The company was spun-out in March of this year from the heavily indebted US holding company Spherion. Worries about a slowdown in the economy helped cause the stock to plunge, dropping from a high of 235p to 108p.

Last month in London we again met with both CEO Terry Benson and CFO Stephen Puckett and came away even more impressed by their business model and financial focus. Management's record of organic growth and profitability are the envy of the industry. Further, top management's compensation is very dependent on share price appreciation. It was also clear from our discussion that they are well prepared for a slow-down in their business, and have done a better job than their competitors in weathering downturns in the past.

One of the most successful aspects of their economic model is a profit-sharing scheme that keeps everyone focused on the bottom-line. Each consultant gets back 25% of his profit contribution as a bonus, so expenses feel as though they are "coming out of one's own pocket". This profit focus has also prevented management from building a lot of fixed costs that would come back to bite them in a down recruitment market.

There is some cyclical risk to the short-term operating results and things have started to slow, though not dramatically. The company's financial position looks strong, and there will be net cash on the balance sheet by the end of this year. Given substantial free cash flow generation and the current depressed share price, management would look at share buybacks to the extent they have excess capital.

Highlights

- The market is providing us with opportunities to buy quality businesses at large discounts to intrinsic value. We are optimistic about current positions and excited about the Fund's long-term prospects.
- In taking advantage of short-term market volatility, we strive to upgrade the quality of the portfolio by focusing on undervalued businesses with higher profitability and higher growth potential.
- Two top-ten positions were added this past quarter, Synopsys and Michael Page Intl., which typify our investment approach.

Looking Forward

These two new investments hopefully give you insight into why we are so optimistic about our current positions and future prospects. When the market allows you to buy such quality businesses at large discounts to intrinsic value, we get excited about the long-term performance prospects of your Fund.

We thank you for your continued confidence in the newest fund in the Oakmark Family. We look forward to a long and prosperous future.



Gregory L. Jackson

Portfolio Manager
gjackson@oakmark.com



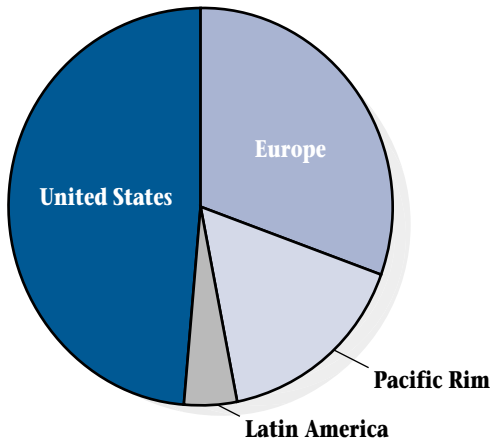
Michael J. Welsh, CFA, CPA



Portfolio Manager
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

October 8, 2001

THE OAKMARK GLOBAL FUND

Global Diversification—September 30, 2001



	% of Fund Net Assets
 United States	43.7%
 Europe	27.3%
Great Britain	14.6%
* France	3.7%
* Italy	3.5%
* Netherlands	3.1%
Switzerland	2.4%

	% of Fund Net Assets
 Pacific Rim	14.7%
Korea	7.9%
Japan	5.3%
Australia	1.5%
 Latin America	4.1%
Mexico	4.1%

* Euro currency countries comprise 10.3% of the Fund.

THE OAKMARK GLOBAL FUND

Schedule of Investments—September 30, 2001

	Description	Shares Held	Market Value
Common Stocks—89.9%			
Food & Beverage—7.4%			
Lotte Chilsung Beverage Co., Ltd. (Korea)	Soft Drinks, Juices, & Sport Drinks Manufacturer	6,700	\$ 1,325,613
Hite Brewery Co., Ltd. (Korea)	Brewer	35,500	1,265,913
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	95,000	999,297
			<u>3,590,823</u>
Retail—6.1%			
Somerfield plc (Great Britain)	Food Retailer	1,198,000	\$ 1,571,906
ShopKo Stores, Inc. (United States), (a)	Specialty Discount Retailer	166,600	1,381,114
			<u>2,953,020</u>
Home Furnishings—3.1%			
Hunter Douglas N.V. (Netherlands)	Window Coverings Manufacturer	68,000	\$ 1,485,201
Other Consumer Goods & Services—0.7%			
Royal Doulton plc (Great Britain), (a)	Tableware & Giftware	1,069,700	\$ 345,976
Other Financial—2.4%			
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	354,000	\$ 1,134,368
Hotels & Motels—2.1%			
Jarvis Hotels plc (Great Britain)	Hotel Operator	705,000	\$ 1,026,091
Human Resources—4.8%			
Michael Page International plc (Great Britain)	Recruitment Consultancy Services	1,447,000	\$ 2,308,127
Educational Services—9.0%			
ITT Educational Services, Inc. (United States), (a)	Postsecondary Degree Programs	85,000	\$ 2,720,000
Learning Tree International, Inc. (United States), (a)	Computer Related Education	80,000	1,624,000
			<u>4,344,000</u>

THE OAKMARK GLOBAL FUND

Schedule of Investments—September 30, 2001 cont.

Description	Shares Held	Market Value
Common Stocks—89.9% (cont.)		
Marketing Services—2.8%		
The Interpublic Group of Companies, Inc. (United States)	Advertising & Marketing Services 65,000	\$ 1,326,000
Information Services—6.6%		
Ceridian Corporation (United States), (a)	Data Management Services 115,000	\$ 1,667,500
Equifax Inc. (United States)	Consumer Credit Information 70,000	<u>1,533,000</u>
		3,200,500
Computer Services—4.9%		
Meitec Corporation (Japan)	Software Engineering Services 55,100	\$ 1,432,849
First Data Corporation (United States)	Electronic Commerce Services 16,000	<u>932,160</u>
		2,365,009
Computer Software—14.4%		
Novell, Inc. (United States), (a)	Network & Internet Integration Software 700,000	\$ 2,562,000
Synopsys, Inc. (United States), (a)	Electronic Design Automation 60,000	2,406,594
The Reynolds and Reynolds Company, Class A (United States)	Information Management Systems 85,000	<u>1,980,500</u>
		6,949,094
Computer Systems—3.1%		
Lectra (France), (a)	Manufacturing Process Systems 516,998	\$ 1,505,581
Telecommunications—1.8%		
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications 5,400	\$ 861,350
Broadcasting & Cable TV—4.1%		
Grupo Televisa S.A. (Mexico), (a)(b)	Television Production & Broadcasting 69,100	\$ 1,983,170
Printing—4.3%		
Valassis Communications, Inc. (United States), (a)	Product Promotions Printer 65,000	\$ 2,074,150

THE OAKMARK GLOBAL FUND

Schedule of Investments—September 30, 2001 cont.

Description	Shares Held/ Par Value	Market Value
Common Stocks—89.9% (cont.)		
Medical Products—1.9%		
Edwards Lifesciences Corporation (United States), (a)	Respiratory Products 40,000	\$ 896,000
Automobiles—3.5%		
Ducati Motor Holding S.p.A. (Italy), (a)	Motorcycle Manufacturer 1,375,500	\$ 1,689,894
Chemicals—2.4%		
Givaudan (Switzerland), (a)	Fragrance & Flavor Compound Manufacturer 3,800	\$ 1,143,475
Other Industrial Goods & Services—2.3%		
Enodis plc (Great Britain)	Food Processing Equipment 695,000	\$ 796,968
GFI Industries SA (France)	Industrial Fastener Manufacturer 20,325	<u>297,798</u>
		1,094,766
Diversified Conglomerates—2.2%		
Pacific Dunlop Limited (Australia)	Diversified Manufacturer 2,065,000	\$ 735,446
Tae Young Corp. (Korea)	Heavy Construction 16,900	<u>335,667</u>
		1,071,113
Total Common Stocks (Cost: \$45,987,336)		43,347,708
Short Term Investments—9.6%		
Commercial Paper—6.2%		
American Express Credit Corporation, 3.35% due 10/1/2001	\$1,500,000	\$ 1,500,000
General Electric Capital Corporation, 3.25% due 10/1/2001	1,500,000	<u>1,500,000</u>
Total Commercial Paper (Cost: \$3,000,000)		3,000,000
Repurchase Agreements—3.4%		
State Street Repurchase Agreement, 3.05% due 10/1/2001, repurchase price \$1,638,416, collateralized by U.S. Treasury Bonds	\$1,638,000	\$ 1,638,000
Total Repurchase Agreements (Cost: \$1,638,000)		1,638,000
Total Short Term Investments (Cost: \$4,638,000)		4,638,000
Total Investments (Cost \$50,625,336)—99.5% (c)		47,985,708

THE OAKMARK GLOBAL FUND

Schedule of Investments—September 30, 2001 cont.

Description	Shares Subject to Call	Market Value
Call Options Written—(0.1%)		
Equity Options—(0.1%)		
Educational Services—(0.1%)		
ITT Educational Services, Inc., January 45 Calls (United States)	(25,000)	\$ (61,250)
Medical Products—0.0%		
Edwards Lifesciences Corporation, November 30 Calls (United States)	(20,000)	(8,000)
Total Equity Options (Premiums Received: \$(141,020))		(69,250)
Total Call Options Written (Premiums Received: \$(141,020))—(0.1%)		(69,250)
Foreign Currencies (Proceeds \$7)—(0.0%)		\$ 7
Other Assets In Excess Of Other Liabilities—0.6% (d)		287,546
Total Net Assets—100%		\$ 48,204,011

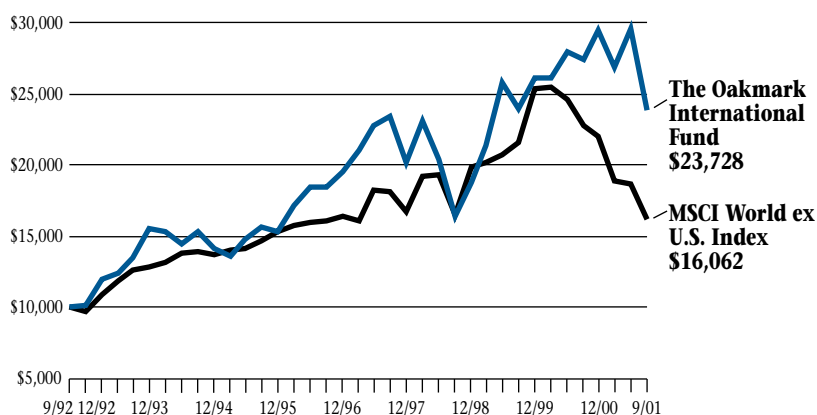
- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) At September 30, 2001, net unrealized depreciation of \$2,567,858 for federal income tax purposes, consisted of gross unrealized appreciation of \$4,014,151 and gross unrealized depreciation of \$6,582,009.
- (d) 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 (9/30/01) COMPARED TO THE MSCI WORLD EX U.S. INDEX¹⁶



Average Annual Total Returns¹ (as of 9/30/01)

	Year to Date Total Return* (as of 9/30/01)	1-year	5-year	Since Inception (9/30/92)
Oakmark International Fund	-19.08%	-13.10%	5.28%	10.07%
MSCI World ex. U.S.	-26.65%	-29.23%	0.14%	5.40%
MSCI EAFE ¹⁷	-26.56%	-28.65%	-0.14%	5.23%
Lipper International Index ¹⁸	-25.61%	-28.60%	2.14%	6.84%

Past performance is no guarantee of future results. Investment return and principal value vary, and you may have a gain or loss when you sell shares. Average annual total return measures annualized change, while total return measures aggregate change.

* Not annualized

Fellow Shareholders,

The Third Quarter of 2001 was rough for both the markets and your Fund. The Oakmark International Fund was down 19% compared to declines in the MSCI World ex U.S. Index and Lipper International Fund Index of 14% and 15%. It is interesting to note that our under-performance of these benchmarks occurred after the events of September 11th. From then until the end of the quarter, Japanese stocks, where we are underweighted, did well, while smaller and mid-cap stocks, where we are overweighted, did not.

Year-to-date and from inception, your Fund continues to significantly outperform both of those indices. Though there has been enormous price erosion in the world stock markets, we do not see a corresponding diminution in underlying business values. This to us means opportunity. We are extremely enthusiastic about investment opportunities going forward and are very bullish on future prospects based on the availability of so much value.

But everyone is doing it...

A few years ago, there was a trend in the global telecom equipment industry to grow the underlying business by acquiring other, smaller niche players within the industry at largely inflated prices. The argument was that these smaller companies had some desired technological innovation. Price did not matter because acquisitions were financed with high-priced freshly issued stock. **ALL** of the global "blue-chip" companies were sucked into this frenzy: Marconi of the UK, Alcatel of France, Northern Telecom and JDS Uniphase of Canada. They all jumped off similar, but slightly different cliffs.

As everyone can recognize today the results were catastrophic! The four mentioned entities have lost, at the time of this writing, over \$550 billion in market capitalization. That is equal to the combined total stock market capitalization of Sweden, Hong Kong, New Zealand and Singapore.

Four different companies in the same industry all pursuing the same failed strategy. It truly illustrates the danger of groupthink. This amount of wealth destruction in no way can be minimized. JDS Uniphase alone wrote off over US\$50 billion in goodwill this year, a tacit admission that they may have over-paid a tad for their acquisitions. With that same amount of money they could have owned the entire Portuguese stock market. It is impossible to envision how much US\$50 billion buys you in Research & Development!

This episode illustrates two keys to successful investing: the power of independent thinking and the importance of price.

Market volatility equals investment opportunity!

A frequent question asked over these past troubling weeks is how have we reacted to the recent wild swings in the global markets. As value investors we constantly search for high quality businesses at low prices. Volatile markets tend to, in the short run, be non-discriminating. All stocks get hit. In these instances, we try to increase quality levels within the portfolio by adding to our highest quality names or by adding new names that, because of price volatility, suddenly fall within our buy range. We aim to constantly upgrade the quality of the portfolio at no expense to expected return. These times are unique, and represent uncommon market conditions which history has proven to be good times to increase equity market exposure.

