

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

# SEMI-ANNUAL REPORT

MARCH 31, 2002

# THE OAKMARK FAMILY OF FUNDS

## 2002 Semi-Annual Report

---

<b>Letter from the President</b> .....	1
<b>Summary Information</b> .....	2
<b>Commentary on The Oakmark and Oakmark Select Funds</b> .....	4
<b>The Oakmark Fund</b>	
Letter from the Portfolio Managers .....	6
Schedule of Investments .....	7
<b>The Oakmark Select Fund</b>	
Letter from the Portfolio Managers .....	11
Schedule of Investments .....	12
<b>The Oakmark Small Cap Fund</b>	
Letter from the Portfolio Managers .....	14
Schedule of Investments .....	17
<b>The Oakmark Equity and Income Fund</b>	
Letter from the Portfolio Managers .....	21
Schedule of Investments .....	24
<b>The Oakmark Global Fund</b>	
Letter from the Portfolio Managers .....	30
Global Diversification Chart .....	33
Schedule of Investments .....	34
<b>Commentary on The International and International Small Cap Funds</b> .....	39
<b>The Oakmark International Fund</b>	
Letter from the Portfolio Managers .....	41
International Diversification Chart .....	42
Schedule of Investments .....	43
<b>The Oakmark International Small Cap Fund</b>	
Letter from the Portfolio Managers .....	48
International Diversification Chart .....	49
Schedule of Investments .....	50
<b>Financial Statements</b>	
Statement of Assets and Liabilities .....	56
Statement of Operations .....	58
Statement of Changes in Net Assets .....	60
Notes to Financial Statements .....	67
<b>Oakmark Philosophy &amp; Process</b> .....	83
<b>Oakmark Glossary</b> .....	84
<b>Trustees and Officers</b> .....	85

### For More Information

Access our web site at [www.oakmark.com](http://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.

## Letter from the President

---

### Dear Fellow Shareholders:

After a volatile and emotional 2001, we continue to remain focused on our primary task: generating investment returns that help our shareholders meet their long-term investment goals.

#### The Global Economy

It appears that a global recovery is developing, and while valuation levels are still high, markets in general are not dramatically overvalued. Unfortunately, a general lack of pricing power and rising cost pressures raise questions about the magnitude of the profit rebound in a recovery. Thus, we expect the rest of 2002 to be a challenging investment environment, but one where we believe the strength of our value philosophy and process can provide satisfactory results.

#### Realistic Expectations

When assessing how we have done for our investors, we hold ourselves to two standards. First, are we generating positive rates of return? Second, what are our returns versus the benchmarks over time? As you can see from the performance charts in the subsequent pages, we continue to generate positive answers to both questions. We use two standards to help us keep the proper perspective in managing your funds.

We are confident that common stocks over the long term will be excellent vehicles for meeting financial goals. However, the important lesson of the last 2 years is that risk assessment has to be part of the investment process. Because of the very strong market of the 1990's, many investors were mesmerized by the potential for large gains without considering possible risks. They forgot that the only true impediment to long-term wealth accumulation is loss of capital: one or two down years negates the benefits of compounding. Capital preservation is a focus of our philosophy and process and our shareholders have and will benefit from this emphasis.

#### Avoiding Enrons

The complex situation with Enron raised numerous questions about corporate integrity. We do not believe this event is symptomatic of system-wide problems. It does highlight, among other things, the importance of thorough analysis to investment success. At Oakmark, we have always performed extensive analysis of *all three* financial statements: the balance sheet, the income statement, and the cash flow statement — not simply a cursory look at a summary statistic like earnings-per-share (EPS). Our firm is driven by its analytical strength, and issues relating to accounting and the goals of company management have always been critical to our process.



#### Morningstar Manager of the Year

In early January, Bill Nygren, portfolio manager of The Oakmark and Oakmark Select Funds, received Morningstar's Domestic-Equity Manager of the Year award. This is a well deserved honor for Bill, and as Bill himself acknowledges, this also reflects on the strength of our analyst team. Our investment analyst group is talented and experienced. We continue to believe our key strength — in addition to a strict adherence to value investing — is the depth and quality of the people in our firm.

Thank you for your continued investment with The Oakmark Family of Funds.

A handwritten signature in black ink that reads "Robert M. Levy". The signature is stylized and written in a cursive-like font.

**Robert M. Levy**  
President and CEO

April 5, 2002

# THE OAKMARK FAMILY OF FUNDS

## Summary Information

<i>Performance for Period<sup>2</sup> Ended March 31, 2002</i>	<b>The Oakmark Fund</b>	<b>The Oakmark Select Fund</b>	<b>The Oakmark Small Cap Fund</b>
3 Months*	4.17%	2.53%	12.26%
6 Months*	15.44%	11.04%	33.22%
1 Year	14.76%	16.69%	34.79%
<i>Average Annual Total Return for:</i>			
3 Year	7.40%	18.92%	14.32%
5 Year	10.27%	25.82%	9.54%
10 Year	16.76%	N/A	N/A
Since inception	19.90%	28.14%	14.62%
<i>Value of \$10,000 from inception date</i>	\$69,250 (8/5/91)	\$38,306 (11/1/96)	\$24,014 (11/1/95)
<i>Top Five Holdings<sup>3</sup> as of March 31, 2002</i>	Washington Mutual, Inc. 3.7%	Washington Mutual, Inc. 15.8%	MSC Software Corp. 3.7%
	H&R Block, Inc. 2.8%	H&R Block, Inc. 7.0%	eFunds Corp. 3.5%
	AT&T Corp. 2.6%	Tricon Global Restaurants 4.8%	ITT Educational Services, Inc. 3.5%
<i>Company and % of Total Net Assets</i>	The Kroger Co. 2.5%	Restaurants, Inc. 4.8%	ShopKo Stores, Inc. 3.3%
	TXU Corp. 2.4%	Electronic Data Systems Corporation 4.8%	IDEXX Laboratories, Inc. 3.2%
		IMS Health Incorporated 4.6%	
<i>Top Five Industries as of March 31, 2002</i>	Retail 14.9%	Retail 18.1%	Computer Software 7.0%
	Other Consumer Goods and Services 7.8%	Banks and Thrifts 15.8%	Banks and Thrifts 6.7%
	Food and Beverage 6.3%	Other Consumer Goods and Services 11.4%	Food and Beverage 5.7%
<i>Industries and % of Total Net Assets</i>	Banks and Thrifts 6.0%	Computer Services 8.9%	Medical Products 4.8%
	Computer Services 5.5%	Telecommunications 8.5%	Real Estate 4.2%

**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 Equity and Income Fund		The Oakmark Global Fund		The Oakmark International Fund		The Oakmark International Small Cap Fund	
4.19%		10.86%		11.46%		10.19%	
12.45%		38.99%		30.67%		31.34%	
18.07%		34.04%		15.85%		20.60%	
16.71%		N/A		13.39%		11.87%	
17.05%		N/A		8.14%		8.74%	
N/A		N/A		N/A		N/A	
16.54%		17.53%		12.64%		9.94%	
\$26,708 (11/1/95)		\$15,387 (8/4/99)		\$31,006 (9/30/92)		\$18,370 (11/1/95)	
First Health Group Corp.	3.2%	Synopsys, Inc.	5.1%	Hunter Douglas N.V.	3.4%	Gurit-Heberlien AG	4.3%
UST Inc.	2.9%	Novell, Inc.	5.0%	Banca Popolare di Verona	3.2%	Pacific Dunlop Limited	3.9%
IMS Health Incorporated	2.8%	eFunds Corporation	4.4%	Cordiant Communications Group plc	3.2%	Grupo Aeroportuario del Sureste S.A. de C.V.	3.8%
SAFECO Corporation	2.6%	Hunter Douglas N.V.	4.0%	Somerfield plc	2.9%	Kobenhavns Lufthavne A/S	3.6%
Century Tel, Inc.	2.6%	Michael Page International plc	4.0%	Meitec Corporation	2.9%	Solvus S.A.	3.2%
U.S. Government Notes	30.2%	Computer Software	10.1%	Banks and Thrifts	10.2%	Food and Beverage Diversified	8.6%
Oil and Natural Gas	5.9%	Banks and Thrifts	7.8%	Food and Beverage	8.9%	Conglomerates	8.2%
Health Care Services	5.6%	Information Services	7.5%	Other Industrial Goods and Services	7.4%	Airport Maintenance	7.4%
Retail	5.3%	Retail	7.3%	Publishing	7.1%	Retail	6.6%
Telecommunications	4.7%	Marketing Services	4.9%	Chemicals	5.9%	Human Resources	5.6%

## THE OAKMARK AND OAKMARK SELECT FUNDS

---

At Oakmark, we look for stocks with prices less than 60% of intrinsic value, with intrinsic value that is likely to grow and with management that acts in the interest of outside shareholders. The combination of these factors creates **our biggest competitive advantage—the ability to be more patient than most investors.**

I just returned from a Spring Break vacation with my children at a resort where the primary means of transportation was by golf cart. For kids who are just a few years away from driving cars, driving golf carts was the coolest part of the vacation! When I first rode in the carts with them, cutting something of a zig-zag path down the road, I was reminded of what a problem over-steering is for



inexperienced drivers. When driving too far to the left, the temptation is to make a sharp turn to the right, but then the car ends up too far to the right and again needs correcting. Every drivers education course teaches that the best way to combat over-steering is to move one's field of vision further down the road. Effectively, the further down the road you are watching, the easier it is to drive straight. For experienced drivers, over-steering isn't an issue because it is second-nature to watch a long way down the road.

Even for experienced stock market investors, however, over-steering continues to influence their investment choices. Stock prices react sharply to minor changes in short-term expectations, creating opportunities for investors looking further down the road. As one extends the timeframe, one's focus also changes. In your personal life, if you are thinking about tomorrow, you might be focused on your appointments, the food you will eat, or even what the weather might be. But, if instead you think five years into the future, those issues all become trivial and the focus shifts to more substantial issues like your physical and financial well-being and spending time with the people you care about. The same holds true in the stock market. The investor trying to predict how a stock price will change this week focuses on stock charts that may help assess recent buying and selling interest, the release of economic statistics, or earnings results that are a penny different than expectations. The focus is very much on data that reflect the academic definition of risk—stock price volatility. But as Peter Bernstein wrote in

### Highlights

- Our investments are based on how a business may change over five years.
- We attempt to take advantage of market over-reaction to short-term events.
- Mutual Fund investors could also benefit from using a longer time horizon.

his book, *Against the Gods—The Remarkable Story of Risk*, (yes, vacation reading was this exciting!), “Once we introduce the element of time, the linkage between risk and volatility begins to diminish.”

Our greatest competitive advantage at The Oakmark Family of Funds is that we are in a shrinking group of investors who make decisions based on long-term expectations. Our approach has always been to think about how a business might change over the next five years. When one extends the investment timeframe to five years, just as in one's personal life, the key issues become more meaningful. The focus moves from stock market data to an analysis of the business—its competitive position, financial strength, growth prospects, quality of management and so on. Risk shifts from price volatility to the inaccuracy of our long-term business forecasts.

Using one of our holdings, Washington Mutual, as an example, we can see how the analysis changes. Most Wall Street reports advise on a very short time horizon. These reports are now focused on how first quarter earnings will compare to consensus expectations of 97¢, and whether or not the Fed will raise interest rates at their next meeting. Thinking about our five-year horizon, we focus on a company that is likely to be much more valuable because it will gain further competitive advantage from lowering its cost structure, and will grow its earnings and dividends by 60-100% (10-15% annual growth). If we are right, it will also likely benefit from a higher P/E<sup>4</sup> ratio—its current relative P/E ratio of 30% compared to the S&P 500<sup>5</sup> is near historic lows. Over our time horizon, the short-term volatility becomes trivial—a result of minor deviations from

---

expectations; instead, the accuracy of our long-term forecasts becomes critical.

Peter Bernstein goes on to say that “For true long-term investors, that small group of people like Warren Buffett who can shut their eyes to short-term fluctuations. . . volatility represents opportunity rather than risk.” By using a long-term horizon we benefit in several ways. First, our analysis looks at current intrinsic value and the likely changes to future intrinsic value. Second, we believe we are more skilled at analyzing variables that affect intrinsic value than we are at analyzing short-term stock market data. Third, our portfolios enjoy the lower costs that are associated with below-average turnover (and the related tax advantages). Conventional wisdom says long-term investing is a defensive, old-fashioned way to invest. We find, to the contrary, that investing for the long-term is our best offensive weapon—it allows us to take advantage of opportunities created by others who over-steer, or over-react to short-term events.

Mutual fund investors also hurt themselves by “over-steering.” Investors obsessively monitor short-term performance and “correct” their portfolios by increasing exposure to what has recently been successful. A study of mutual fund investors, published last quarter by the Dalbar consulting firm, showed that in the last fifteen years mutual fund investors achieved annual returns of nearly ten percentage points less than returns achieved by the S&P 500. The great majority of the shortfall was not caused by underperformance of mutual funds themselves, but rather by the tendency of investors to oversteer. They zig-zagged down the road, investing in funds they wished they had owned only to find those funds no longer produced attractive returns, and then they kept repeating the process.

We have always encouraged our shareholders to take a long-term view and to use our funds as part of a balanced approach to managing their assets. Two years ago, we were strongly suggesting that the high returns in growth funds meant that investors who wanted to stay balanced needed to reduce holdings in growth funds and increase holdings in value funds. Unfortunately, many investors did just the

opposite. Now, following two very good years for value investors (and difficult years for growth) we are often asked if that same advice doesn’t suggest that investors should now reduce value holdings. Despite the intuitive appeal of that logic, there are two reasons why we say “no.” First, investors have not yet compensated for their “over-steering” in the growth direction. According to figures compiled by Lipper, assets in growth funds still exceed assets in value funds by more than 10%. In general, investors who desire a balance between growth and value still need to steer in the direction of value. Second, the holdings in our portfolios are not static and look quite different than they did two years ago. Since growth stocks have fallen, and have begun to meet our valuation criteria, our portfolios now have heavier weightings in companies that enjoy above-average growth. Because stock prices direct changes in our portfolios, our shareholders need to rebalance less frequently. By taking the long-term view, we hope our shareholders and prospective shareholders stay focused on the importance of our investment approach—our unrelenting focus on business value—rather than merely focusing on our recent results.

We continue to believe the market is allowing us to construct portfolios that have above-average growth prospects at below-average prices. We also continue to believe that technology stocks are generally priced at unattractive values. Last quarter, *Barron’s* increased their tech coverage, further anecdotal evidence of too much interest in technology stocks. Maybe when *Barron’s* introduces a “Savings & Loan” pull-out section, it will be time to sell Washington Mutual, currently the largest holding in both funds!



**William C. Nygren, CFA**  
**Portfolio Manager**

[bnygren@oakmark.com](mailto:bnygren@oakmark.com)

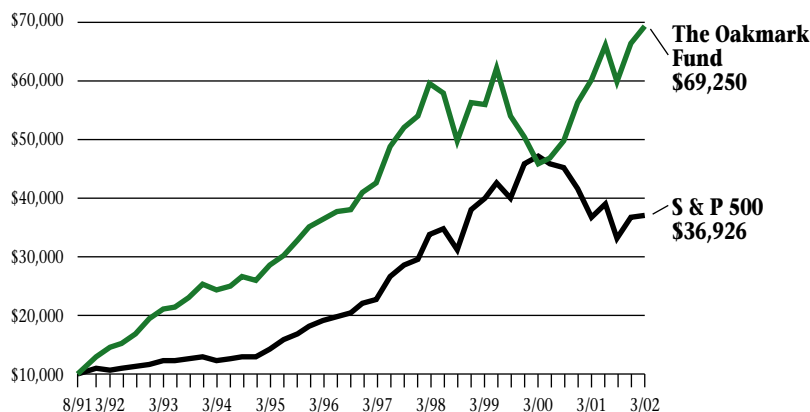
April 3, 2002

# 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 (3/31/02) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX<sup>5</sup>



### Average Annual Total Returns<sup>2</sup> (as of 3/31/02)

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (8/5/91)
<b>Oakmark Fund</b>	<b>4.17%</b>	<b>14.76%</b>	<b>10.27%</b>	<b>16.76%</b>	<b>19.90%</b>
S&P 500	0.27%	0.24%	10.17%	13.25%	13.04%
Dow Jones Average <sup>6</sup>	4.32%	7.17%	11.44%	14.85%	14.81%
Lipper Large Cap Value Index <sup>7</sup>	1.92%	1.02%	9.43%	12.39%	12.46%

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 by 4% last quarter, allowing the Fund to achieve a new all-time high price. We are pleased with that performance based on absolute returns, relative to market indices and relative to the other large-cap value funds with which we compete. We added only one new holding last quarter—Schering Plough. It is another in our growing list of large-cap, growth-stock, fallen angels.

### Schering Plough (SGP—\$31)

Schering Plough is a worldwide manufacturer of prescription and over-the-counter drugs. In 1999, Schering reached a stock price of \$61 as their earnings hit an all-time high of \$1.42 per share. Despite higher earnings—EPS are estimated to be \$1.75 this year—the analysis of Schering is now focused on the upcoming expiration of some of the U.S. patent protection on their largest selling drug, Claritin. Claritin's U.S. sales account for less than 30% of revenues, and generic competition will certainly reduce Claritin's profitability. However, we believe a 50% reduction in the stock price has more than compensated for this loss. With the stock now selling at about eighteen times next year's estimated earnings, we believe Schering is selling at a large discount to its intrinsic value. Perhaps the market view of Schering will change as attention shifts to next year's expected launch of a new anti-cholesterol compound. If not, we believe Schering could be an attractive acquisition candidate for other large pharmaceutical companies.