Today, we are extremely excited about the make-up of our portfolio. Values today compare to the post 1987 crash and medium and long-term prospects look excellent for our businesses. Whether it is a company like **Givaudan**, a Swiss based global leader in flavors and fragrances or media companies like **Aegis** (UK based global buyer of media) and **Tokyo Broadcasting**, we feel we are as well positioned as ever to profit over time.

Highlights

- Values today compare to the post-1987 crash and medium- and long-term prospects look excellent for our businesses.
- As value investors, we constantly search for high-quality businesses at low prices, and seek to upgrade portfolio quality at no expense to expected return.
- We improved quality by adding to our highest quality positions and by introducing new names that, because of price volatility, suddenly fell within our buy range.

Finally, we thank our shareholders for their patience during these unique and unstable times. We are very confident that as in the past there will be a reward for this patience.



David G. Herro, CFA

Portfolio Manager
DGH100@earthlink.net



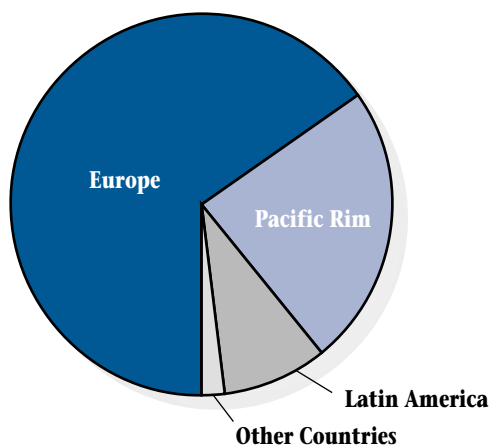
Michael J. Welsh, CFA, CPA

Portfolio Manager
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October 5, 2001

THE OAKMARK INTERNATIONAL FUND

International Diversification—September 30, 2001



	% of Fund Net Assets		% of Fund Net Assets
 Europe	61.8%	 Pacific Rim	22.7%
Great Britain	19.6%	Japan	7.4%
* Netherlands	8.5%	Korea	7.3%
* Finland	6.9%	Australia	3.4%
* France	6.8%	Singapore	2.4%
* Italy	6.5%	Hong Kong	2.2%
Sweden	6.2%		
Switzerland	4.1%	 Latin America	8.4%
* Ireland	2.8%	Mexico	3.5%
* Greece	0.4%	Brazil	2.2%
		Panama	2.0%
		Argentina	0.7%
		 Other	1.7%
		Israel	1.7%

* Euro currency countries comprise 31.9% of the Fund.

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 2001

Name	Description	Shares Held	Market Value
Common Stocks—94.6%			
Food & Beverage—9.5%			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	2,656,000	\$ 27,938,248
Lotte Chilsung Beverage Co., Ltd. (Korea), (d)	Soft Drinks, Juices, & Sport Drinks Manufacturer	93,000	18,400,307
Fomento Economico Mexicano, S.A. de C.V. (Mexico), (b)	Soft Drink & Beer Manufacturer	549,400	15,641,418
Quilmes Industrial S.A. (Argentina), (b)	Brewer	455,500	5,238,250
Lotte Confectionery Co., Ltd. (Korea)	Confection Manufacturer	20,670	3,249,501
			<u>70,467,724</u>
Apparel—3.2%			
Fila Holding S.p.A. (Italy), (a)(b)(d)	Athletic Footwear & Apparel	5,976,960	\$ 23,967,610
Retail—5.7%			
Somerfield plc (Great Britain)	Food Retailer	20,257,000	\$ 26,579,378
Giordano International Limited (Hong Kong)	Pacific Rim Clothing Retailer & Manufacturer	32,491,000	14,788,518
Swatch Group AG (Switzerland)	Watch Manufacturer & Retailer	15,400	1,113,322
			<u>42,481,218</u>
Home Furnishings—3.8%			
Hunter Douglas N.V. (Netherlands)	Window Coverings Manufacturer	1,277,484	\$ 27,901,777
Other Consumer Goods & Services—0.2%			
Shimano Inc. (Japan)	Bicycle Components Manufacturer	140,100	\$ 1,764,031
Bank & Thrifts—11.2%			
Banca Popolare di Verona (Italy)	Commercial Banking	2,781,000	\$ 24,194,911
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Latin American Trade Bank	515,400	14,972,370
Uniao de Bancos Brasileiros S.A. (Brazil), (c)	Commercial Banking	863,500	12,520,750

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 2001 cont.

Name	Description	Shares Held	Market Value
Common Stocks—94.6% (cont.)			
Bank & Thrifts—11.2% (cont.)			
BNP Paribas SA (France)	Commercial Banking	153,000	\$ 12,503,538
Kookmin Bank (Korea)	Commercial Banking	430,000	5,309,049
United Overseas Bank Limited, Foreign Shares (Singapore)	Commercial Banking	888,968	4,829,571
Svenska Handelsbanken AB (Sweden)	Commercial Banking	362,700	4,704,566
Bank of Ireland (Ireland)	Commercial Banking	461,035	<u>3,650,214</u>
			82,684,969
Other Financial—2.7%			
Daiwa Securities Group Inc. (Japan)	Stock Broker	2,870,000	\$ 19,886,082
Hotels & Motels—1.7%			
Mandarin Oriental International Limited (Singapore)	Hotel Management	33,050,400	\$ 12,724,404
Human Resources—2.2%			
Michael Page International plc (Great Britain)	Recruitment Consultancy Services	10,271,000	\$ 16,383,396
Marketing Services—2.8%			
Aegis Group plc (Great Britain)	Media Services	9,686,000	\$ 10,929,098
Cordiant Communications Group plc (Great Britain)	Advertising and Media Services	10,740,070	<u>9,473,704</u>
			20,402,802
Computer Services—2.8%			
Meitec Corporation (Japan)	Software Engineering Services	805,000	\$ 20,933,645
Telecommunications—2.1%			
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	39,620	\$ 6,319,755
Telemig Celular Participacoes S.A. (Brazil)	Mobile Telecommunications	2,293,200,000	3,689,024

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 2001 cont.

Name	Description	Shares Held	Market Value
Common Stocks—94.6% (cont.)			
Telecommunications—2.1% (cont.)			
Panafon Hellenic Telecom S.A. (Greece)	Mobile Telecommunications	795,000	\$ 3,154,414
NTT DoCoMo, Inc. (Japan)	Mobile Telecommunications	158	2,133,881
			<u>15,297,074</u>
Broadcasting & Cable TV—2.4%			
Tokyo Broadcasting System, Inc. (Japan)	Television & Radio Broadcasting	559,000	\$ 9,823,882
Grupo Televisa S.A. (Mexico), (a)(b)	Television Production & Broadcasting	283,500	8,136,450
			<u>17,960,332</u>
Publishing—7.5%			
Wolters Kluwer NV (Netherlands)	Reference Material Publisher	1,024,000	\$ 22,682,226
Independent News & Media PLC (Ireland)	Newspaper Publisher	11,559,273	17,252,002
John Fairfax Holdings Limited (Australia)	Newspaper Publisher	9,874,500	15,385,931
N.V. Holdingmaatschappij De Telegraaf (Netherlands)	Newspaper Publisher	14,562	211,372
			<u>55,531,531</u>
Pharmaceuticals—1.1%			
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	292,000	\$ 8,216,488
Medical Products—2.7%			
Gambro AB, Class A (Sweden)	Manufacturer of Dialysis Products	3,478,000	\$ 20,032,123
Automotive—4.2%			
Compagnie Generale des Etablissements Michelin (France)	Tire Manufacturer	632,000	\$ 16,650,635
Autoliv, Inc (Sweden)	Automotive Safety Systems Manufacturer	955,000	14,578,514
			<u>31,229,149</u>
Aerospace—2.2%			
Rolls-Royce plc (Great Britain)	Aviation & Marine Power	8,402,702	\$ 16,151,844

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 2001 cont.

Name	Description	Shares Held	Market Value
Common Stocks—94.6% (cont.)			
Airport Maintenance—0.3%			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico), (a)(b)	Airport Operator	242,000	\$ 2,274,800
Instruments—1.7%			
Orbotech, Ltd. (Israel), (a)	Optical Inspection Systems	685,700	\$ 12,925,445
Machinery & Industrial Processing—3.8%			
Metso Corporation (Finland)	Paper & Pulp Machinery	3,458,100	\$ 27,882,802
Building Materials & Construction—2.8%			
Kumkang Korea Chemical Co., Ltd. (Korea)	Building Materials	377,840	\$ 20,601,552
Chemicals—7.0%			
Givaudan (Switzerland), (a)	Fragrance & Flavor Compound Manufacturer	98,050	\$ 29,504,665
Akzo Nobel N.V. (Netherlands)	Chemical Producer	305,000	12,432,144
Nufarm Limited (Australia), (d)	Agricultural & Industrial Chemical Producer	7,934,143	9,811,562
			<u>51,748,371</u>
Other Industrial Goods & Services—9.9%			
Enodis plc (Great Britain), (d)	Food Processing Equipment	23,244,700	\$ 26,655,081
Kone Corporation, Class B (Finland)	Elevators	350,980	23,316,876
Chargeurs SA (France), (d)	Wool, Textile Production & Trading	350,067	20,866,885
FKI plc (Great Britain)	Industrial Manufacturing	1,236,315	2,585,490
			<u>73,424,332</u>
Steel—0.9%			
SSAB Svenskt Stal AB, Series A (Sweden)	Steel Producer	934,520	\$ 6,695,335
Diversified Conglomerates—0.2%			
First Pacific Company Ltd. (Hong Kong)	Diversified Operations	10,436,000	\$ 1,257,752
Total Common Stocks (Cost: \$863,251,267)			700,826,588

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—September 30, 2001 cont.

Name	Description	Par Value	Market Value
Short Term Investments—4.9%			
Commercial Paper—2.7%			
	General Electric Capital Corporation, 3.25% due 10/1/2001	\$20,000,000	\$ 20,000,000
	Total Commercial Paper (Cost: \$20,000,000)		20,000,000
Repurchase Agreements—2.2%			
	State Street Repurchase Agreement, 3.05% due 10/1/2001, repurchase price \$15,935,049, collateralized by U.S. Treasury Bonds	\$15,931,000	\$ 15,931,000
	Total Repurchase Agreements (Cost: \$15,931,000)		15,931,000
	Total Short Term Investments (Cost: \$35,931,000)		35,931,000
	Total Investments (Cost \$899,182,267) - 99.5% (e)		\$ 736,757,588
	Foreign Currencies (Proceeds \$3,051,361) - 0.4%		3,037,758
	Other Assets In Excess Of Other Liabilities - 0.1% (f)		<u>681,578</u>
	Total Net Assets - 100%		<u><u>\$740,476,924</u></u>

- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) Represents a Global Depository Receipt.
- (d) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.
- (e) At September 30, 2001, net unrealized depreciation of \$162,438,282, for federal income tax purposes, consisted of gross unrealized appreciation of \$69,531,993 and gross unrealized depreciation of \$231,970,275.
- (f) Includes transaction hedges.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

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



Fellow Shareholders,

The Oakmark International Small Cap Fund lost 11% in the recent quarter ending September 30, 2001, compared to larger declines of 18% and 14% in the Lipper International Small Cap Average and the MSCI World ex U.S. Index, respectively.

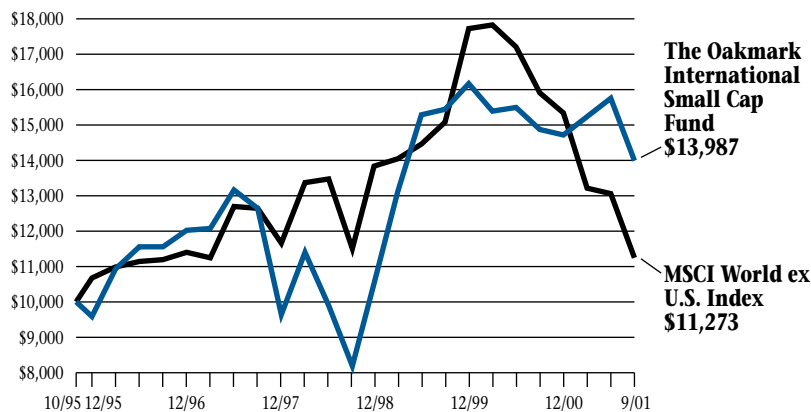
While we are always disappointed to be down, year-to-date your Fund's 5% decline on a relative basis remains very strong. The Lipper International Small Cap Average is down 29% and the MSCI World ex U.S. Index is down 27%. Over the past three years, The Oakmark International Small Cap Fund is up 19% annually. It appears that international small cap stocks as an asset class may finally be gaining some recognition after a long period of hibernation.

Traveler's Log: France

On a recent trip to France we met with a number of companies from disparate industries. While each business has its individual challenges and opportunities, one overriding theme was the difficulty of restructuring their cost bases inside France. The French labor market remains one of the most inflexible in Europe.

At the time of our meetings most businesses were already experiencing slowdowns in demand, so we spent part of the time talking about management's flexibility (and desire) to address costs. Many had already started the reduction of staff. With almost comical regularity, their US, Latin American, and Asian operations were always the first targets for personnel cuts, no matter how immaterial they were to the overall business. Next, maybe a few cuts were planned here and there on the periphery in Europe. Finally, after

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (9/30/01) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX¹⁶



Average Annual Total Returns¹ (as of 9/30/01)

	Year to Date Total Return* (as of 9/30/01)	1-year	5-year	Since Inception (11/1/95)
Oakmark International Small Cap Fund	-5.21%	-6.18%	3.83%	5.83%
MSCI World ex. U.S.	-26.65%	-29.23%	0.14%	2.05%
Micropal Equity International Small Cap ¹⁹	-30.32%	-38.86%	4.40%	5.94%
Lipper International Small Cap Average ²⁰	-28.99%	-37.46%	5.29%	8.27%

Past performance is no guarantee of future results. Investment return and principal value vary, and you may have a gain or loss when you sell shares. Average annual total return measures annualized change, while total return measures aggregate change.