Finally, an update on the Fund's tax position. The Oakmark Fund has produced a cumulative return of 38% since the beginning of calendar year 2000. Despite that gain, we have made no taxable capital gain distributions because of the loss-carry forward the Fund enjoys. The Fund continues to have a loss-carry forward of over 75¢ per share, so it is our expectation that there will be no capital gains distribution again this year.

**William C. Nygren, CFA**  
Portfolio Manager  
bnygren@oakmark.com

**Kevin Grant, CFA**  
Portfolio Manager  
kgrant@oakmark.com

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2002 (Unaudited)

Name	Shares Held	Market Value
<b>Common Stocks—90.5%</b>		
<b>Food &amp; Beverage—6.3%</b>		
General Mills, Inc.	1,805,000	\$ 88,174,250
Kraft Foods Inc.	2,195,000	84,836,750
H.J. Heinz Company	2,010,000	<u>83,415,000</u>
		256,426,000
<b>Retail—14.9%</b>		
The Kroger Co. (a)	4,640,000	\$ 102,822,400
Tricon Global Restaurants, Inc. (a)	1,450,000	85,231,000
J.C. Penney Company, Inc.	4,027,900	83,417,809
The Gap, Inc.	5,425,000	81,592,000
Safeway Inc. (a)	1,627,000	73,247,540
McDonald's Corporation	2,300,000	63,825,000
CVS Corporation	1,805,000	61,965,650
Toys 'R' Us, Inc. (a)	3,125,000	<u>56,125,000</u>
		608,226,399
<b>Household Products—3.3%</b>		
Newell Rubbermaid Inc.	2,275,000	\$ 72,709,000
The Clorox Company	1,440,200	<u>62,835,926</u>
		135,544,926
<b>Office Equipment—1.8%</b>		
Xerox Corporation	6,664,900	\$ 71,647,675
<b>Hardware—1.8%</b>		
The Black & Decker Corporation	1,622,200	\$ 75,497,188
<b>Other Consumer Goods &amp; Services—7.8%</b>		
H&R Block, Inc.	2,541,700	\$ 112,978,565
Fortune Brands, Inc.	1,745,600	86,180,272
Mattel, Inc.	3,465,000	72,210,600
Cendant Corporation (a)	2,395,100	<u>45,985,920</u>
		317,355,357
<b>Bank &amp; Thrifts—6.0%</b>		
Washington Mutual, Inc.	4,587,300	\$ 151,977,249
U.S. Bancorp	4,200,000	<u>94,794,000</u>
		246,771,249
<b>Insurance—1.9%</b>		
MGIC Investment Corporation	1,137,900	\$ 77,866,497
<b>Other Financial—2.2%</b>		
Fannie Mae	1,135,000	\$ 90,663,800

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Shares Held	Market Value
<b>Common Stocks—90.5% (cont.)</b>		
<b>Hotels &amp; Motels—0.2%</b>		
Starwood Hotels & Resorts Worldwide, Inc.	235,000	\$ 8,838,350
<b>Marketing Services—1.8%</b>		
The Interpublic Group of Companies, Inc.	2,200,000	\$ 75,416,000
<b>Computer Services—5.5%</b>		
Electronic Data Systems Corporation	1,544,500	\$ 89,565,555
First Data Corporation	840,000	73,290,000
SunGard Data Systems Inc. (a)	1,931,600	<u>63,684,852</u>
		226,540,407
<b>Telecommunications—4.2%</b>		
AT&T Corp.	6,635,000	\$ 104,169,500
Sprint Corporation	4,496,000	<u>68,743,840</u>
		172,913,340
<b>Telecommunications Equipment—3.4%</b>		
General Motors Corporation, Class H (Hughes Electronics Corporation) (a)		\$ 75,670,000
Motorola, Inc.	4,475,000	<u>63,545,000</u>
		139,215,000
<b>TV Programming—1.9%</b>		
Liberty Media Corporation, Class A (a)	6,300,000	\$ 79,632,000
<b>Publishing—3.3%</b>		
Gannett Co., Inc.	934,500	\$ 71,115,450
Knight-Ridder, Inc.	916,000	<u>62,920,040</u>
		134,035,490
<b>Pharmaceuticals—4.5%</b>		
Merck & Co., Inc.	1,400,000	\$ 80,612,000
Chiron Corporation (a)	1,172,000	53,783,080
Schering-Plough Corporation	1,525,000	<u>47,732,500</u>
		182,127,580
<b>Medical Products—2.3%</b>		
Guidant Corporation (a)	2,158,000	\$ 93,484,560
<b>Automobiles—1.4%</b>		
Ford Motor Company	3,575,000	\$ 58,951,750
<b>Aerospace &amp; Defense—1.9%</b>		
Honeywell International Inc.	1,550,000	\$ 59,318,500
Rockwell Collins	681,100	<u>17,177,342</u>
		76,495,842

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—90.5% (cont.)</b>		
<b>Waste Disposal—2.1%</b>		
Waste Management, Inc.	3,135,300	\$ 85,436,925
<b>Building Materials &amp; Construction—1.9%</b>		
Masco Corporation	2,833,000	\$ 77,765,850
<b>Utilities—2.4%</b>		
TXU Corp.	1,765,000	\$ 96,210,150
<b>Oil &amp; Natural Gas—5.2%</b>		
Phillips Petroleum Company	1,192,700	\$ 74,901,560
Conoco Inc.	2,550,000	74,409,000
Burlington Resources Inc.	1,550,500	<u>62,159,545</u>
		211,470,105
<b>Other Industrial Goods &amp; Services—0.7%</b>		
Illinois Tool Works Inc.	404,200	\$ 29,243,870
<b>Recreation &amp; Entertainment—1.8%</b>		
Carnival Corporation	1,500,000	\$ 48,975,000
Brunswick Corporation	826,700	<u>22,585,444</u>
		71,560,444
<b>Total Common Stocks (Cost: \$3,104,376,638)</b>		<b>3,699,336,754</b>
<b>Short Term Investments—9.5%</b>		
<b>U.S. Government Bills—3.9%</b>		
United States Treasury Bills, 1.71% - 1.99% due 4/4/2002 - 9/5/2002	\$160,000,000	\$ 159,433,220
<b>Total U.S. Government Bills (Cost: \$159,452,679)</b>		<b>159,433,220</b>
<b>Commercial Paper—2.9%</b>		
ChevronTexaco Corporation, 1.75% - 1.79% due 4/5/2002 - 4/22/2002	\$ 40,000,000	\$ 40,000,000
Citicorp, 1.80% due 4/4/2002	20,000,000	20,000,000
American Express Credit Corporation, 1.72% - 1.80% due 4/2/2002 - 4/8/2002	60,000,000	60,000,000
<b>Total Commercial Paper (Cost: \$120,000,000)</b>		<b>120,000,000</b>

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Par Value	Market Value
<b>Short Term Investments—9.5% (cont.)</b>		
<b>Repurchase Agreements—2.7%</b>		
State Street Repurchase Agreement, 1.75% due 4/1/2002, repurchase price \$109,875,361 collateralized by U.S. Treasury Bonds	\$109,854,000	\$ 109,854,000
<b>Total Repurchase Agreements (Cost: \$109,854,000)</b>		<b>109,854,000</b>
<b>Total Short Term Investments (Cost: \$389,306,679)</b>		<b>389,287,220</b>
Total Investments (Cost \$3,493,683,317)—100.0% (b)		\$ 4,088,623,974
Other Assets In Excess Of Other Liabilities—0.0%		<u>581,881</u>
<b>Total Net Assets—100%</b>		<b><u>\$4,089,205,855</u></b>

(a) Non-income producing security.

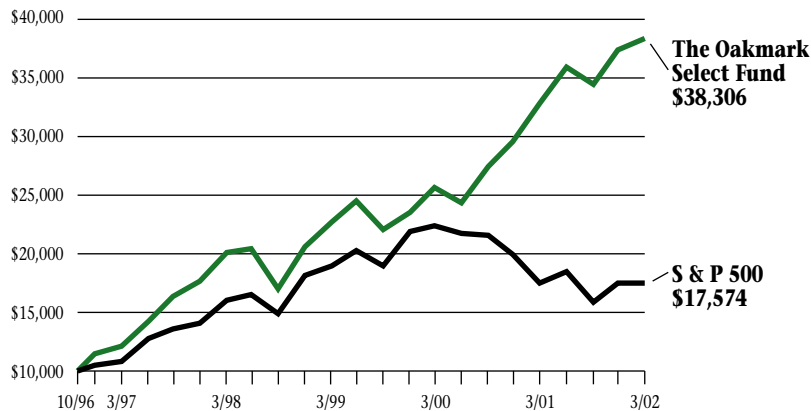
(b) At March 31, 2002, net unrealized appreciation of \$594,940,657, for federal income tax purposes, consisted of gross unrealized appreciation of \$680,504,385 and gross unrealized depreciation of \$85,563,728.