* Not annualized

prodding, came a comment about how difficult it is to fire staff in France.

This year financial results, especially those in service industries, have been hit by the imposition of the 35-hour work week. During one meeting a CEO of a IT services company threw up his hands in exasperation trying to explain the damage to his business, "Have you ever heard of anything more ridiculous? A consultant working 35 hour weeks!?"

Larry Ellison, Chairman of Oracle, recently summed it up well saying that if they hire 100 people in France and later fire 5, the French government does not view it as 95 jobs created, but 5 destroyed. "If we can't fire people, we just won't hire them in the future," he acknowledged.

The French labor minister just last week received funding to "create" 50,000 new jobs, basically training programs and temporary student worker programs which serve no real purpose other than to pad employment statistics. I suppose we should give the Jospin Government at least some credit that the situation is not worse considering that the Communist Party is a part of his ruling coalition!

There is nothing more illustrative than a concrete example, and the sad saga of Moulinex provides a great one in this case. Moulinex is a well-known supplier of small appliances, best known in the US for their Krups coffee machines. Throughout the 1990s as their competitors outsourced and moved more and more of their production to low-cost locales, Moulinex remained saddled with their French cost base. As profitability waned, debts started piling up.

Starting in 1996, management tried to implement a number of restructuring plans, all of them really too tame to address their long-term structural disadvantages. Finally, after a series of big losses, an Italian company, Elettro Finanziaria, recapitalized the company, by buying a 74% stake. None of these actions addressed the underlying problem: you cannot be profitable building low-end microwaves and vacuum cleaners in France with high-wage, 35-hour a week employees.

This August management submitted another plan to try and save the company. It called for a cut of 4,000 employees (only 1,500 in France) out of the total workforce of 21,500, and would include the shuttering of three antiquated French production sites. Workers responded by

Highlights

- As an asset class, international small cap stocks may finally be gaining some recognition after a long period of hibernation.
- It is our job as analysts to ensure that all of the negatives and positives are considered when appraising business value.
- Many companies in which the Fund invests are very inexpensive and have terrific secular growth prospects ahead of them. These include two European temporary employment companies that have illustrated the ability to thrive in a difficult regulatory environment.

dumping microwave ovens in front of government offices and staging protest strikes. Apparently, the argument that the company had continually piled up losses since 1998 and had little hope of surviving in its present state had little impact on the workers council. They responded by accusing management of blackmailing workers into approving the cuts.

The restructuring plan was rejected. The Italians and the bankers pulled the plug, and Moulinex is now in bankruptcy. A lot more than 4,000 workers are going to lose their jobs. The latest proposal bankruptcy administrators are entertaining is from a French competitor, SEB, which would "preserve" 2,500 French jobs (implying 7,500 job losses). One of the saddest lessons from Moulinex is that not only is it difficult to cut staff from profitable French businesses, but even from those on the verge of extinction!

Looking Forward

We will not write off all French companies because of this one negative. It is our job as analysts to make sure all of the negatives as well as the positives are imputed into our appraisal of business value. Your Fund has made some very successful investments in France and we expect that to continue. There are some terrific management teams there that are able to overcome regulatory impediments to build attractive businesses. Neopost, one of our largest positions, is a current example.

The Fund also has investments in two European temporary employment companies, Creyf's and United Services Group, that thrive in the kind of inflexible regulatory environment described above. We believe they are both very cheap and have terrific secular growth ahead of them.

Corporate restructuring in Europe is a theme that keeps coming in and out of favor with many global investors. Rather than believing in the faddish nature of macro themes, we stick to the belief that in nearly any regulatory environment there can be interesting investment opportunities. This is why we are bottom-up, stock-specific investors.



David G. Herro, CFA

Portfolio Manger
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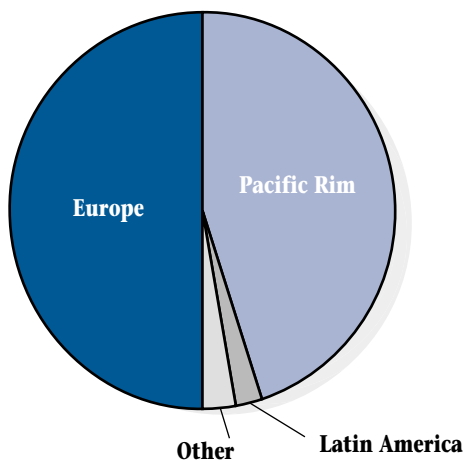
Michael J. Welsh, CFA, CPA

Portfolio Manager
102521.2142@compuserve.com

October 8, 2001

THE OAKMARK INTERNATIONAL SMALL CAP FUND

International Diversification—September 30, 2001



	% of Fund Net Assets		% of Fund Net Assets
 Europe	46.9%	 Pacific Rim	42.0%
Great Britain	12.5%	Japan	13.7%
* Italy	10.1%	Hong Kong	7.0%
* France	7.8%	Korea	5.6%
* Germany	3.7%	New Zealand	4.6%
Spain	2.7%	Singapore	4.0%
Denmark	2.1%	Australia	3.3%
* Netherlands	2.1%	Philippines	1.9%
* Belgium	1.7%	Thailand	1.9%
* Ireland	1.7%	 Latin America	2.2%
Switzerland	1.4%	Mexico	2.2%
Sweden	0.9%	 Other	2.4%
* Finland	0.2%	Bermuda	2.4%

* Euro currency countries comprise 27.3% of the Fund.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—September 30, 2001

Description	Shares Held	Market Value
Common Stocks—93.5%		
Food & Beverage—12.2%		
Hite Brewery Co., Ltd. (Korea)	Brewer	93,400 \$ 3,330,598
Baron De Ley, S.A. (Spain), (a)	Wines & Spirits Manufacturer	167,985 3,210,369
Campari Group (Italy), (a)	Soft Drinks, Wines, & Spirits Producer	92,500 2,293,894
Mikuni Coca-Cola Bottling Co., Ltd. (Japan)	Soft Drink Manufacturer	219,000 2,162,260
Alaska Milk Corporation (Philippines), (c)	Milk Producer	49,394,000 1,962,293
Grupo Continental, S.A. (Mexico)	Soft Drink Manufacturer	1,237,000 1,495,375
		<u>14,454,789</u>
Apparel—1.7%		
Kingmaker Footwear Holdings Limited (Hong Kong)	Athletic Footwear Manufacturer	10,527,000 \$ 2,024,553
Retail—9.2%		
Carpwright plc (Great Britain)	Carpet Retailer	307,000 \$ 2,173,182
Signet Group plc (Great Britain)	Jewelry Retailer	1,948,000 1,754,109
House of Fraser Plc (Great Britain)	Department Store	1,542,000 1,700,228
Dairy Farm International Holdings Limited (Singapore), (a)	Supermarket Chain	2,502,000 1,513,710
Jusco Stores (Hong Kong) Co., Limited (Hong Kong)	Department Stores	5,486,000 1,202,777
Harvey Nichols plc (Great Britain)	High Fashion Clothing Retailer	356,400 885,495
Dickson Concepts (International) Limited (HongKong)	Jewelry Wholesaler & Retailer	3,587,000 717,446
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	79,000 586,654
Denny's Japan Co., Ltd. (Japan)	Restaurant Chain	29,000 444,937
		<u>10,978,538</u>

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—September 30, 2001 cont.

Description	Shares Held	Market Value
Common Stocks—93.5% (cont.)		
Home Furnishings—2.0%		
Industrie Natuzzi S.p.A. (Italy), (b)	Home Furniture Manufacturer	216,500 \$ 2,370,675
Office Equipment—2.4%		
Neopost SA (France), (a)	Mailroom Equipment Supplier	114,300 \$ 2,912,523
Other Consumer Goods & Services—2.2%		
Royal Doulton plc (Great Britain), (a)(c)	Tableware & Giftware	4,387,000 \$ 1,418,900
Ilshin Spinning Co., Ltd. (Korea)	Fabric & Yarn Manufacturer	44,550 <u>1,233,324</u>
		2,652,224
Insurance—2.9%		
IPC Holdings, Ltd. (Bermuda)	Reinsurance Provider	87,700 \$ 1,999,560
Hannover Rueckversicherungs-AG (Germany)	Reinsurance Services	27,800 <u>1,487,604</u>
		3,487,164
Other Financial—3.9%		
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	902,000 \$ 2,890,395
JCG Holdings Limited (Hong Kong)	Consumer Finance	3,321,000 <u>1,798,990</u>
		4,689,385
Hotels & Motels—3.5%		
Jarvis Hotels plc (Great Britain)	Hotel Operator	2,886,000 \$ 4,200,423
Human Resources—3.8%		
United Services Group NV (Netherlands)	Temporary Staffing Services	169,000 \$ 2,422,325
Creyf's NV (Belgium)	Temporary Staffing Services	146,500 <u>2,053,163</u>
		4,475,488
Marketing Services—4.1%		
Asatsu-DK Inc. (Japan)	Advertising Services Provider	207,000 \$ 4,862,008
Computer Software—2.6%		
Enix Corporation (Japan)	Entertainment Software	173,100 \$ 3,078,366

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—September 30, 2001 cont.

Description	Shares Held	Market Value
Common Stocks—93.5% (cont.)		
Computer Systems—2.1%		
Lectra (France), (a) Manufacturing Process Systems	858,412	\$ 2,499,833
Broadcasting & Cable TV—0.7%		
Ulster Television plc Television Operator (Great Britain)	185,500	\$ 586,332
ABS-CBN Broadcasting Television & Broadcasting Operator Corporation (Philippines)	685,000	<u>303,481</u>
		889,813
Publishing—4.2%		
Matichon Public Newspaper Publisher Company Limited, Foreign Shares (Thailand), (c)	2,039,500	\$ 2,292,088
Edipresse S.A. Newspaper & Magazine Publisher (Switzerland)	6,950	1,610,387
VLT AB, Class B (Sweden) Newspaper Publisher	153,450	<u>1,049,088</u>
		4,951,563
Printing—0.9%		
Hung Hing Printing Printing Company Group Limited (Hong Kong)	3,085,000	\$ 1,087,730
Automobiles—3.6%		
Ducati Motor Holding Motorcycle Manufacturer S.p.A. (Italy), (a)	3,457,200	\$ 4,247,403
Transportation Services—3.0%		
Mainfreight Limited Logistics Services (New Zealand), (c)	3,993,551	\$ 1,997,983
DelGro Corporation Bus, Taxi, & Car Leasing Limited (Singapore)	1,066,000	<u>1,562,457</u>
		3,560,440
Airport Maintenance—3.1%		
Kobenhavns Lufthavne Airport Management & Operations A/S (Copenhagen Airports A/S) (Denmark)	50,200	\$ 2,457,051

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—September 30, 2001 cont.

Description		Shares Held	Market Value
Common Stocks—93.5% (cont.)			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico), (a)(b)	Airport Operator	124,900	1,174,060
			<u>3,631,111</u>
Instruments—1.1%			
Halma plc (Great Britain)	Detection Systems Producer	521,000	\$ 1,072,327
Vaisala Oyj, Class A (Finland)	Atmospheric Observation Equipment	11,200	265,006
			<u>1,337,333</u>
Machinery & Industrial Processing—3.0%			
Pfeiffer Vacuum Technology AG (Germany)	Vacuum Pump Manufacturer	76,500	\$ 2,043,312
ASM Pacific Technology Limited (Hong Kong)	Semiconductor Machinery	1,282,500	1,488,124
			<u>3,531,436</u>
Building Materials & Construction—4.6%			
Fletcher Building Limited (New Zealand)	Building Materials Manufacturer	3,224,000	\$ 3,409,541
Grafton Group plc (Ireland)	Building Materials Distributor	723,000	2,006,796
			<u>5,416,337</u>
Chemicals—2.4%			
Taiyo Ink Mfg. Co., Ltd. (Japan)	Manufacturer of Resist Inks	117,800	\$ 2,885,463
Production Equipment—4.1%			
Interpump Group S.p.A. (Italy)	Pump and Piston Manufacturer	737,500	\$ 2,563,838
NSC Groupe (France)	Textile Equipment Manufacturer	17,466	1,438,491
Krones AG (Germany)	Production Machinery Manufacturer	29,300	919,924
			<u>4,922,253</u>
Other Industrial Goods & Services—3.0%			
GFI Industries SA (France)	Industrial Fastener Manufacturer	166,000	\$ 2,432,199
Coats plc (Great Britain)	Textile Manufacturer	1,460,000	1,105,405
			<u>3,537,604</u>

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—September 30, 2001 cont.

Description	Shares Held/ Par Value	Market Value
Common Stocks—93.5% (cont.)		
Diversified Conglomerates—7.2%		
Pacific Dunlop Limited (Australia) Diversified Manufacturer	11,014,626	\$ 3,922,838
Haw Par Corporation Limited (Singapore) Healthcare & Leisure Products	903,000	1,696,590
Jardine Strategic Holdings Limited (Bermuda) Diversified Operations	340,700	810,866
Tae Young Corp. (Korea) Heavy Construction	106,600	2,117,285
		<u>8,547,579</u>
Total Common Stocks (Cost: \$130,902,511)		111,232,034
Short Term Investments—6.6%		
Commercial Paper—3.4%		
General Electric Capital Corporation, 3.25% due 10/1/2001	\$4,000,000	\$ 4,000,000
Total Commercial Paper (Cost: \$4,000,000)		4,000,000
Repurchase Agreements—3.2%		
State Street Repurchase Agreement, 3.05% due 10/1/2001, repurchase price \$3,836,975, collateralized by U.S. Treasury Bonds	\$3,836,000	\$ 3,836,000
Total Repurchase Agreements (Cost: \$3,836,000)		3,836,000
Total Short Term Investments (Cost: \$7,836,000)		7,836,000
Total Investments (Cost \$138,738,511)—100.1% (d)		\$ 119,068,034
Foreign Currencies (Proceeds \$7,841)—(0.0)%		7,749
Other Liabilities In Excess Of Other Assets—(0.1)% (e)		<u>(168,031)</u>
Total Net Assets—100%		<u>\$ 118,907,752</u>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.

(d) At September 30, 2001, net unrealized depreciation of \$19,670,569 for federal income tax purposes, consisted of gross unrealized appreciation of \$7,333,336 and gross unrealized depreciation of \$27,003,905.

(e) Includes transaction hedges.

THE OAKMARK FAMILY OF FUNDS

Statement of Assets and Liabilities—September 30, 2001

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
Assets			
Investments, at value	\$ 3,028,216,950 (cost: 2,870,723,403)	\$ 4,172,964,280 (cost: 3,421,678,197)	\$ 257,747,655 (cost: 264,716,479)
Cash	45	518	83
Foreign currency, at value	0 (cost: 0)	0 (cost: 0)	0 (cost: 0)
Receivable for:			
Securities sold	88,230,109	17,323,567	6,525,606
Fund shares sold	11,162,232	14,378,904	1,269,441
Dividends and interest	4,921,945	2,533,189	88,015
Total receivables	104,314,286	34,235,660	7,883,062
Other Assets	165,445	38,625	20,224
Total assets	\$ 3,132,696,726	\$ 4,207,239,083	\$ 265,651,024
Liabilities and Net Assets			
Options sold, at fair value	\$ 0 (premiums received: 0)	\$ 0 (premiums received: 0)	\$ 0 (premiums received: 0)
Cash overdraft	0	0	0
Payable for:			
Securities purchased	15,867,552	2,197,533	0
Fund shares redeemed	3,939,245	3,552,515	580,018
Due to advisor	2,735,792	3,322,104	257,615
Other	925,634	1,426,100	201,186
Total liabilities	23,468,223	10,498,252	1,038,819
Net assets applicable to fund shares outstanding	\$ 3,109,228,503	\$ 4,196,740,831	\$ 264,612,205
Fund shares outstanding	97,136,566	166,547,439	18,163,572
Analysis of Net Assets			
Paid in capital	\$ 3,095,658,945	\$ 3,484,448,155	\$ 271,605,643
Accumulated undistributed net realized gain (loss) of investments, forward contracts and foreign currency exchange transactions	(162,913,058)	(46,951,440)	(24,614)
Net unrealized appreciation (depreciation) of investments	157,493,547	751,286,083	(6,968,824)
Net unrealized appreciation (depreciation)—other	0	0	0
Accumulated undistributed net investment income (loss)	18,989,069	7,958,033	0
Net assets applicable to Fund shares outstanding	\$ 3,109,228,503	\$ 4,196,740,831	\$ 264,612,205
Price of Shares			
Net asset value per share: Class I	\$ 32.01	\$ 25.20	\$ 14.57
Class I—Net assets	\$ 3,109,120,815	\$ 4,161,366,347	\$ 264,612,205
Class I—Shares outstanding	97,133,198	165,134,650	18,163,572
Net asset value per share: Class II	\$ 31.97	\$ 25.10	
Class II—Net assets	\$ 107,688	\$ 35,374,484	
Class II—Shares outstanding	3,368	1,409,314	

The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 630,746,981 (cost: 628,940,601) 189 0 (cost: 0) 20,633,736 9,548,344 3,560,729 <hr/> 33,742,809 2,385 <hr/> \$ 664,492,364	\$ 47,985,708 (cost: 50,625,336) 512 7 (cost: 7) 777,574 143,994 41,915 <hr/> 963,483 24,771 <hr/> \$ 48,974,481	\$ 736,757,588 (cost: 899,182,267) 0 3,037,758 (cost: 3,051,361) 7,753,065 1,923,427 2,356,226 <hr/> 12,032,718 53,328 <hr/> \$ 751,881,392	\$ 119,068,034 (cost: 138,738,511) 224 7,749 (cost: 7,841) 272,134 3,162,341 278,127 <hr/> 3,712,602 3,123 <hr/> \$ 122,791,732
\$ 0 (premiums received: 0) 0 40,150,021 273,507 378,821 333,617 <hr/> 41,135,967 <hr/> \$ 623,356,396 <hr/> 35,725,297	\$ 69,250 (premiums received: 141,020) 0 363,626 152,879 47,943 136,772 <hr/> 770,470 <hr/> \$ 48,204,011 <hr/> 4,449,792	\$ 0 (premiums received: 0) 7,280 9,621,892 394,479 728,601 652,216 <hr/> 11,404,468 <hr/> \$ 740,476,924 <hr/> 59,168,878	\$ 0 (premiums received: 0) 0 3,475,117 45,307 128,642 234,914 <hr/> 3,883,980 <hr/> \$ 118,907,752 <hr/> 11,894,824
\$ 614,648,633 1,896,893 1,806,380 0 5,004,490 <hr/> \$ 623,356,396	\$ 49,569,174 1,361,553 (2,567,858) 185 (159,043) <hr/> \$ 48,204,011	\$ 907,829,486 (14,827,551) (162,438,282) (10,657) 9,923,928 <hr/> \$ 740,476,924	\$ 135,724,166 928,412 (19,670,569) 2,768 1,922,975 <hr/> \$ 118,907,752
\$ 17.45 \$ 620,066,215 35,536,256 \$ 17.40 \$ 3,290,181 189,041	\$ 10.83 \$ 48,204,011 4,449,792	\$ 12.51 \$ 738,536,696 59,013,340 \$ 12.47 \$ 1,940,228 155,538	\$ 10.00 \$ 118,870,993 11,891,136 \$ 9.97 \$ 36,759 3,688

THE OAKMARK FAMILY OF FUNDS

Statement of Operations—September 30, 2001

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
Investment Income:			
Dividends	\$ 39,013,317	\$ 29,342,773	\$ 1,541,906
Interest Income	10,547,765	12,868,682	936,378
Other Income	480,819	250	0
Foreign taxes (withheld) rebated	0	0	0
Total investment income	50,041,901	42,211,705	2,478,284
Expenses:			
Investment advisory fee	25,662,135	27,774,016	2,490,470
Transfer and dividend disbursing agent fees	1,672,623	1,102,906	195,952
Other shareholder servicing fees	1,345,487	2,676,981	149,645
Service Fee—Class II	68	47,698	0
Reports to shareholders	961,814	812,175	115,271
Custody and accounting fees	320,261	384,591	73,162
Registration and blue sky expenses	253,289	774,324	38,971
Trustee fees	219,167	196,659	74,580
Legal fees	38,604	43,590	12,807
Audit fees	23,691	22,452	18,452
Other	150,144	168,330	21,003
Total expenses	30,647,283	34,003,722	3,190,313
Expense reimbursement	0	0	0
Expense offset arrangements	(21,424)	(16,667)	(1,392)
Net expenses	30,625,859	33,987,055	3,188,921
Net Investment Income (loss):	19,416,042	8,224,650	(710,637)
Net realized and unrealized gain (loss) on investments and foreign currency transactions:			
Net realized gain (loss) on investments	195,984,944	(46,951,440)	1,334,090
Net realized gain (loss) on foreign currency transactions	0	0	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	126,130,060	564,071,103	(10,475,705)
Net change in appreciation (depreciation) of forward currency exchange contracts	0	0	0
Net change in appreciation (depreciation)—other	0	0	0
Net realized and unrealized gain (loss) on investments and foreign currency transactions:	322,115,004	517,119,663	(9,141,615)
Net increase (decrease) in net assets resulting from operations	\$ 341,531,046	\$ 525,344,313	\$ (9,852,252)

The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 2,595,485	\$ 641,990	\$ 22,873,826	\$ 3,756,393
4,833,457	119,411	1,621,223	214,576
1,544	187	841	98,660
22,297	(70,706)	(2,299,513)	(473,009)
<u>7,452,783</u>	<u>690,882</u>	<u>22,196,377</u>	<u>3,596,620</u>
1,591,905	387,377	8,269,717	1,238,024
97,008	42,032	409,713	69,273
207,337	17,818	491,219	56,049
3,503	0	1,258	64
55,727	24,858	338,781	45,069
89,154	81,658	922,824	197,605
241,639	59,642	54,706	35,792
66,126	59,840	104,854	62,968
11,396	9,899	19,739	10,636
18,452	23,751	22,685	25,841
15,110	5,494	54,115	12,025
<u>2,397,357</u>	<u>712,369</u>	<u>10,689,611</u>	<u>1,753,346</u>
0	(20,815)	0	0
(448)	(617)	(2,145)	(944)
<u>2,396,909</u>	<u>690,937</u>	<u>10,687,466</u>	<u>1,752,402</u>
5,055,874	(55)	11,508,911	1,844,218
1,909,621	1,479,943	(13,334,222)	1,136,757
(518)	71,444	2,323,657	591,541
(5,101,055)	(4,901,265)	(118,037,625)	(12,360,111)
0	(76,462)	(2,048,003)	(289,441)
0	1,700	169,583	28,453
<u>(3,191,952)</u>	<u>(3,424,640)</u>	<u>(130,926,610)</u>	<u>(10,892,801)</u>
<u>\$ 1,863,922</u>	<u>\$ (3,424,695)</u>	<u>\$ (119,417,699)</u>	<u>\$ (9,048,583)</u>

THE OAKMARK FAMILY OF FUNDS

Statement of Changes in Net Assets—September 30, 2001

	The Oakmark Fund	
	Year Ended September 30, 2001	Year Ended September 30, 2000
From Operations:		
Net investment income	\$ 19,416,042	\$ 39,618,068
Net realized gain (loss) on investments	195,984,944	(358,898,002)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	<u>126,130,060</u>	<u>(135,635,885)</u>
Net increase (decrease) in net assets from operations	341,531,046	(454,915,819)
Distribution to shareholders from (1):		
Net investment income	(28,565,025)	(32,700,105)
Net realized short-term gain	0	(100,782,239)
Net realized long-term gain	<u>0</u>	<u>(487,248,675)</u>
Total distribution to shareholders	(28,565,025)	(620,731,019)
From Fund share transactions:		
Proceeds from shares sold—Class I	1,499,450,622	290,642,873
Proceeds from shares sold—Class II	122,635	0
Reinvestment of dividends and capital gain distributions	27,842,716	603,462,527
Payments for shares redeemed, net of fees—Class I	(769,874,783)	(2,552,562,124)
Payments for shares redeemed, net of fees—Class II	<u>(7,515)</u>	<u>0</u>
Net increase (decrease) in net assets from Fund share transactions	<u>757,533,675</u>	<u>(1,658,456,724)</u>
Total increase (decrease) in net assets	1,070,499,696	(2,734,103,562)
Net assets:		
Beginning of period	<u>2,038,728,807</u>	<u>4,772,832,369</u>
End of period	<u>\$ 3,109,228,503</u>	<u>\$ 2,038,728,807</u>
Undistributed net investment income	<u>\$ 18,989,069</u>	<u>\$ 38,561,304</u>
(1) Distributions per share:		
Net investment income	\$ 0.3872	\$ 0.2632
Net realized short-term gain	0	0.8111
Net realized long-term gain	<u>0</u>	<u>3.9217</u>
Total distributions to shareholders	<u>\$ 0.3872</u>	<u>\$ 4.9960</u>

The Oakmark Select Fund

	Year Ended September 30, 2001	Year Ended September 30, 2000
From Operations:		
Net investment income	\$ 8,224,650	\$ 12,054,873
Net realized gain (loss) on investments	(46,951,440)	161,052,611
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	<u>564,071,103</u>	<u>159,978,754</u>
Net increase (decrease) in net assets from operations	525,344,313	333,086,238
Distribution to shareholders from (1):		
Net investment income—Class I	(7,393,194)	(14,709,648)
Net investment income—Class II	(21,608)	0
Net realized short-term gain	(23,966,532)	(8,341,169)
Net realized long-term gain	<u>(93,492,833)</u>	<u>(268,872,301)</u>
Total distribution to shareholders	(124,874,167)	(291,923,118)
From Fund share transactions:		
Proceeds from shares sold—Class I	2,438,122,791	628,490,960
Proceeds from shares sold—Class II	33,209,296	7,021,801
Reinvestment of dividends and capital gain distributions	121,465,993	287,179,516
Payments for shares redeemed, net of fees—Class I	(569,095,434)	(823,014,435)
Payments for shares redeemed, net of fees—Class II	<u>(6,168,435)</u>	<u>(1,013,300)</u>
Net increase (decrease) in net assets from Fund share transactions	<u>2,017,534,211</u>	<u>98,664,542</u>
Total increase (decrease) in net assets	2,418,004,357	139,827,662
Net assets:		
Beginning of period	<u>1,778,736,474</u>	<u>1,638,908,812</u>
End of period	<u>\$ 4,196,740,831</u>	<u>\$ 1,778,736,474</u>
Undistributed net investment income	<u>\$ 7,958,033</u>	<u>\$ 8,584,306</u>
(1) Distributions per share:		
Net investment income	\$ 0.0861	\$ 0.1972
Net realized short-term gain	0.2779	0.1118
Net realized long-term gain	<u>1.0832</u>	<u>3.6040</u>
Total distributions to shareholders	<u>\$ 1.4472</u>	<u>\$ 3.9130</u>

THE OAKMARK FAMILY OF FUNDS

Statement of Changes in Net Assets—September 30, 2001 cont.