# THE OAKMARK SELECT FUND

Report from Bill Nygren and Henry Berghoef, Portfolio Managers



## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (3/31/02) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX<sup>5</sup>



### Average Annual Total Returns<sup>2</sup> (as of 3/31/02)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/96)
<b>Oakmark Select Fund</b>	<b>2.53%</b>	<b>16.69%</b>	<b>25.82%</b>	<b>28.14%</b>
S&P 500	0.27%	0.24%	10.17%	10.97%
S&P MidCap 400 <sup>8</sup>	6.72%	18.89%	17.98%	17.38%
Lipper Mid Cap Value Index <sup>9</sup>	6.23%	17.94%	11.51%	11.38%

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 Select Fund increased in value by 3% for the quarter. That increase put the Fund's NAV<sup>10</sup> at another new quarter-end high. Since our goal is to compound wealth at above-average returns over a long time period, it is always rewarding to report that during the quarter we reached new high prices. On a relative basis, the Fund outperformed the S&P 500 but lagged some of our value peers. The main reason for this was the continued strong performance of smaller, more cyclical companies. As you know, The Oakmark Select Fund's portfolio has been shifting away from those names as they have achieved price targets and has been reinvesting in higher quality, larger-cap companies because we believe those stocks have become undervalued.

During the quarter we completed sales of Liz Claiborne, Reynolds & Reynolds, and Ceridian. With those positions eliminated, the Fund is back down to its target of twenty or fewer positions. Your Fund's largest position continues to be Washington Mutual, the largest savings and loan in the country, which is priced at just above eight times estimated earnings. Questions were raised last quarter about the quality of Washington Mutual's earnings, the gains they have taken on financial hedges, and the vulnerability of their earnings to interest rate increases. These are all issues we had considered long before Enron put accounting analysis in the spotlight. We continue to believe that Washington Mutual uses appropriate accounting, and that hedging activity reduces their vulnerability to interest rate changes. It is our largest position because it is the single stock we are most confident is significantly undervalued.

Thank you for your support.

**William C. Nygren, CFA**  
Portfolio Manager  
bnygren@oakmark.com

**Henry Berghoef, CFA**  
Portfolio Manager  
berghoef@oakmark.com

April 4, 2002

# THE OAKMARK SELECT FUND

## Schedule of Investments—March 31, 2002 (Unaudited)

Name	Shares Held	Market Value
<b>Common Stocks—91.2%</b>		
<b>Retail—18.1%</b>		
Tricon Global Restaurants, Inc. (a)	4,126,800	\$ 242,573,304
Toys 'Я' Us, Inc. (a)(b)	12,798,500	229,861,060
The Kroger Co. (a)	10,262,500	227,417,000
Office Depot, Inc. (a)	10,471,000	<u>207,849,350</u>
		907,700,714
<b>Household Products—1.2%</b>		
Energizer Holdings, Inc. (a)	2,649,200	\$ 62,918,500
<b>Office Equipment—3.0%</b>		
Xerox Corporation	13,854,000	\$ 148,930,500
<b>Other Consumer Goods &amp; Services—11.4%</b>		
H&R Block, Inc.	7,938,800	\$ 352,879,660
Mattel, Inc.	10,554,000	<u>219,945,360</u>
		572,825,020
<b>Bank &amp; Thrifts—15.8%</b>		
Washington Mutual, Inc.	23,905,200	\$ 791,979,276
<b>Information Services—8.1%</b>		
The Dun & Bradstreet Corporation (a)(b)	5,422,400	\$ 216,950,224
Moody's Corporation	4,584,000	<u>188,402,400</u>
		405,352,624
<b>Computer Services—8.9%</b>		
Electronic Data Systems Corporation	4,150,900	\$ 240,710,691
First Data Corporation	2,365,200	<u>206,363,700</u>
		447,074,391
<b>Telecommunications—8.5%</b>		
AT&T Corp.	14,748,000	\$ 231,543,600
Sprint Corporation	12,791,500	<u>195,582,035</u>
		427,125,635
<b>Publishing—3.7%</b>		
Knight-Ridder, Inc.	2,727,000	\$ 187,317,630
<b>Pharmaceuticals—4.1%</b>		
Chiron Corporation (a)	4,504,400	\$ 206,706,916
<b>Health Care Services—4.6%</b>		
IMS Health Incorporated	10,392,000	\$ 233,300,400

# THE OAKMARK SELECT FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—91.2% (cont.)</b>		
<b>Oil &amp; Natural Gas—3.8%</b>		
Burlington Resources Inc.	4,734,500	\$ 189,806,105
<b>Total Common Stocks (Cost: \$3,486,921,567)</b>		<b>4,581,037,711</b>
<b>Short Term Investments—9.5%</b>		
<b>U.S. Government Bills—3.3%</b>		
United States Treasury Bills, 1.71% - 1.99% due 4/18/2002 - 9/5/2002	\$170,000,000	\$ 169,354,290
<b>Total U.S. Government Bills (Cost: \$169,374,575)</b>		<b>169,354,290</b>
<b>Commercial Paper—3.2%</b>		
ChevronTexaco Corporation, 1.78% - 1.80% due 4/1/2002 - 4/5/2002	\$ 60,000,000	60,000,000
Citicorp, 1.78% - 1.82% due 4/2/2002 - 4/4/2002	60,000,000	60,000,000
American Express Credit Corporation, 1.79% - 1.80% due 4/5/2002 - 4/22/2002	40,000,000	40,000,000
<b>Total Commercial Paper (Cost: \$160,000,000)</b>		<b>160,000,000</b>
<b>Repurchase Agreements—3.0%</b>		
State Street Repurchase Agreement, 1.75% due 4/1/2002, repurchase price \$149,348,034 collateralized by U.S. Treasury Bonds	\$149,319,000	149,319,000
<b>Total Repurchase Agreements (Cost: \$149,319,000)</b>		<b>149,319,000</b>
<b>Total Short Term Investments (Cost: \$478,693,575)</b>		<b>478,673,290</b>
Total Investments (Cost \$3,965,615,142)—100.7% (c)		\$ 5,059,711,001
Other Liabilities In Excess Of Other Assets—(0.7)%		<u>(33,898,772)</u>
<b>Total Net Assets—100%</b>		<b><u>\$5,025,812,229</u></b>

(a) Non-income producing security.

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

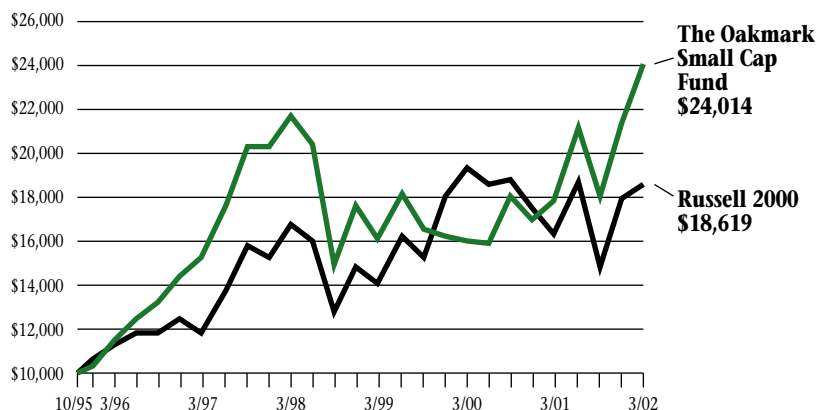
(c) At March 31, 2002, net unrealized appreciation of \$1,094,095,859, for federal income tax purposes, consisted of gross unrealized appreciation of \$1,162,573,510 and gross unrealized depreciation of \$68,477,651.