	The Oakmark Small Cap Fund	
	Year Ended September 30, 2001	Year Ended September 30, 2000
From Operations:		
Net investment income (loss)	\$ (710,637)	\$ (1,173,696)
Net realized gain (loss) on investments	1,334,090	25,233,378
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	<u>(10,475,705)</u>	<u>(12,748,906)</u>
Net increase (decrease) in net assets from operations	(9,852,252)	11,310,776
Distribution to shareholders from (1):		
Net investment income	0	0
Net realized short-term gain	0	0
Net realized long-term gain	<u>(8,165,109)</u>	<u>0</u>
Total distribution to shareholders	(8,165,109)	0
From Fund share transactions:		
Proceeds from shares sold	133,704,823	51,615,294
Reinvestment of dividends and capital gain distributions	8,045,937	0
Payments for shares redeemed, net of fees	<u>(107,824,806)</u>	<u>(251,361,737)</u>
Net increase (decrease) in net assets from Fund share transactions	33,925,954	(199,746,443)
Total increase (decrease) in net assets	15,908,593	(188,435,667)
Net assets:		
Beginning of period	<u>248,703,612</u>	<u>437,139,279</u>
End of period	<u>\$ 264,612,205</u>	<u>\$ 248,703,612</u>
Undistributed net investment income	<u>\$ 0</u>	<u>\$ 0</u>
(1) Distributions per share:		
Net investment income	\$ 0	\$ 0
Net realized short-term gain	0	0
Net realized long-term gain	<u>0.5102</u>	<u>0</u>
Total distributions to shareholders	\$ 0.5102	\$ 0

The Oakmark Equity and Income Fund

	Year Ended September 30, 2001	Year Ended September 30, 2000
From Operations:		
Net investment income	\$ 5,055,874	\$ 1,666,618
Net realized gain (loss) on investments	1,909,621	4,310,645
Net realized gain (loss) on foreign currency transactions	(518)	(645)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	(5,101,055)	3,084,969
Net change in unrealized appreciation (depreciation)—other	0	159
Net increase (decrease) in net assets from operations	1,863,922	9,061,746
Distribution to shareholders from (1):		
Net investment income—Class I	(897,529)	(1,718,499)
Net investment income—Class II	(7,433)	0
Net realized short-term gain	0	0
Net realized long-term gain	(3,733,470)	(5,192,802)
Total distribution to shareholders	(4,638,432)	(6,911,301)
From Fund share transactions:		
Proceeds from shares sold—Class I	682,515,057	11,520,117
Proceeds from shares sold—Class II	2,887,484	418,255
Reinvestment of dividends and capital gain distributions	4,457,698	6,650,712
Payments for shares redeemed, net of fees—Class I	(118,553,446)	(26,121,233)
Payments for shares redeemed, net of fees—Class II	(111,704)	(50)
Net increase (decrease) in net assets from Fund share transactions	571,195,069	(7,532,199)
Total increase (decrease) in net assets	568,420,559	(5,381,754)
Net assets:		
Beginning of period	54,935,837	60,317,591
End of period	<u>\$ 623,356,396</u>	<u>\$ 54,935,837</u>
Undistributed net investment income	<u>\$ 5,004,490</u>	<u>\$ 1,007,663</u>
(1) Distributions per share:		
Net investment income	\$ 0.2427	\$ 0.4509
Net realized short-term gain	0	0
Net realized long-term gain	1.0013	1.3625
Total distributions to shareholders	\$ 1.2440	\$ 1.8134

THE OAKMARK FAMILY OF FUNDS

Statement of Changes in Net Assets—September 30, 2001 cont.

	The Oakmark Global Fund	
	Year Ended September 30, 2001	Period Ended September 30, 2000
From Operations:		
Net investment income	\$ (55)	\$ 146,742
Net realized gain (loss) on investments	1,479,943	96,088
Net realized gain (loss) on foreign currency transactions	71,444	132,840
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	(4,901,265)	4,122,450
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	(76,462)	81,181
Net change in unrealized appreciation (depreciation)—other	1,700	(1,568)
Net increase (decrease) in net assets from operations	<u>(3,424,695)</u>	<u>4,577,733</u>
Distribution to shareholders from (1):		
Net investment income	(435,138)	(29,834)
Net realized short-term gain	(92,927)	0
Net realized long-term gain	(37,007)	0
Total distribution to shareholders	<u>(565,072)</u>	<u>(29,834)</u>
From Fund share transactions:		
Proceeds from shares sold	42,948,303	12,896,002
Reinvestment of dividends and capital gain distributions	560,498	28,883
Payments for shares redeemed, net of fees	(18,542,262)	(14,198,899)
Net increase (decrease) in net assets from Fund share transactions	<u>24,966,539</u>	<u>(1,274,014)</u>
Total increase (decrease) in net assets	20,976,772	3,273,885
Net assets:		
Beginning of period	27,227,239	23,953,354
End of period	<u>\$ 48,204,011</u>	<u>\$ 27,227,239</u>
Undistributed (Distribution in excess of) net investment income	<u>\$ (159,043)</u>	<u>\$ 280,910</u>
(1) Distributions per share:		
Net investment income	\$ 0.1742	\$ 0.0098
Net realized short-term gain	0.0372	0
Net realized long-term gain	0.0145	0
Total distributions to shareholders	<u>\$ 0.2259</u>	<u>\$ 0.0098</u>

The Oakmark International Fund

	Year Ended September 30, 2001	Year Ended September 30, 2000
From Operations:		
Net investment income	\$ 11,508,911	\$ 14,664,615
Net realized gain (loss) on investments	(13,334,222)	60,562,992
Net realized gain (loss) on foreign currency transactions	2,323,657	10,609,055
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	(118,037,625)	13,902,115
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	(2,048,003)	2,556,178
Net change in unrealized appreciation (depreciation)—other	<u>169,583</u>	<u>(111,145)</u>
Net increase (decrease) in net assets from operations	(119,417,699)	102,183,810
Distribution to shareholders from (1):		
Net investment income—Class I	(24,851,611)	(27,231,383)
Net investment income—Class II	(3,245)	(1,053)
Net realized short-term gain	(16,422,539)	0
Net realized long-term gain	<u>(8,281,127)</u>	<u>0</u>
Total distribution to shareholders	(49,558,522)	(27,232,436)
From Fund share transactions:		
Proceeds from shares sold—Class I	282,295,504	172,133,473
Proceeds from shares sold—Class II	2,588,328	143,284
Reinvestment of dividends and capital gain distributions	47,893,421	26,258,587
Payments for shares redeemed, net of fees—Class I	(205,510,100)	(302,066,042)
Payments for shares redeemed, net of fees—Class II	<u>(327,974)</u>	<u>(48,697)</u>
Net increase (decrease) in net assets from Fund share transactions	<u>126,939,179</u>	<u>(103,579,395)</u>
Total increase (decrease) in net assets	(42,037,042)	(28,628,021)
Net assets:		
Beginning of period	<u>782,513,966</u>	<u>811,141,987</u>
End of period	<u>\$ 740,476,924</u>	<u>\$ 782,513,966</u>
Undistributed net investment income	<u>\$ 9,923,928</u>	<u>\$ 24,309,333</u>
(1) Distributions per share:		
Net investment income	\$ 0.5074	\$ 0.4861
Net realized short-term gain	0.3353	0
Net realized long-term gain	0.1690	0
Total distributions to shareholders	<u>\$ 1.0117</u>	<u>\$ 0.4861</u>

THE OAKMARK FAMILY OF FUNDS

Statement of Changes in Net Assets—September 30, 2001 cont.

	The Oakmark International Small Cap Fund	
	Year Ended September 30, 2001	Year Ended September 30, 2000
From Operations:		
Net investment income	\$ 1,844,218	\$ 2,268,614
Net realized gain (loss) on investments	1,136,757	4,863,798
Net realized gain (loss) on foreign currency transactions	591,541	991,046
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	(12,360,111)	(13,182,275)
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	(289,441)	281,817
Net change in unrealized appreciation (depreciation)—other	<u>28,453</u>	<u>(28,709)</u>
Net increase (decrease) in net assets from operations	(9,048,583)	(4,805,709)
Distribution to shareholders from (1):		
Net investment income	(2,566,080)	(1,252,257)
Net realized short-term gain	0	(3,278,736)
Net realized long-term gain	<u>(3,663,064)</u>	<u>(3,226,904)</u>
Total distribution to shareholders	(6,229,144)	(7,757,897)
From Fund share transactions:		
Proceeds from shares sold—Class I	72,931,617	39,669,014
Proceeds from shares sold—Class II	39,964	0
Reinvestment of dividends and capital gain distributions	6,071,794	7,637,609
Payments for shares redeemed, net of fees—Class I	(35,203,678)	(99,763,438)
Payments for shares redeemed, net of fees—Class II	<u>0</u>	<u>0</u>
Net increase (decrease) in net assets from Fund share transactions	<u>43,839,697</u>	<u>(52,456,815)</u>
Total increase (decrease) in net assets	28,561,970	(65,020,421)
Net assets:		
Beginning of period	<u>90,345,782</u>	<u>155,366,203</u>
End of period	<u>\$ 118,907,752</u>	<u>\$ 90,345,782</u>
Undistributed net investment income	<u>\$ 1,922,975</u>	<u>\$ 2,967,277</u>
(1) Distributions per share:		
Net investment income	\$ 0.3402	\$ 0.1135
Net realized short-term gain	0	0.2972
Net realized long-term gain	<u>0.4853</u>	<u>0.2923</u>
Total distributions to shareholders	<u>\$ 0.8255</u>	<u>\$ 0.7030</u>

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies of The Oakmark Fund ("Oakmark"), The Oakmark Select Fund ("Select"), The Oakmark Small Cap Fund ("Small Cap"), The Oakmark Equity and Income Fund ("Equity and Income"), The Oakmark Global Fund ("Global"), The Oakmark International Fund ("International"), and The Oakmark International Small Cap Fund ("Int'l Small Cap") collectively referred to as "the Funds", each a series of the Harris Associates Investment Trust (a Massachusetts business trust). These policies are in conformity with accounting principles generally accepted in the United States ("GAAP"). The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Class Disclosure—

Each Fund offers two classes of shares: Class I Shares and Class II Shares. Class I Shares are offered to the general public. Class II Shares are offered to certain retirement plans such as 401(k) and profit sharing plans. Class II Shares pay a service fee at the annual rate of .25% of average net assets of Class II Shares of the Fund. This service fee is paid to an administrator for performing the services associated with the administration of such retirement plans.

Expenses of the Funds that are not directly attributable to a specific class of shares are prorated between the classes based on the relative net assets of each class. Expenses directly attributable to a class of shares are recorded to the specific class. At this time, expenses directly attributable to each class are transfer agent fees, service fees and other shareholder servicing fees.

Security valuation—

Investments are stated at market value. Securities traded on securities exchanges and securities traded on the NASDAQ National Market are valued at the last sales price on the day of valuation, or if lacking any reported sales that day, at the most recent bid quotation. Over-the-counter securities not so traded are valued at the most recent bid quotation. Money market instruments having a maturity of 60 days or less from the date of valuation are valued on an amortized cost basis which approximates market value. Securities for which quotations are not readily available are valued at a fair value as determined by the Pricing Committees appointed by the Board of Trustees.

Foreign currency translations—

Values of investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using the mean of the bid and offer prices of such currencies at the time of valuation.

Purchases and sales of investments and dividend and interest income are converted at the prevailing rate of exchange on the respective dates of such transactions.

The Funds do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized gain or loss from investments.

Net realized gains on foreign currency transactions arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Funds' books, and the U.S. dollar equivalent of the amounts actually received or paid, and the realized gains or losses resulting from the portfolio and transaction hedges.

At September 30, 2001, the Global, International and Int'l Small Cap Funds had foreign currency transactions. Net unrealized appreciation (depreciation) - other includes the following components:

	Global	International	Int'l Small Cap
Unrealized appreciation (depreciation) on dividends and dividend claims receivable	\$ 145	\$(21,490)	\$ 1,484
Unrealized appreciation (depreciation) on open securities purchases and sales	216	42,322	23,584
Unrealized appreciation (depreciation) on transaction hedge purchases and sales	(195)	(31,702)	(22,432)
Unrealized appreciation (depreciation) on tax expense payable	<u>19</u>	<u>213</u>	<u>132</u>
Net Unrealized appreciation (depreciation) - Other	<u>\$ 185</u>	<u>\$(10,657)</u>	<u>\$ 2,768</u>

Security transactions and investment income—

Security transactions are accounted for on the trade date (date the order to buy or sell is executed) and dividend income is recorded on the ex-dividend date. Interest income and expenses are recorded on the accrual basis.

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

Fund shares are sold and redeemed on a continuing basis at net asset value. Net asset value per share is determined daily as of the close of regular trading on the New York Stock Exchange on each day the Exchange is open for trading by dividing the total value of the Fund's investments and other assets, less liabilities, by the number of Fund shares outstanding.

Forward foreign currency contracts—

At September 30, 2001, Global, International and Int'l Small Cap had entered into forward foreign currency contracts under which they are

The Global Fund had the following outstanding contracts at September 30, 2001:

Transaction Hedges: Foreign Currency Purchases—

US Dollars Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 2001
\$ 9,642	1,132,825 Japanese Yen	October 2001	\$(139)
15,929	1,875,678 Japanese Yen	October 2001	(195)
19,938	2,385,950 Japanese Yen	October 2001	77
22,502	2,689,869 Japanese Yen	October 2001	62
			<u>\$(195)</u>

The International Fund had the following outstanding contracts at September 30, 2001:

Transaction Hedges: Foreign Currency Purchases—

US Dollars Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 2001
\$ 502,689	803,046 Swiss Franc	October 2001	\$(6,492)
1,564,498	1,696,301 Euro Currency	October 2001	(20,780)
989,783	671,039 Pound Sterling	October 2001	(3,255)
1,503,916	1,019,396 Pound Sterling	October 2001	(5,251)
482,036	326,959 Pound Sterling	October 2001	(1,357)
342,227	232,255 Pound Sterling	October 2001	(778)
1,239,855	841,435 Pound Sterling	October 2001	(2,819)
			<u>\$(40,732)</u>

Transaction Hedges: Foreign Currency Sales—

US Dollars Purchased	Foreign Currency Sold	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 2001
\$ 424,183	459,919 Euro Currency	October 2001	\$ 5,634
840,348	911,143 Euro Currency	October 2001	11,162
1,897,621	2,069,380 Euro Currency	October 2001	14,382
79,714	87,626 Euro Currency	October 2001	(31)
3,083,744	33,150,250 Swedish Krona	October 2001	(20,880)
1,169,084	12,496,338 Swedish Krona	October 2001	(1,237)
			<u>\$ 9,030</u>

obligated to exchange currencies at specified future dates. The Funds' currency transactions are limited to transaction hedging and portfolio hedging involving either specific transactions or portfolio positions.