# 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 (3/31/02) AS COMPARED TO THE RUSSELL 2000 INDEX<sup>11</sup>



### Average Annual Total Returns<sup>2</sup>

(as of 3/31/02)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
<b>Oakmark Small Cap Fund</b>	<b>12.26%</b>	<b>34.79%</b>	<b>9.54%</b>	<b>14.62%</b>
Russell 2000	3.98%	13.98%	9.52%	10.17%
S&P Small Cap 600 <sup>12</sup>	6.97%	21.97%	13.44%	13.67%
Lipper Small Cap Value Index <sup>13</sup>	7.98%	23.50%	12.49%	13.52%

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

During the first calendar quarter of 2002, your Fund produced a gain of 12% as small cap stocks continued their above average relative performance. The Russell 2000 Small Cap Index rose 4% for the just ended quarter, thus your Fund outperformed the Russell 2000 by over 8% for the calendar quarter ending March 31, 2002. While the strength in smaller cap stock prices over the past two quarters would indicate that investors have begun to rediscover smaller company stocks, we continue to believe we can find more attractively priced smaller cap stocks vis-à-vis larger cap stocks. However, we also believe as investor money gravitates towards small cap stocks it is becoming more difficult to find the wonderful small cap stock bargains we were able to uncover a year or two ago. Looking forward, we believe that when the economy recovers, significant upside still exists for small cap stocks, but we would not expect the quarterly gains to be as strong as we have achieved during the past two quarters.

### Finding Value In Today's Stock Market

As our analysts survey the investment landscape to uncover stocks in which your Fund can invest, we are struck by how few traditional manufacturing companies we are excited about owning. Smaller manufacturers have been a sector we have looked to for investments, yet in today's economy we can find only a relative few that we view as good values. Our principal investment thesis is that we want to own good businesses that have an above average probability of growing the value of their business over time and we want to pay a rational price for that business. In recent years we have largely concluded that many small manufacturers face a multitude of hurdles

---

that inhibit the growth of their business value over time. These hurdles include severe pricing pressure from their customers (often large assemblers like the auto manufacturers or large retailers such as Wal-Mart or Home Depot), stiff foreign competition from companies in low-wage countries and legacy legal problems like asbestos or other EPA related problems.

Given these issues, we believe it is difficult (but not impossible) for smaller manufacturers to grow their business value over our investment time horizon of three to five years. Therefore, we have been concentrating our investments into businesses that largely do not face the aforementioned problems. In so doing, we have ventured into some industries that are not thought of as traditional for value investors, but we would disagree since we continue to adhere to the principle of trying to buy good businesses at attractive prices.

### Recent Portfolio Changes

The Fund's portfolio remained steady at forty-nine stocks over the past quarter as we bought four new companies and sold four of our holdings. We sold American Greetings, Georgia Gulf Corporation and Standard Motor Products after these stocks appreciated to our sell targets while we sold Oratec Interventions after the company agreed to be acquired at a nice premium. We initiated positions in Insituform Technologies, Oakley Inc., Sensient Technologies and Surebeam Corp.

Our new purchases are companies in diverse industries (sewer pipe restorations, sunglasses & sporting apparel, food flavorings & inks and food irradiation processing,

respectively) with well above average businesses that we believe have bright futures. Insituform is a firm that has a dominant share of repairing and replacing municipal sewer pipes using a trenchless technique. The trenchless method is less disruptive than the older trench technique and can be less expensive as well. With municipal sewer systems aging and the EPA becoming more active in encouraging cities to fix their leaking sewer systems, we believe demand for Insituform's products and services is likely to experience solid growth over the next five years. This growth profile, combined with a good balance sheet, projected growth in cash flow and a stock trading at an attractive level prompted us to add this company to your Fund.

### Disruption Creates Opportunity

Oakley Inc. is a company with a well known brand (especially among younger consumers) whose stock suffered a setback after Sunglass Hut stopped selling Oakley products last year. This created an opportunity for us to buy this stock at what we believe are attractive prices. Simultaneous to our investment, a surge of activity occurred at Oakley where the management team aggressively pursued additional outlets for its products. Given Oakley's brand strength, numerous quality retailers quickly agreed to sell Oakley's products. This created enough pressure on Sunglass Hut to resume selling Oakley products in early 2002.

This impressive display of Oakley's brand strength is buttressed by the innovation and style that Oakley builds into its products. Oakley's innovative products are protected by over 400 patents worldwide, and their engineers and designers have excellent track records producing cutting edge designs. We believe the stocks of most producers of premium consumer goods trade at multiples of earnings and cash flow that fully value the underlying business, however we do not believe that is the case with respect to Oakley.

### Our Outlook For Small Caps

After two consecutive quarters of double digit percentage returns we are finding it somewhat more difficult to find stocks we are sufficiently enthused about to buy. Six months ago it was like shooting fish in a barrel, now it is like shooting fish in a lake—you can still be successful, but you have a higher probability of missing. Our analysts, however, are working hard to uncover additional small cap investment opportunities, and given our style of fairly low-turnover portfolios, we do not need a plethora of new ideas, but rather just a few per quarter. Therefore, we continue to believe small caps have further upside potential,

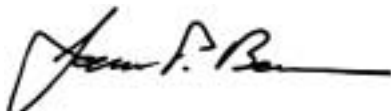
### Highlights

- Even with significant strength in small cap stock prices over the past two quarters, we continue to believe we can find attractively priced small caps stocks. We estimate that small caps have further upside potential, but the rate of gain is likely to slow from the recent torrid pace.
- The Fund's portfolio remained steady at 49 stocks over the past quarter, as we bought four new companies and sold four of our holdings.
- New purchases are in diverse industries—sewer pipe restorations, sunglasses & sporting apparel, food flavorings & inks, and food irradiation processing—with well above-average businesses that we believe have bright futures.

---

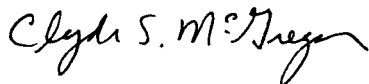
but the rate of gain is likely to slow from the recent torrid pace.

We would like to sincerely thank our long time shareholders for your ongoing interest in and your support of The Oakmark Small Cap Fund. Additionally, we welcome all of our new shareholders and we look forward to communicating with all of you over the next several years.



**James P. Benson, CFA**

Portfolio Manager  
jbenson@oakmark.com



**Clyde S. McGregor, CFA**

Portfolio Manager  
mcgregor@oakmark.com

April 3, 2002

# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2002 (Unaudited)

Name	Shares Held	Market Value
<b>Common Stocks—85.6%</b>		
<b>Food &amp; Beverage—5.7%</b>		
Ralcorp Holdings, Inc. (a)	579,000	\$ 15,748,800
Del Monte Foods Company (a)	1,300,000	<u>12,649,000</u>
		28,397,800
<b>Apparel—3.3%</b>		
Oakley, Inc. (a)	600,000	\$ 10,740,000
R.G. Barry Corporation (a)(d)	907,000	<u>5,469,210</u>
		16,209,210
<b>Retail—3.3%</b>		
ShopKo Stores, Inc. (a)	900,000	\$ 16,290,000
<b>Household Products—3.1%</b>		
Tupperware Corporation	673,700	\$ 15,326,675
<b>Office Equipment—4.1%</b>		
InFocus Corporation (a)	750,000	\$ 13,657,500
MCSi, Inc. (a)	550,000	<u>6,550,500</u>
		20,208,000
<b>Other Consumer Goods &amp; Services—3.4%</b>		
Department 56, Inc. (a)(d)	800,000	\$ 11,200,000
Central Parking Corporation	250,000	<u>5,747,500</u>
		16,947,500
<b>Bank &amp; Thrifts—6.7%</b>		
BankAtlantic Bancorp, Inc., Class A	1,000,000	\$ 13,000,000
People's Bank of Bridgeport, Connecticut	360,000	8,874,000
Golden State Bancorp Inc.	250,000	7,422,500
PennFed Financial Services, Inc.	150,000	<u>4,087,500</u>
		33,384,000
<b>Insurance—3.0%</b>		
The PMI Group, Inc.	200,000	\$ 15,152,000
<b>Other Financial—3.1%</b>		
NCO Group, Inc. (a)	560,000	\$ 15,545,600
<b>Hotels &amp; Motels—2.1%</b>		
Prime Hospitality Corp. (a)	810,000	\$ 10,651,500
<b>Educational Services—3.5%</b>		
ITT Educational Services, Inc. (a)	385,000	\$ 17,325,000

# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Shares Held	Market Value
<b>Common Stocks—85.6% (cont.)</b>		
<b>Marketing Services—0.1%</b>		
Grey Global Group Inc.	1,000	\$ 681,000
<b>Information Services—3.5%</b>		
eFunds Corporation (a)	1,100,000	\$ 17,655,000
<b>Data Storage—1.2%</b>		
Imation Corp. (a)	219,300	\$ 5,818,029
<b>Computer Services—2.5%</b>		
CIBER, Inc. (a)	1,000,000	\$ 9,150,000
Interland, Inc. (a)	1,250,000	3,200,000
		<u>12,350,000</u>
<b>Computer Software—7.0%</b>		
MSC.Software Corp. (a)	800,000	\$ 18,400,000
Mentor Graphics Corporation (a)	610,000	12,895,400
SilverStream Software, Inc. (a)	750,000	3,690,000
		<u>34,985,400</u>
<b>Computer Systems—1.1%</b>		
Optimal Robotics Corp., Class A (a)	300,000	\$ 5,376,000
<b>Security Systems—3.0%</b>		
Checkpoint Systems, Inc. (a)	925,000	\$ 14,753,750
<b>Pharmaceuticals—0.3%</b>		
Elan Corporation plc (a)(b)	115,000	\$ 1,599,650
<b>Medical Research—0.8%</b>		
Covance Inc. (a)	200,000	\$ 4,056,000
<b>Medical Products—4.8%</b>		
Hanger Orthopedic Group, Inc. (a)(d)	960,000	\$ 9,936,000
CONMED Corporation (a)	350,000	8,750,000
Sybron Dental Specialties, Inc. (a)	250,000	5,025,000
		<u>23,711,000</u>
<b>Automobile Rentals—1.3%</b>		
Dollar Thrifty Automotive Group, Inc. (a)	305,600	\$ 6,463,440
<b>Transportation Services—2.1%</b>		
Teekay Shipping Corporation (c)	250,000	\$ 9,530,000
Frontline Limited (c)	100,000	1,120,000
		<u>10,650,000</u>

# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—85.6% (cont.)</b>		
<b>Instruments—3.8%</b>		
IDEXX Laboratories, Inc. (a)	600,000	\$ 16,104,000
Measurement Specialties, Inc. (a)	550,000	2,866,875
		18,970,875
<b>Machinery &amp; Industrial Processing—2.8%</b>		
SureBeam Corporation, Class A (a)	1,410,000	\$ 7,811,400
Columbus McKinnon Corporation	500,000	6,400,000
		14,211,400
<b>Building Materials &amp; Construction—1.1%</b>		
Insituform Technologies, Inc., Class A (a)	214,200	\$ 5,412,834
<b>Chemicals—1.2%</b>		
H.B. Fuller Company	140,000	\$ 4,193,000
Sensient Technologies Corporation	72,700	1,673,554
		5,866,554
<b>Oil &amp; Natural Gas—2.9%</b>		
St. Mary Land & Exploration Company	250,000	\$ 5,427,500
Cabot Oil & Gas Corporation, Class A	200,000	4,952,000
Berry Petroleum Company, Class A	250,000	3,862,500
		14,242,000
<b>Other Industrial Goods &amp; Services—0.6%</b>		
Intergrated Electrical Services, Inc. (a)	650,000	\$ 3,250,000
<b>Real Estate—4.2%</b>		
Catellus Development Corporation (a)	700,000	\$ 13,769,000
Trammell Crow Company (a)	500,000	7,250,000
		21,019,000
<b>Total Common Stocks (Cost: \$339,648,207)</b>		<b>426,509,217</b>
<b>Short Term Investments—14.3%</b>		
<b>U.S. Government Bills—9.0%</b>		
United States Treasury Bills, 1.71% - 1.76% due 4/4/2002 - 5/2/2002	\$45,000,000	\$ 44,967,488
<b>Total U.S. Government Bills (Cost: \$44,967,694)</b>		<b>44,967,488</b>
<b>Commercial Paper—2.8%</b>		
ChevronTexaco Corporation, 1.79% due 4/5/2002	\$ 6,000,000	\$ 6,000,000
American Express Credit Corporation, 1.80% due 4/11/2002	8,000,000	8,000,000
<b>Total Commercial Paper (Cost: \$14,000,000)</b>		<b>14,000,000</b>

# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Par Value/ Shares Subject to Call	Market Value
<b>Short Term Investments—14.3% (cont.)</b>		
<b>Repurchase Agreements—2.5%</b>		
State Street Repurchase Agreement, 1.75% due 4/1/2002, repurchase price \$12,152,363 collateralized by U.S. Treasury Bonds	\$12,150,000	\$ 12,150,000
<b>Total Repurchase Agreements (Cost: \$12,150,000)</b>		<b>12,150,000</b>
<b>Total Short Term Investments (Cost: \$71,117,694)</b>		<b>71,117,488</b>
Total Investments (Cost \$410,765,901)—99.9% (e)		\$ 497,626,705
<b>Call Options Written—(0.1%)</b>		
<b>Retail—0.0%</b>		
ShopKo Stores, Inc., September 17.50 Calls	(70,000)	\$ (140,000)
<b>Educational Services—(0.1%)</b>		
ITT Educational Services, Inc., May 50 Calls	(10,000)	\$ (10,000)
ITT Educational Services, Inc., July 45 Calls	(40,000)	(140,000)
		(150,000)
<b>Total Call Options Written (Premiums Received: \$(305,768))—(0.1%)</b>		<b>(290,000)</b>
Other Assets In Excess Of Other Liabilities—0.2%		\$ 868,256
<b>Total Net Assets—100%</b>		<b>\$498,204,961</b>

- (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 March 31, 2002, net unrealized appreciation of \$86,876,572, for federal income tax purposes, consisted of gross unrealized appreciation of \$107,304,707 and gross unrealized depreciation of \$20,428,135.

# THE OAKMARK EQUITY AND INCOME FUND

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



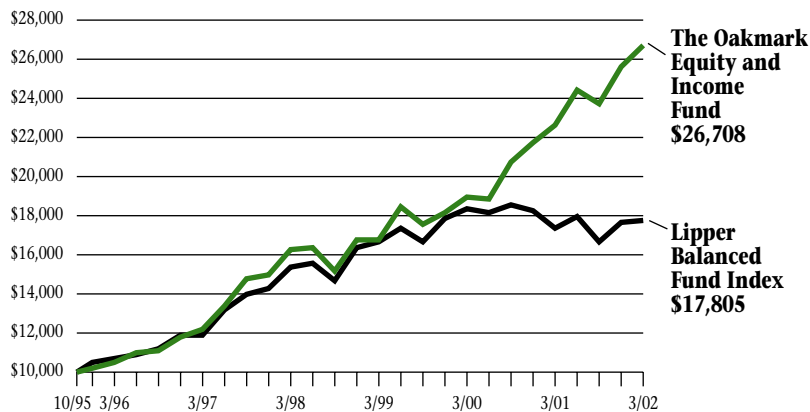
## Quarter Review

After the extreme volatility experienced in the second half of calendar 2001, the March quarter was comparatively calm in the securities markets. This proved to be a favorable environment for The Oakmark Equity and Income Fund. The Fund returned 4% which contrasts with 1% for the Lipper Balanced Fund Index, our primary standard of comparison. The Fund's equities earned virtually all of the return in the quarter as the bond market began to anticipate future tightening actions by the Federal Reserve.

During the quarter we were active, scooping up shares of companies that had lost investor favor for a variety of reasons. Often these issues had been featured in the portfolios of growth-oriented investors. Morningstar, the leading company evaluating mutual funds, observed this development and declared that the fund was now a "blend" fund rather than value. (Blend funds have characteristics of both value and growth.) Some have asked whether this change offends or troubles us. In fact, the whole growth/value dialectic bores us. Famed investor Warren Buffett has commented extensively on this issue, and we agree with him that growth is simply a factor that helps to determine value.

As investors, we look for value wherever we may find it. Two years ago we were primarily able to discover undervalued securities in sectors that had historically been associated with value investors. Today the situation is quite different as we are finding undervalued stocks in many high quality, higher growth businesses. For example, an emerging "theme" in the portfolio is companies from various segments of the health care industry, an industry normally featured in growth funds. Portfolio

## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/02) AS COMPARED TO THE LIPPER BALANCED FUND INDEX<sup>14</sup>



## Average Annual Total Returns<sup>1</sup>

(as of 3/31/02)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
<b>Oakmark Equity and Income Fund</b>	<b>4.19%</b>	<b>18.07%</b>	<b>17.05%</b>	<b>16.54%</b>
S&P 500 <sup>5</sup>	0.27%	0.24%	10.17%	12.92%
Lehman Govt./ Corp. Bond <sup>15</sup>	-0.47%	4.64%	7.45%	6.60%
Lipper Balanced Fund Index	0.60%	2.48%	8.40%	9.40%

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

---

holdings Apogent Technologies, Caremark, Chiron, Edwards Lifesciences, First Health, Guidant, IMS Health, Omnicare, Techne, Watson Pharmaceuticals, and even CVS, the drug store chain, would seem to indicate that we have targeted the health care sector as an attractive investing opportunity. In fact, we have not made this determination at all - the stocks simply declined to levels where we evaluated them to be selling cheaply. In virtually every case the shares met our price criteria after the companies had disappointed investors counting on steady or accelerating growth. We are perfectly happy to recycle “growth” companies that have lost their former cachet.

As we wrote in last quarter’s letter, we believe that investor expectations became excessive in the late 1990’s because of the unprecedented returns earned then. The March quarter may be representative of the investing environment for the next few years. If so, we believe that our eclectic value philosophy will serve the Fund well.