The contractual amounts of forward foreign exchange contracts do not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered. Risks arise from the possible inability of counter parties to meet the terms of their contracts and from movements in currency values.

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

The Int'l Small Cap Fund had the following outstanding contracts at September 30, 2001:

Transaction Hedges: Foreign Currency Purchases—

US Dollars Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 2001
\$240,219	1,960,188 Danish Krone	October 2001	\$ (364)
147,682	159,829 Euro Currency	October 2001	(2,230)
325,067	352,453 Euro Currency	October 2001	(4,318)
112,228	122,386 Euro Currency	October 2001	(851)
535,857	584,358 Euro Currency	October 2001	(4,061)
759,196	827,913 Euro Currency	October 2001	(5,754)
238,739	260,348 Euro Currency	October 2001	(1,809)
67,499	74,199 Euro Currency	October 2001	26
258,041	175,097 Pound Sterling	October 2001	(622)
301,313	204,280 Pound Sterling	October 2001	(991)
158,967	107,884 Pound Sterling	October 2001	(361)
155,223	18,277,482 Japanese Yen	October 2001	(1,901)
49,176	5,867,712 Japanese Yen	October 2001	45
25,520	3,045,078 Japanese Yen	October 2001	24
100,716	12,039,531 Japanese Yen	October 2001	279
22,502	2,689,869 Japanese Yen	October 2001	62
			<u>\$(22,826)</u>

Transaction Hedges: Foreign Currency Sales—

US Dollars Purchased	Foreign Currency Sold	Settlement Date	Unrealized Appreciation (Depreciation) at September 30, 2001
\$ 91,752	10,820,316 Japanese Yen	October 2001	\$ 985
44,734	5,358,262 Japanese Yen	October 2001	(214)
136,043	16,262,569 Japanese Yen	October 2001	(377)
			<u>\$ 394</u>

At September 30, 2001, Global, International and Int'l Small Cap Funds each had sufficient cash and/or securities to cover any commitments under these contracts.

Notes to Financial Statements (cont.)

Federal income taxes, dividends and distributions to shareholders—

No provision is made for Federal income taxes. The Funds elect to be taxed as “regulated investment companies” and make such distributions to their shareholders as to be relieved of all Federal income taxes under provisions of current Federal tax law.

The funds hereby designate the approximate long term capital gains for purposes of the dividends paid deduction (in thousands): Equity and Income — \$1,897; and, Global — \$1,362.

Income dividends and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. To the extent these tax and book differences are permanent in nature, such amounts are reclassified among paid in capital, undistributed net investment income and undistributed net realized gain (loss) on investments. These differences are primarily related to foreign currency transactions, deferral of losses on wash sales, and character of capital loss carryforwards. The Funds also utilize earnings and profits distributed to shareholders on redemption of shares as a part of the dividends paid deduction for income tax purposes.

At September 30, 2001, the capital loss carryforwards for U.S. Federal income tax purposes are as follows (in thousands): Oakmark — \$162,914 (begins to expire 9/30/08); and Select — \$5,157 (expires 9/30/09).

For the period subsequent to October 31, 2000, through the fiscal year end, the following Funds incurred net capital losses for which each Fund intends to treat as having been incurred in the following fiscal year (in thousands): Select — \$41,794; International — \$14,828; and International Small Cap — \$889.

Bank Loans—

The Funds have an unsecured line of credit with a syndication of banks. It is a committed line of \$250 million. Borrowings under this arrangement bear interest at .45% above the Federal Funds Effective Rate. As of September 30, 2001, there were no outstanding borrowings.

Accounting for Options—

When the Fund writes an option, the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current market value of the option written. Premiums received from writing options, which expire unexercised, are recorded by the Fund on the expiration date as realized gains from option transactions. The difference between the premium and the amount paid on effecting a closing purchase transaction including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or a loss. If a put option is exercised, the premium reduces the cost basis of the security or currency purchased by

the Fund. In writing an option, the Fund bears the market risk of an unfavorable change in the price of the security or currency underlying the written option. Exercise of an option written by the Fund could result in the Fund selling or buying a security or currency at a price different from the current market value.

During the twelve months ended September 30, 2001, Oakmark, Select, Small Cap, and Global wrote option contracts. At September 30, 2001, Global had outstanding option contracts. Portfolio securities valued at \$1,248,000 were being held in escrow by the custodian as cover for call options written by Global.

2. TRANSACTIONS WITH AFFILIATES

Each fund has an investment advisory agreement with Harris Associates L.P. (Adviser). For management services and facilities furnished, the Funds pay the Adviser monthly fees at annual rates as follows. Oakmark pays 1% on the first \$2 billion of net assets, .90% on the next \$1 billion of net assets, .80% on the next \$2 billion of net assets, and .75% on the excess of \$5 billion of net assets. Select pays 1% on the first \$1 billion of net assets, .95% on the next \$500 million of net assets, .90% on the next \$500 million of net assets, .85% on the next \$500 million of net assets, .80% on the next \$2.5 billion of net assets, and .75% on the excess of \$5 billion of net assets. Small Cap pays 1.00% of net assets. Equity and Income pays .75% of net assets. Global pays 1.00% of net assets. International pays 1% on the first \$2 billion of net assets, .95% on the next \$1 billion of net assets, and .85% on the excess of \$3 billion of net assets. Int'l Small Cap pays 1.25% on the first \$500 million and 1.10% on the excess of \$500 million of net assets. Each fee is calculated on the total net assets as determined at the end of each preceding calendar month. The Adviser has voluntarily agreed to reimburse the Funds to the extent that annual expenses, excluding certain expenses, for Class I shares, exceed 1.5% for domestic funds, 2.0% for international funds, 1.75% for Global and 1.0% for Equity and Income; or for Class II shares, exceed 1.75% for domestic funds, 2.25% for international funds, 2% for Global and 1.25% for Equity and Income.

In connection with the organization of the Funds, expenses of approximately \$3,500 were advanced to Select by the Adviser. These expenses are being amortized on a straight line basis through October, 2001 for Select.

During the twelve months ended September 30, 2001, the Funds incurred brokerage commissions of \$7,022,538, \$5,729,975, \$564,432, \$1,040,655, \$237,309, \$2,693,614, and \$429,077 of which \$2,164,964, \$1,346,463, \$162,683, \$447,443, \$52,458, \$0, and \$0 were paid by Oakmark, Select, Small Cap, Equity and Income, Global, International and Int'l Small Cap, respectively, to an affiliate of the Adviser.

The Funds' Trustees may participate in a Deferred Compensation Plan which may be terminated at any time. The obligations of the Plan are paid solely out of the assets of the Funds.

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

3. FUND SHARE TRANSACTIONS

Proceeds and payments on Fund shares as shown in the Statement of Changes in Net Assets are in respect of the following number of shares (in thousands):

	Twelve Months Ended September 30, 2001						
	Oakmark	Select	Small Cap	Equity & Income	Global	International	Int'l Small Cap
Shares sold	44,685	101,275	8,459	39,023	3,516	18,926	6,680
Shares issued in reinvestment of dividends	994	5,908	585	293	53	3,303	588
Less shares redeemed	(24,202)	(23,567)	(7,348)	(6,921)	(1,614)	(13,874)	(3,226)
Net increase (decrease) in shares outstanding	<u>21,477</u>	<u>83,616</u>	<u>1,696</u>	<u>32,395</u>	<u>1,955</u>	<u>8,355</u>	<u>4,042</u>

	Twelve Months Ended September 30, 2000						
	Oakmark	Select	Small Cap	Equity & Income	Global	International	Int'l Small Cap
Shares sold	11,007	32,899	3,743	784	1,361	11,610	3,311
Shares issued in reinvestment of dividends	21,629	15,744	0	463	3	1,898	656
Less shares redeemed	(95,833)	(44,043)	(18,761)	(1,763)	(1,477)	(20,847)	(8,406)
Net increase (decrease) in shares outstanding	<u>(63,197)</u>	<u>(4,600)</u>	<u>(15,018)</u>	<u>(516)</u>	<u>(113)</u>	<u>(7,339)</u>	<u>(4,439)</u>

4. INVESTMENT TRANSACTIONS

Transactions in investment securities (excluding short term securities) were as follows (in thousands):

	Oakmark	Select	Small Cap	Equity & Income	Global	International	Int'l Small Cap
Purchases	\$2,019,231	\$2,258,505	\$129,112	\$730,401	\$63,068	\$541,098	\$83,641
Proceeds from sales	\$1,409,888	\$ 587,358	\$106,706	\$238,509	\$42,530	\$457,405	\$46,690

Transactions in options written by Oakmark during the year ended September 30, 2001 were as follows:

	Number of Contracts	Premiums Received
Options outstanding at September 30, 2000	0	\$ 0
Options written	19,250	1,890,470
Options terminated in closing purchase transactions	(500)	(3,500)
Options expired	(7,706)	(785,674)
Options exercised	(11,044)	(1,101,296)
Options outstanding at September 30, 2001	0	\$ 0

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

Transactions in options written by Select during the year ended September 30, 2001 were as follows:

	Number of Contracts	Premiums Received
Options outstanding at September 30, 2000	0	\$ 0
Options written	1,000	136,842
Options terminated in closing purchase transactions	0	0
Options expired	(1,000)	(136,842)
Options exercised	0	0
Options outstanding at September 30, 2001	0	\$ 0

Transactions in options written by Small Cap during the year ended September 30, 2001 were as follows:

	Number of Contracts	Premiums Received
Options outstanding at September 30, 2000	210	\$ 64,578
Options written	10,220	1,573,462
Options terminated in closing purchase transactions	(4,950)	(231,352)
Options expired	(5,030)	(1,314,043)
Options exercised	(450)	(92,645)
Options outstanding at September 30, 2001	0	\$ 0

Transactions in options written by Global during the year ended September 30, 2001 were as follows:

	Number of Contracts	Premiums Received
Options outstanding at September 30, 2000	0	\$ 0
Options written	630	172,759
Options terminated in closing purchase transactions	0	0
Options expired	0	0
Options exercised	(180)	(31,739)
Options outstanding at September 30, 2001	450	\$141,020

5. TRANSACTIONS IN SECURITIES OF AFFILIATED ISSUERS

Affiliated issuers, as defined under the Investment Company Act of 1940, are those in which a fund's holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. A summary of Select, Small Cap, International, and International Small Cap's transactions in the securities of these issuers during the year ended September 30, 2001 is set forth below:

Summary of Transactions with Affiliated Companies The Oakmark Select Fund

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value September 30, 2001
The Dun & Bradstreet Corporation	\$ 65,981,623	\$ 0	\$ 0	\$137,998,000
Energizer Holdings, Inc.	61,041,062	0	0	99,675,126
The Reynolds and Reynolds Company, Class A	0	22,189,359	1,973,301	118,357,010
Toys 'R' Us, Inc.	78,087,413	0	0	210,610,905
TOTALS	\$205,110,098	\$22,189,359	\$1,973,301	\$566,641,041

THE OAKMARK FAMILY OF FUNDS

Notes to Financial Statements (cont.)

Summary of Transactions with Affiliated Companies The Oakmark Small Cap Fund

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value September 30, 2001
Hanger Orthopedic Group, Inc.	\$210,872	\$436,322	\$0	\$3,552,000
R.G. Barry Corporation	139,659	0	0	3,664,280
TOTALS	\$350,531	\$436,322	\$0	\$7,216,280

Summary of Transactions with Affiliated Companies The Oakmark International Fund

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value September 30, 2001
Chargeurs SA	\$ 0	\$ 4,647,299	\$ 651,249	\$20,866,885
Enodis plc	38,857,310	7,084,781	1,983,266	26,655,081
Fila Holding S.p.A.	13,463,234	0	0	23,967,610
Lotte Chilsung Beverage Co., Ltd.	442,181	0	61,854	18,400,307
Nufarm Limited	0	3,700,346	958,007	9,811,562
TOTALS	\$52,762,725	\$15,432,426	\$3,654,376	\$99,701,445

Summary of Transactions with Affiliated Companies The Oakmark International Small Cap Fund

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value September 30, 2001
Alaska Milk Corporation	\$193,224	\$ 0	\$291,982	\$1,962,293
Royal Doulton plc	520,262	378,841	0	1,418,900
Mainfreight Limited	0	196,511	126,577	1,997,983
Matchon Public Company Limited, Foreign Shares	0	0	201,908	2,292,088
TOTALS	\$713,486	\$575,352	\$620,467	\$7,671,264

THE OAKMARK FUND

Financial Highlights

For a share outstanding throughout each period

	Year Ended September 30, 2001 Class I	April 5, 2001 through September 30, 2001 Class II(a)	Year Ended September 30, 2000	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997(b)	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$ 26.95	\$ 32.09	\$ 34.37	\$ 33.54	\$ 41.21	\$ 32.39	\$ 28.47
Income From Investment Operations:							
Net Investment Income (Loss)	0.07	0.05	0.49	0.36	0.47	0.36	0.34
Net Gains or Losses on Securities (both realized and unrealized)	<u>5.38</u>	<u>(0.17)</u>	<u>(2.91)</u>	<u>2.51</u>	<u>(1.73)</u>	<u>10.67</u>	<u>4.70</u>
Total From Investment Operations:	5.45	(0.12)	(2.42)	2.87	(1.26)	11.03	5.04
Less Distributions:							
Dividends (from net investment income)	(0.39)	0.00	(0.26)	(0.44)	(0.40)	(0.34)	(0.28)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>(4.73)</u>	<u>(1.60)</u>	<u>(6.01)</u>	<u>(1.87)</u>	<u>(0.84)</u>
Total Distributions	<u>(0.39)</u>	<u>0.00</u>	<u>(5.00)</u>	<u>(2.04)</u>	<u>(6.41)</u>	<u>(2.21)</u>	<u>(1.12)</u>
Net Asset Value, End of Period	<u>\$ 32.01</u>	<u>\$ 31.97</u>	<u>\$ 26.95</u>	<u>\$ 34.37</u>	<u>\$ 33.54</u>	<u>\$ 41.21</u>	<u>\$ 32.39</u>
Total Return	20.42%	(0.37)%	(7.55)%	7.98%	(4.06)%	39.24%*	18.07%
Ratios/Supplemental Data:							
Net Assets, End of Period (\$million)	\$3,109.1	\$ 0.1	\$2,038.7	\$4,772.8	\$6,924.0	\$6,614.9	\$3,933.9
Ratio of Expenses to Average Net Assets	1.15%	1.32%*	1.21%	1.11%	1.08%	1.08%*	1.18%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.73%	0.46%*	1.42%	1.02%	1.22%	1.19%*	1.13%
Portfolio Turnover Rate	57%	57%	50%	13%	43%	17%	24%

* Data has been annualized.