### **Avoiding Mistakes**

An unfortunate reality of the investment business is that the range of investing possibilities far exceeds the intellectual grasp of any individual or even any institution. Investors react to this complexity by making various simplifying assumptions. For example, many investors choose only to own stocks from the S&P 500 or the Dow Jones Industrials believing that those who construct the indices have already performed a useful filtering function.

In the March quarter the integrity of corporate accounting became the issue on the front of investors’ minds, an outcome of the Enron experience. Shareholders complimented our firm for avoiding Enron while the media repeatedly asked how we knew it would go down. The answer, of course, is that we did not foresee the collapse in Enron’s share price. We simply did not have an opinion one way or the other. The simplifying assumption that guided us is this: if we do not understand it, we move on. At any moment in time the market contains thousands of issues that we believe to be overvalued and probably just as many that we do not understand how to value. In the case of Enron, we looked at the stock fairly early in its ascent and could neither understand the nature of the revolution Enron was allegedly initiating nor justify the price investors were paying for the company’s activities.

### **Highlights**

- During the quarter we were active, scooping up shares of companies that had lost investor favor for a variety of reasons. Often these issues had been featured in the portfolios of growth-oriented investors.
- We are keeping the overall maturity of the fixed-income portion fairly short, and continue to emphasize Treasury inflation-indexed securities (TIPS)—instruments we believe offer the best income-generating potential without risking excessive capital loss.
- An emerging portfolio theme is companies from various segments of the health care industry, an industry normally featured in “growth” funds. However, our approach was not in targeting the sector overall, rather, the stocks simply declined to levels where we evaluated them to be selling cheaply.

Our best advice will always be to “do what you understand.” This pertains to individual securities and to mutual funds. If our style of value investing makes sense to you, you will probably make sensible decisions about your investment in our funds. If, rather, you have invested in our funds because of recent results or the managers’ pictures, you will be less likely to be satisfied with your experience.

### **Is the Fed Done Reducing Interest Rates?**

Actually, the title to this section is merely a hook, as we do not have an investment opinion on the question of what the Fed will do. Investors in the Fund, however, are questioning us regularly about our fixed income holdings in view of the barrage of articles suggesting that interest rate increases are inevitable. Some of the questions appear to reflect some uncertainty as to our Fund’s charter and purpose, so some review is first in order.

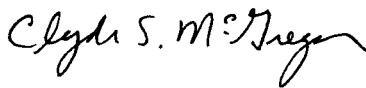
The Oakmark Equity and Income Fund is a balanced fund and is to be the least volatile fund in The Oakmark Funds group. Oakmark E&I will always have at least 25% of its

---

assets invested in US Treasury securities. The Treasuries buffer the volatility of return while enhancing income generation. We choose to take our risks in the equity portion of the portfolio, which is not to exceed 65% of total fund assets. If equities are at 65%, the remaining 35% of the portfolio will be composed of Treasuries, debt of the various government agencies, corporate bonds, preferred stocks, and short term investments. If conditions warrant, the commitment to Treasury securities could far exceed 25%, but we will not fall below that level for any meaningful time period.

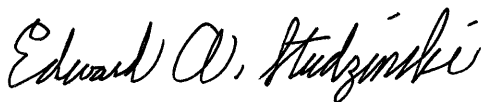
With that background, how do we invest the fixed income assets in the Fund as we face the likelihood that the previous cycle of Federal Reserve easing has ended? We first inventory the current conditions. While rates increased modestly in the March quarter, they are still historically low. According to government statistics, inflation is minimal and the economy still has meaningful slack. The futures markets for bonds, however, forecast significant future interest rate increases. Our tactical response has been to keep our overall maturity structure fairly short and to emphasize the Treasury inflation-indexed securities (TIPS). We have written extensively on TIPS in previous shareholder letters, so we will only reiterate that these instruments offer what we believe is the best compromise between our desire to earn income for our shareholders without risking excessive capital loss.

As always, we thank you for your interest in our Fund and welcome your comments and questions.



**Clyde S. McGregor, CFA**

Portfolio Manager  
mcgregor@oakmark.com



**Edward A. Studzinski, CFA**

Portfolio Manager  
estudzinski@oakmark.com

April 1, 2002

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2002 (Unaudited)

Name	Shares Held	Market Value
<b>Equity and Equivalents—60.9%</b>		
<b>Food &amp; Beverage—2.9%</b>		
UST Inc.	1,350,000	\$ 52,555,500
<b>Retail—4.6%</b>		
CVS Corporation	1,000,000	34,330,000
J.C. Penney Company, Inc.	1,000,000	20,710,000
Office Depot, Inc. (a)	980,000	19,453,000
Albertson's, Inc.	252,200	8,357,908
BJ's Wholesale Club, Inc. (a)	20,000	894,000
		<u>83,744,908</u>
<b>Household Products—0.1%</b>		
Energizer Holdings, Inc. (a)	80,000	\$ 1,900,000
<b>Electronics—0.6%</b>		
KEMET Corporation (a)	575,000	\$ 11,137,750
<b>Bank &amp; Thrifts—0.4%</b>		
U.S. Bancorp	280,703	\$ 6,335,467
<b>Insurance—4.1%</b>		
SAFECO Corporation	1,500,000	\$ 48,060,000
PartnerRe Ltd. (b)	485,600	<u>26,513,760</u>
		74,573,760
<b>Other Financial—1.5%</b>		
GATX Corporation	846,900	\$ 26,931,420
<b>Marketing Services—0.9%</b>		
The Interpublic Group of Companies, Inc.	500,000	\$ 17,140,000
<b>Information Services—1.7%</b>		
Ceridian Corporation (a)	1,422,200	\$ 31,359,510
<b>Computer Software—3.2%</b>		
Novell, Inc. (a)	8,000,000	\$ 31,120,000
Synopsys, Inc. (a)	500,000	<u>27,580,000</u>
		58,700,000
<b>Computer Systems—1.9%</b>		
The Reynolds and Reynolds Company, Class A	1,164,000	\$ 34,920,000
<b>Telecommunications—4.6%</b>		
CenturyTel, Inc.	1,400,000	\$ 47,600,000
Citizens Communications Company (a)	3,362,800	<u>36,150,100</u>
		83,750,100

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Shares Held	Market Value
<b>Equity and Equivalents—60.9% (cont.)</b>		
<b>Printing—0.9%</b>		
Valassis Communications, Inc. (a)	399,400	\$ 15,428,822
<b>Pharmaceuticals—3.7%</b>		
Watson Pharmaceuticals, Inc. (a)	1,401,400	\$ 37,963,926
Chiron Corporation (a)	648,100	<u>29,741,309</u>
		67,705,235
<b>Managed Care Services—3.2%</b>		
First Health Group Corp. (a)	2,420,000	\$ 58,394,600
<b>Health Care Services—5.6%</b>		
IMS Health Incorporated	2,300,000	\$ 51,635,000
Omnicare, Inc.	1,025,000	26,537,250
Caremark Rx, Inc. (a)	1,239,200	<u>24,164,400</u>
		102,336,650
<b>Medical Products—2.3%</b>		
Guidant Corporation (a)	457,500	\$ 19,818,900
Techne Corporation (a)	400,000	11,028,000
Edwards Lifesciences Corporation (a)	275,000	7,686,250
Apogent Technologies Inc. (a)	150,000	<u>3,702,000</u>
		42,235,150
<b>Transportation Services—0.1%</b>		
Nordic American Tanker Shipping Limited	154,900	\$ 2,365,323
<b>Aerospace &amp; Defense—2.3%</b>		
Rockwell Collins	1,649,200	\$ 41,592,824
<b>Agricultural Equipment—0.1%</b>		
Alamo Group Inc.	141,900	\$ 2,305,875
<b>Instruments—1.4%</b>		
Varian Inc. (a)	673,200	\$ 25,541,208
<b>Machinery &amp; Industrial Processing—3.2%</b>		
Cooper Industries, Inc.	849,000	\$ 35,615,550
Rockwell International Corporation	1,150,000	<u>23,069,000</u>
		58,684,550
<b>Forestry Products—1.7%</b>		
Plum Creek Timber Company, Inc.	1,059,644	\$ 31,482,023