(a) The date which Class II shares were first sold to the public was April 5, 2001.

(b) A move to a September 30th fiscal year end from an October 31st fiscal year end resulted in an eleven-month fiscal year in 1997.

THE OAKMARK SELECT FUND

Financial Highlights

For a share outstanding throughout each period

	Year Ended September 30, 2001 Class I	Year Ended September 30, 2001 Class II	Year Ended September 30, 2000 Class I	December 31, 1999 through September 30, 2000 Class II(a)	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997(b)
Net Asset Value, Beginning of Period	\$ 21.45	\$ 21.40	\$ 20.92	\$ 18.42	\$ 16.76	\$ 16.34	\$ 10.00
Income From Investment Operations:							
Net Investment Income (Loss)	0.03	0.00	0.13	0.10	0.19	0.03	(0.01)
Net Gains or Losses on Securities (both realized and unrealized)	<u>5.17</u>	<u>5.10</u>	<u>4.32</u>	<u>2.88</u>	<u>4.73</u>	<u>0.56</u>	<u>6.35</u>
Total From Investment Operations:	5.20	5.10	4.45	2.98	4.92	0.59	6.34
Less Distributions:							
Dividends (from net investment income)	(0.09)	(0.06)	(0.20)	0.00	(0.05)	0.00	0.00
Distributions (from capital gains)	<u>(1.36)</u>	<u>(1.34)</u>	<u>(3.72)</u>	<u>0.00</u>	<u>(0.71)</u>	<u>(0.17)</u>	<u>0.00</u>
Total Distributions	<u>(1.45)</u>	<u>(1.40)</u>	<u>(3.91)</u>	<u>0.00</u>	<u>(0.76)</u>	<u>(0.17)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$ 25.20</u>	<u>\$ 25.10</u>	<u>\$ 21.45</u>	<u>\$ 21.40</u>	<u>\$ 20.92</u>	<u>\$ 16.76</u>	<u>\$ 16.34</u>
Total Return	25.75%	25.28%	24.53%	16.18%	30.07%	3.64%	69.16%*
Ratios/Supplemental Data:							
Net Assets, End of Period (\$million)	\$4,161.4	\$ 35.4	\$1,772.0	\$ 6.8	\$1,638.9	\$1,227.9	\$ 514.2
Ratio of Expenses to Average Net Assets	1.08%	1.40%	1.17%	1.41%*	1.16%	1.22%	1.12%*
Ratio of Net Investment Income (Loss) to Average Net Assets	0.26%	(0.08)%	0.76%	0.59%*	0.98%	0.17%	(0.11)%*
Portfolio Turnover Rate	21%	21%	69%	69%	67%	56%	37%

*Data has been annualized.

(a) The date which Class II shares were first sold to the public was December 31, 1999.

(b) A move to a September 30th fiscal year end from an October 31st fiscal year end resulted in an eleven-month fiscal year in 1997.

THE OAKMARK SMALL CAP FUND

Financial Highlights

For a share outstanding throughout each period

	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997(b)	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$ 15.10	\$ 13.88	\$ 12.63	\$ 20.34	\$ 13.19	\$ 10.00
Income From Investment Operations:						
Net Investment Income (Loss)	0.00	0.00	0.14	(0.12)	(0.01)	(0.02)
Net Gains or Losses on Securities (both realized and unrealized)	<u>(0.02)</u>	<u>1.22</u>	<u>1.20</u>	<u>(4.73)</u>	<u>7.16</u>	<u>3.21</u>
Total From Investment Operations:	(0.02)	1.22	1.34	(4.85)	7.15	3.19
Less Distributions:						
Dividends (from net investment income)	0.00	0.00	0.00	0.00	0.00	0.00
Distributions (from capital gains)	<u>(0.51)</u>	<u>0.00</u>	<u>(0.09)</u>	<u>(2.86)</u>	<u>0.00</u>	<u>0.00</u>
Total Distributions	<u>(0.51)</u>	<u>0.00</u>	<u>(0.09)</u>	<u>(2.86)</u>	<u>0.00</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$ 14.57</u>	<u>\$ 15.10</u>	<u>\$ 13.88</u>	<u>\$ 12.63</u>	<u>\$ 20.34</u>	<u>\$ 13.19</u>
Total Return	0.07%	8.79%	10.56%	(26.37)%	59.14%*	31.94%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$ 264.6	\$ 248.7	\$ 437.1	\$ 618.0	\$1,513.4	\$ 218.4
Ratio of Expenses to Average Net Assets	1.27%	1.50%(a)	1.48%	1.45%	1.37%*	1.61%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.28)%	(0.41%)(a)	(0.44)%	(0.40)%	(0.25)%*	(0.29)%
Portfolio Turnover Rate	47%	28%	68%	34%	27%	23%

*Data has been annualized.

(a) If the Fund had paid all of its expenses and there had been no expense reimbursement by the Adviser, ratios would have been as follows:

	September 30, 2000
Ratio of Expenses to Average Net Assets	1.59%
Ratio of Net Income (Loss) to Average Net Assets	(0.50)%

(b) A move to a September 30th fiscal year end from an October 31st fiscal year end resulted in an eleven-month fiscal year in 1997.

THE OAKMARK EQUITY AND INCOME FUND

Financial Highlights

For a share outstanding throughout each period

	Year Ended September 30, 2001 Class I	Year Ended September 30, 2001 Class II	Year Ended September 30, 2000 Class I	July 13, 2000 through September 30, 2000 Class II(a)	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997(c)	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$ 16.50	\$ 16.49	\$ 15.68	\$ 15.51	\$ 13.99	\$ 14.49	\$ 11.29	\$ 10.00
Income From Investment Operations:								
Net Investment Income (Loss)	0.08	0.07	0.35	0.30	0.39	0.29	0.21	0.10
Net Gains or Losses on Securities (both realized and unrealized)	<u>2.11</u>	<u>2.08</u>	<u>2.28</u>	<u>0.68</u>	<u>1.72</u>	<u>0.04</u>	<u>3.24</u>	<u>1.19</u>
Total From Investment Operations:	2.19	2.15	2.63	0.98	2.11	0.33	3.45	1.29
Less Distributions:								
Dividends (from net investment income)	(0.24)	(0.24)	(0.45)	0.00	(0.21)	(0.24)	(0.12)	0.00
Distributions (from capital gains)	<u>(1.00)</u>	<u>(1.00)</u>	<u>(1.36)</u>	<u>0.00</u>	<u>(0.21)</u>	<u>(0.59)</u>	<u>(0.13)</u>	<u>0.00</u>
Total Distributions	<u>(1.24)</u>	<u>(1.24)</u>	<u>(1.81)</u>	<u>0.00</u>	<u>(0.42)</u>	<u>(0.83)</u>	<u>(0.25)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$ 17.45</u>	<u>\$ 17.40</u>	<u>\$ 16.50</u>	<u>\$ 16.49</u>	<u>\$ 15.68</u>	<u>\$ 13.99</u>	<u>\$ 14.49</u>	<u>\$ 11.29</u>
Total Return	14.40%	14.07%	18.51%	6.32%	15.32%	2.57%	34.01%*	12.91%
Ratios/Supplemental Data:								
Net Assets, End of Period (\$million)	\$ 620.1	\$ 3.3	\$ 54.5	\$ 0.4	\$ 60.3	\$ 57.7	\$ 33.5	\$ 13.8
Ratio of Expenses to Average Net Assets	0.98%	1.23%	1.24%	1.32%*	1.18%	1.31%	1.50%*(b)	2.50%(b)
Ratio of Net Investment Income (Loss) to Average Net Assets	2.07%	1.95%	3.04%	2.59%*	2.65%	2.39%	2.38%*(b)	1.21%(b)
Portfolio Turnover Rate	124%	124%	87%	87%	81%	46%	53%	66%

*Data has been annualized.

(a) The date which Class II shares were first sold to the public was July 13, 2000.

(b) If the Fund had paid all of its expenses and there had been no expense reimbursement by the Adviser, ratios would have been as follows:

	September 30, 1997	October 31, 1996
Ratio of Expenses to Average Net Assets	1.70%	2.64%
Ratio of Net Income (Loss) to Average Net Assets	2.18%	1.08%

(c) A move to a September 30th fiscal year end from an October 31st fiscal year end resulted in an eleven-month fiscal year in 1997.

OAKMARK GLOBAL FUND

Financial Highlights

For a share outstanding throughout each period

	Year Ended September 30, 2001	Year Ended September 30, 2000	Period Ended September 30, 1999(a)
Net Asset Value, Beginning of Period	\$ 10.91	\$ 9.18	\$ 10.00
Income From Investment Operations:			
Net Investment Income (Loss)	0.03	0.11	0.01
Net Gains or Losses on Securities (both realized and unrealized)	<u>0.12</u>	<u>1.63</u>	<u>(0.83)</u>
Total From Investment Operations:	0.15	1.74	(0.82)
Less Distributions:			
Dividends (from net investment income)	(0.17)	(0.01)	0.00
Distributions (from capital gains)	<u>(0.06)</u>	<u>0.00</u>	<u>0.00</u>
Total Distributions	<u>(0.23)</u>	<u>(0.01)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$ 10.83</u>	<u>\$ 10.91</u>	<u>\$ 9.18</u>
Total Return	1.37%	18.97%	(8.20)%
Ratios/Supplemental Data:			
Net Assets, End of Period (\$million)	\$ 48.2	\$ 27.2	\$ 24.0
Ratio of Expenses to Average Net Assets	1.75%(b)	1.75%(b)	1.75%*(b)
Ratio of Net Investment Income (Loss) to Average Net Assets	0.00%(b)	0.54%(b)	0.98%*(b)
Portfolio Turnover Rate	114%	147%	7%

*Data has been annualized

(a) The date which Fund shares were first offered for sale to the public was August 4, 1999.

(b) If the Fund had paid all of its expenses and there had been no expense reimbursement by the Adviser, ratios would have been as follows:

	September 30, 2001	September 30, 2000	September 30, 1999
Ratio of Expenses to Average Net Assets	1.80%	1.96%	2.22%*
Ratio of Net Income (Loss) to Average Net Assets	(0.05%)	0.34%	0.51%*

THE OAKMARK INTERNATIONAL FUND

Financial Highlights

For a share outstanding throughout each period

	Year Ended September 30, 2001 Class I	Year Ended September 30, 2001 Class II	Year Ended September 30, 2000 Class I	November 4, 1999 through September 30, 2000 Class II(a)	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997(b)	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$ 15.40	\$ 15.37	\$ 13.95	\$ 14.36	\$ 10.42	\$ 18.77	\$ 14.92	\$ 12.97
Income From Investment Operations:								
Net Investment Income (Loss)	0.20	0.17	1.02	0.96	(0.34)	0.41	0.27	0.09
Net Gains or Losses on Securities (both realized and unrealized)	<u>(2.07)</u>	<u>(2.10)</u>	<u>0.92</u>	<u>0.54</u>	<u>4.89</u>	<u>(5.32)</u>	<u>3.74</u>	<u>2.90</u>
Total From Investment Operations:	(1.87)	(1.93)	1.94	1.50	4.55	(4.91)	4.01	2.99
Less Distributions:								
Dividends (from net investment income)	(0.51)	(0.49)	(0.49)	(0.49)	(0.24)	(0.58)	(0.16)	0.00
Distributions (from capital gains)	<u>(0.51)</u>	<u>(0.48)</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.78)</u>	<u>(2.86)</u>	<u>0.00</u>	<u>(1.04)</u>
Total Distributions	<u>(1.02)</u>	<u>(0.97)</u>	<u>(0.49)</u>	<u>(0.49)</u>	<u>(1.02)</u>	<u>(3.44)</u>	<u>(0.16)</u>	<u>(1.04)</u>
Net Asset Value, End of Period	<u>\$ 12.51</u>	<u>\$ 12.47</u>	<u>\$ 15.40</u>	<u>\$ 15.37</u>	<u>\$ 13.95</u>	<u>\$ 10.42</u>	<u>\$ 18.77</u>	<u>\$ 14.92</u>
Total Return	(13.10)%	(13.44)%	14.27%	10.79%	46.41%	(29.90)%	29.63%*	24.90%
Ratios/Supplemental Data:								
Net Assets, End of Period (\$million)	\$ 738.5	\$ 1.9	\$ 782.4	\$ 0.1	\$ 811.1	\$ 756.1	\$1,647.3	\$1,172.8
Ratio of Expenses to Average Net Assets	1.30%	1.64%	1.30%	1.50%*	1.29%	1.32%	1.26%*	1.32%
Ratio of Net Investment Income (Loss) to Average Net Assets	1.40%	0.62%	1.87%	1.98%*	1.94%	1.95%	2.09%*	1.45%
Portfolio Turnover Rate	58%	58%	64%	64%	54%	43%	61%	42%

*Data has been annualized.

(a) The date which Class II shares were first sold to the public was November 4, 1999.

(b) A move to a September 30th fiscal year end from an October 31st fiscal year end resulted in an eleven-month fiscal year in 1997.

OAKMARK INTERNATIONAL SMALL CAP FUND

Financial Highlights

For a share outstanding throughout the period

	Year Ended September 30, 2001 Class I	January 9, 2001 through September 30, 2001 Class II(c)	Year Ended September 30, 2000	Year Ended September 30, 1999	Year Ended September 30, 1998	Eleven Months Ended September 30, 1997(b)	Year Ended October 31, 1996
Net Asset Value, Beginning of Period	\$ 11.51	\$ 10.73	\$ 12.64	\$ 6.89	\$ 12.20	\$ 11.41	\$ 10.00
Income From Investment Operations:							
Net Investment Income (Loss)	0.13	0.15	0.23	0.24	0.18	0.13	0.04
Net Gains or Losses on Securities (both realized and unrealized)	<u>(0.81)</u>	<u>(0.91)</u>	<u>(0.66)</u>	<u>5.71</u>	<u>(4.09)</u>	<u>1.10</u>	<u>1.37</u>
Total From Investment Operations:	(0.68)	(0.76)	(0.43)	5.95	(3.91)	1.23	1.41
Less Distributions:							
Dividends (from net investment income)	(0.34)	0.00	(0.11)	(0.20)	(0.06)	(0.08)	0.00
Distributions (from capital gains)	<u>(0.49)</u>	<u>0.00</u>	<u>(0.59)</u>	<u>0.00</u>	<u>(1.34)</u>	<u>(0.36)</u>	<u>0.00</u>
Total Distributions	<u>(0.83)</u>	<u>0.00</u>	<u>(0.70)</u>	<u>(0.20)</u>	<u>(1.40)</u>	<u>(0.44)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$ 10.00</u>	<u>\$ 9.97</u>	<u>\$ 11.51</u>	<u>\$ 12.64</u>	<u>\$ 6.89</u>	<u>\$ 12.20</u>	<u>\$ 11.41</u>
Total Return	(6.18)%	(7.08)%	(3.44)%	88.02%	(35.20)%	12.07%*	14.15%
Ratios/Supplemental Data:							
Net Assets, End of Period (\$million)	\$ 118.9	\$ 0.0	\$ 90.3	\$ 155.4	\$ 51.8	\$ 66.0	\$ 39.8
Ratio of Expenses to Average Net Assets	1.74%	1.97%*	1.77%	1.79%	1.96%	1.93%*	2.50%(a)
Ratio of Net Investment Income (Loss) to Average Net Assets	1.83%	1.76%*	1.99%	2.31%	2.17%	1.23%*	0.65%(a)
Portfolio Turnover Rate	49%	49%	40%	126%	69%	63%	27%

*Data has been annualized.

(a) If the Fund had paid all of its expenses and there had been no expense reimbursement by the Adviser, ratios would have been as follows:

	October 31, 1996
Ratio of Expenses to Average Net Assets	2.65%
Ratio of Net Income (Loss) to Average Net Assets	0.50%

(b) A move to a September 30th fiscal year end from an October 31st fiscal year end resulted in an eleven-month fiscal year in 1997.

(c) The date which Class II shares were first sold to the public was January 9, 2001.

THE OAKMARK FAMILY OF FUNDS

Report of Independent Public Accountants

To the Shareholders and Board of Trustees of Harris Associates Investment Trust:

We have audited the accompanying statements of assets and liabilities of 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, and The Oakmark International Small Cap Fund (each a series of Harris Associates Investment Trust), including the schedules of investments on pages 6-8, 11-12, 16-18, 22-25, 28-32, 35-40, and 44-49, as of September 30, 2001, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for the periods indicated thereon. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2001, by correspondence with the custodian and brokers. As to securities purchased but not received, we requested confirmation from brokers, and when replies were not received, we carried out alternative auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions of 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, and The Oakmark International Small Cap Fund of the Harris Associates Investment Trust as of September 30, 2001, the results of their operations for the year then ended, the changes in their net assets for each of the two years in the period then ended, and their financial highlights for the periods indicated thereon in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Chicago, Illinois
October 26, 2001

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 article, 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 represents risks which in some way may be greater than in 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.

The Oakmark Equity and Income Fund invests in medium and lower-quality debt securities which have higher yield potential but present greater investment and credit risk than higher-quality securities.

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

The performance information for The Oakmark Select Fund, The Oakmark Small Cap Fund, The Oakmark Global Fund, The Oakmark International Fund and The Oakmark International Small Cap 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.

2. During the period since inception (8/4/99), IPOs contributed an annualized 3.51% to the performance of The Oakmark Global Fund. As the IPO environment changes and the total net assets of the Fund grow, the impact of IPOs on performance is expected to diminish. "IPO" stands for Initial Public Offering, which is the first sale of stock by a company to the public.
3. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.
4. The S&P 500 Index is a broad market-weighted average of U.S. blue-chip companies.
5. The Dow Jones Industrial Average is an unmanaged index that includes only 30 big companies.
6. The Lipper Large Cap Value Fund Index measures the performance of the thirty largest U.S. large-cap value funds tracked by Lipper.
7. 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.
8. The Lipper Mid Cap Value Fund Index measures the performance of the thirty largest U.S. mid-cap value funds tracked by Lipper.
9. 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.

10. The S&P Small Cap 600 Index measures the performance of selected U.S. stocks with small market capitalizations.
11. The Lipper Small Cap Value Fund Index measures the performance of the thirty largest U.S. small-cap value funds tracked by Lipper.
12. The Lipper Balanced Fund Index measures the performance of the thirty largest U.S. balanced funds tracked by Lipper.
13. The Lehman Govt./Corp. Bond Index is an unmanaged index that includes the Lehman Government and Lehman Corporate indices.
14. 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.
15. The Lipper Global Fund Index is an unmanaged index that includes 30 mutual funds that invest in securities throughout the world.
16. The MSCI World Ex U.S. Index is an unmanaged index made up of 19 country sub-indexes, excluding the U.S.
17. 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.
18. The Lipper International Fund Index is an unmanaged index that includes 30 mutual funds that invest in securities whose primary markets are outside the U.S.
19. The Micropal Equity International Small Cap Index is an unmanaged, unweighted index comprised of all funds within the international small company fund sector.
20. The Lipper International Small Cap Average includes 76 mutual funds that invest in securities whose primary markets are outside the U.S.
21. After tax returns are presented as supplemental information to comments in the report from the portfolio managers. The Fund's "Return after taxes on distributions" shows the effect of taxable distributions, but assumes that you still hold the Fund shares at the end of the period. The Fund's "Return after taxes on distributions and sale of Fund shares" shows the effect of both taxable distributions and any taxable gain or loss that would be realized if the Fund shares were purchased at the beginning and sold at the end of the specified period. After-tax returns are calculated using the historical individual federal marginal income tax rates in effect at the time of each distribution and assumed sale, but do not reflect the impact of local and state taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown, and the after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred accounts such as 401(k) plans or individual retirement accounts. **Past performance, before and after taxes, cannot predict future investment results.**

THE OAKMARK FAMILY OF FUNDS

Investment Philosophy

All Oakmark managers follow a consistent investment philosophy—to invest in companies they believe are trading at a substantial discount to underlying business value. Critical to this philosophy is to invest with management teams who are committed to maximizing the company’s business value.

Three key tenets of our investment philosophy:

- 1 Buy businesses trading at a significant discount to our estimate of true business value.
- 2 Invest in companies expected to grow shareholder value over time.
- 3 Invest with management teams who think and act as owners.

Investment Process

We seek to identify undervalued companies through an intensive, in-house research process. This process is not based on macro-economic factors, such as the performance of the economy or the direction of interest rates. Nor is it based on technical factors, such as the performance of the stock market itself. And, while some value managers might use only one summary statistic—such as price-earnings ratio—our investment professionals take a more in-depth approach using a range of valuation measures appropriate for a specific company or industry.

From the universe of thousands of equity securities, our team generates investment ideas through a variety of methods. If a security appears attractive, detailed quantitative and qualitative research follows. This careful process of identifying undervalued stocks results in an “approved list.”

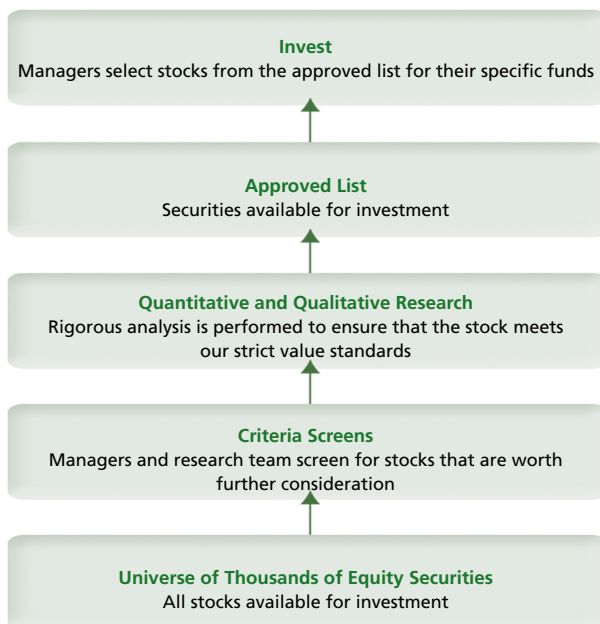
The Result: a unified effort aimed at identifying the best values in the marketplace. From the list of approved stocks, each fund manager constructs a relatively focused portfolio, built on a stock-by-stock basis from the bottom up.

Who Should Invest

Any investor who is seeking a disciplined value manager for the purposes of growing and diversifying a portfolio should consider one of the Oakmark funds, keeping in mind that all equity investments should be considered long-term investments. As value investors, we recognize that patience is a virtue and believe that, over the long term, investors are rewarded for their patience. We generally hold the companies in which we invest for three to five years, a time horizon that we encourage our shareholders to consider as well.

How to Use Value Funds in an Overall Portfolio

Investment styles tend to move in cycles. One style may be in favor for a few years while the other is out of favor, and vice versa. Diversifying the stock portion of your portfolio to include value and momentum/growth investment styles may help reduce overall volatility—and potentially provide more consistent returns over time.



Bottom-Up Investment Process

The Oakmark Glossary

Book value – A company's common stock equity as it appears on a balance sheet, equal to total assets minus liabilities, preferred stock, and intangible assets such as goodwill. A company's book value often differs substantially from economic value, especially in industries such as media.

Business value/Intrinsic value – The perceived or estimated actual value of a security, as opposed to its current market price or book value. Business value can be evaluated based on what a knowledgeable buyer would pay for a business if the company were sold in its entirety.

Growth investing – Investors who look for companies based on whether the stock of a company is growing earnings and/or revenue faster than the industry as a whole or the overall market. Growth investors generally expect high rates of growth to persist, and the stock, in turn, to deliver returns exceeding the market's. A growth mutual fund is generally one that emphasizes stocks believed to offer above-average growth prospects, with little to no emphasis on the stock's current price.

M & A (Mergers & Acquisitions) – Merger: the combining of two or more entities into one, through a purchase acquisition or a pooling of interests. Acquisition: can also be called a takeover, and is defined as acquiring control of a corporation, called a target, by stock purchase or exchange, either hostile or friendly.

Market capitalization (market cap or cap) – The market price of an entire company on any given day, calculated by multiplying the number of shares outstanding by the price per share.

Momentum investing – Approach to investing based on the belief that stock price trends are likely to continue. Momentum investors tend to buy stocks that have been outperforming the market and to sell those stocks when their relative performance deteriorates. Momentum investors do not consider a company's underlying value or fundamentals in their investment decisions.

Multiple – A ratio used to measure a stock's valuation, usually greater than 1. Sometimes used to mean price/earnings ratio.

P/B or Price-to-Book Ratio – A stock's capitalization divided by its book value. The value is the same whether the calculation is done for the whole company or on a per-share basis.

P/E or Price-to-Earnings Ratio – The most common measure of a stock's valuation. It is equal to a stock's capitalization divided by its after-tax earnings over a 12-month period. The value is the same whether the calculation is done for the whole company or on a per-share basis. Equivalently, the cost an investor in a given stock must pay per dollar of current annual earnings. Also called earnings multiple.

Share repurchase – Program through which a corporation buys back its own shares in the open market, typically an indication that the corporation's management believes the stock price is undervalued.

Value investing – Investors who utilize valuation measures such as business value (including growth rate), price/earnings ratio, price/book ratio, and yield to gauge the attractiveness of a company. Managers who employ a value investment style believe that the true, underlying value of a company is not reflected in its current share price, and, over time, the price has potential to increase as the market recognizes the overall value of the business. Value stocks sell at relatively low prices in relation to their underlying business value, earnings, or book value.

Stocks become undervalued for a variety of reasons, including an overall market decline, or when a specific industry falls into disfavor and investors view all companies in that industry in the same light. Consequently, an individual company's stock price may fall, even though it may be only temporarily affected by the industry's problems and its underlying value has remained unchanged.

"x times earnings" ("12 times earnings") – Another way to express a stock's price-to-earnings (P/E) ratio. A stock with a P/E ratio of 12 sells at 12 times earnings.



THE OAKMARK FAMILY OF FUNDS

Trustees and Officers

Trustees

Victor A. Morgenstern—*Chairman*
Michael J. Friduss
Thomas H. Hayden
Christine M. Maki
Allan J. Reich
Marv Rotter
Burton W. Ruder
Peter S. Voss
Gary Wilner, M.D.

Officers

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James P. Benson—*Vice President*
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Anita M. Nagler—*Vice President*
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Janet Reali—*Vice President and Secretary*
Ann W. Regan—*Vice President—*
Shareholder Operations and Assistant Secretary
Edward A. Studzinski—*Vice President*
Michael J. Welsh—*Vice President*
Kristi L. Rowsell—*Treasurer*
John J. Kane—*Assistant Treasurer*

Other Information

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24-hour NAV hotline

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This report, including the audited financial statements contained herein, is submitted for the general information of the shareholders of the Funds. The report is not authorized for distribution to prospective investors in the Funds unless it is accompanied or preceded by a currently effective prospectus of the Funds. No sales charge to the shareholder or to the new investor is made in offering the shares of the Funds.

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