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Equity and Equivalents—60.9% (cont.)</b>		
<b>Oil &amp; Natural Gas—5.9%</b>		
Burlington Resources Inc.	1,125,000	\$ 45,101,250
XTO Energy, Inc.	1,378,000	27,628,900
St. Mary Land & Exploration Company	1,030,000	22,361,300
Cabot Oil & Gas Corporation	500,000	12,380,000
Berry Petroleum Company	43,000	664,350
		<u>108,135,800</u>
<b>Real Estate—2.8%</b>		
Catellus Development Corporation (a)	1,881,500	\$ 37,009,105
Hospitality Properties Trust	200,000	6,866,000
Legacy Hotels Real Estate Investment Trust (b)	1,125,000	6,142,911
		<u>50,018,016</u>
<b>Recreation &amp; Entertainment—1.2%</b>		
International Game Technology (a)	345,000	\$ 21,500,400
<b>Total Equity and Equivalents (Cost: \$976,411,768)</b>		<b>1,110,774,891</b>
<b>Fixed Income—33.7%</b>		
<b>Preferred Stock—0.2%</b>		
<b>Bank &amp; Thrifts—0.1%</b>		
BBC Capital Trust I, Preferred, 9.50%	48,000	\$ 1,200,000
Pennfed Capital Trust, Preferred, 8.90%	27,500	690,250
Fidelity Capital Trust I, Preferred, 8.375%	43,500	430,215
		<u>2,320,465</u>
<b>Telecommunications—0.1%</b>		
MediaOne Finance Trust III, Preferred, 9.04%	20,000	\$ 503,600
<b>Total Preferred Stock (Cost: \$2,715,763)</b>		<b>2,824,065</b>
<b>Corporate Bonds—1.6%</b>		
<b>Retail—0.7%</b>		
The Gap, Inc., 6.90% due 9/15/2007	9,187,000	\$ 8,035,134
Rite Aid Corporation, 7.625% due 4/15/2005, Senior Notes	4,900,000	3,883,250
Ugly Duckling Corporation, 12.00% due 10/15/2003, Subordinated Debenture	650,000	552,500
		<u>12,470,884</u>
<b>Office Equipment—0.1%</b>		
Xerox Capital Europe Plc, 5.75% due 5/15/2002	1,500,000	\$ 1,492,455

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Par Value	Market Value
<b>Fixed Income—33.7% (cont.)</b>		
<b>Hotels &amp; Motels—0.4%</b>		
HMH Properties, 7.875% due 8/1/2005, Senior Note Series A	3,450,000	\$ 3,432,750
Park Place Entertainment, 7.00% due 7/15/2004, Senior Notes	2,750,000	2,749,785
Prime Hospitality Corporation, 9.25% due 1/15/2006, 2006 1st Mortgage Note	413,000	425,906
Park Place Entertainment, 7.375% due 6/1/2002, Senior Notes	320,000	<u>321,041</u>
		6,929,482
<b>TV Programming—0.4%</b>		
Liberty Media Corporation, 8.25% due 2/1/2030, Debenture	7,225,000	\$ 6,767,867
<b>Machinery &amp; Industrial Processing—0.0%</b>		
Columbus McKinnon Corporation New York, 8.50% due 4/1/2008	1,000,000	\$ 970,000
<b>Building Materials &amp; Construction—0.0%</b>		
Juno Lighting, Inc., 11.875% due 7/1/2009, Senior Subordinated Note	750,000	\$ 780,000
<b>Utilities—0.0%</b>		
Midland Funding Corporation, 11.75% due 7/23/2005	500,000	\$ 541,697
<b>Total Corporate Bonds (Cost: \$29,876,387)</b>		<b>29,952,385</b>
<b>Government and Agency Securities—31.9%</b>		
<b>U.S. Government Notes—30.2%</b>		
United States Treasury Notes, 3.375% due 1/15/2007, Inflation Indexed	143,037,440	\$ 145,965,273
United States Treasury Notes, 3.375% due 1/15/2012, Inflation Indexed	139,592,600	140,094,296
United States Treasury Notes, 8.75% due 11/15/2008	50,000,000	54,035,150
United States Treasury Notes, 5.75% due 11/15/2005	50,000,000	51,966,800
United States Treasury Notes, 3.00% due 11/30/2003	50,000,000	49,628,900
United States Treasury Notes, 7.875% due 11/15/2004	25,000,000	27,315,425
United States Treasury Notes, 5.25% due 5/15/2004	25,000,000	25,750,975
United States Treasury Notes, 3.00% due 1/31/2004	25,000,000	24,738,275
United States Treasury Notes, 3.00% due 2/29/2004	25,000,000	24,698,250
United States Treasury Notes, 7.25% due 8/15/2004	5,000,000	<u>5,370,310</u>
		549,563,654

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Par Value	Market Value
<b>Fixed Income—33.7% (cont.)</b>		
<b>U.S. Government Agencies—1.7%</b>		
Fannie Mae, 7.25% due 4/12/2005	6,500,000	\$ 6,509,997
Federal Home Loan Mortgage Corporation, 4.75% due 8/23/2004	5,000,000	5,038,815
Federal Home Loan Bank, 5.03% due 6/21/2006	5,000,000	4,966,565
Fannie Mae, 3.875% due 9/7/2004	5,000,000	4,952,110
Federal Home Loan Bank, 5.10% due 12/26/2006	2,035,000	2,014,638
Federal Home Loan Bank, 7.85% due 6/7/2004, Consolidated Bond	1,250,000	1,263,024
Federal Home Loan Bank, 4.50% due 12/26/2008	1,135,000	1,094,891
Fannie Mae, Principal Only, Zero Coupon, due 10/3/2011	1,065,000	1,010,962
Federal Home Loan Bank, 5.77% due 4/12/2004	1,000,000	1,001,090
Federal Farm Credit Bank, 6.00% due 6/27/2008	1,000,000	998,558
Federal Home Loan Bank, 3.875% due 12/15/2004	1,000,000	987,781
Federal Home Loan Bank, 4.10% due 12/7/2004	600,000	594,748
Federal Home Loan Bank, 5.125% due 8/6/2002	500,000	493,061
Federal Farm Credit Bank, 6.24% due 12/29/2008	175,000	175,011
		31,101,251
<b>Total Government and Agency Securities (Cost: \$580,454,081)</b>		<b>580,664,905</b>
<b>Total Fixed Income (Cost: \$613,046,231)</b>		<b>613,441,355</b>
<b>Short Term Investments—4.2%</b>		
<b>U.S. Government Bills—1.1%</b>		
United States Treasury Bills, 1.75% - 1.76% due 4/4/2002 - 4/18/2002	20,000,000	\$ 19,990,420
<b>Total U.S. Government Bills (Cost: \$19,990,432)</b>		<b>19,990,420</b>
<b>Commercial Paper—1.6%</b>		
Citicorp, 1.77% due 4/8/2002	10,000,000	\$ 10,000,000
American Express Credit Corporation, 1.79% - 1.80% due 4/4/2002 - 4/11/2002	20,000,000	20,000,000
<b>Total Commercial Paper (Cost: \$30,000,000)</b>		<b>30,000,000</b>
<b>Repurchase Agreements—1.5%</b>		
State Street Repurchase Agreement, 1.75% due 4/1/2002, repurchase price \$26,693,189 collateralized by U.S. Treasury Bonds	26,688,000	\$ 26,688,000
<b>Total Repurchase Agreements (Cost: \$26,688,000)</b>		<b>26,688,000</b>
<b>Total Short Term Investments (Cost: \$76,678,432)</b>		<b>76,678,420</b>
<b>Total Investments (Cost \$1,666,136,431)—98.8% (c)</b>		<b>1,800,894,666</b>

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Shares Subject to Call	Market Value
<b>Short Term Investments—4.2% (cont.)</b>		
<b>Call Options Written—0.0%</b>		
<b>Marketing Services—0.0%</b>		
The Interpublic Group of Companies, Inc., July 35 Calls	(351,000)	\$ (631,800)
<b>Total Call Options Written (Premiums Received: \$(683,457))—(0.0%)</b>		<b>(631,800)</b>
Other Assets In Excess Of Other Liabilities—1.2%		<u>\$ 21,923,353</u>
<b>Total Net Assets—100%</b>		<b><u>\$1,822,186,219</u></b>

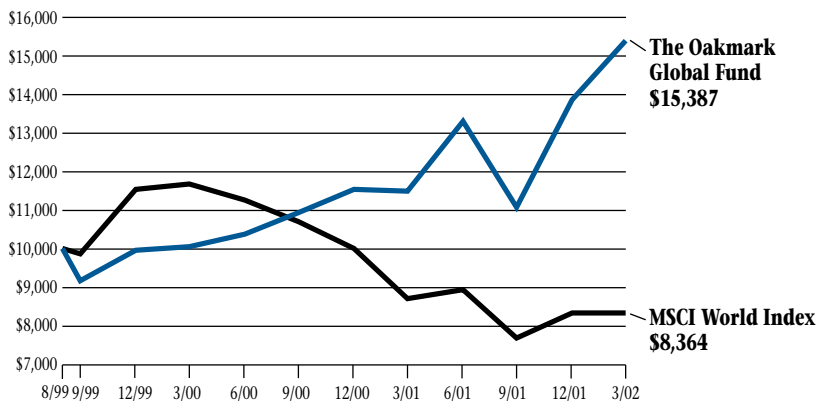
- (a) Non-income producing security.
- (b) Represents foreign domiciled security.
- (c) At March 31, 2002, net unrealized appreciation of \$134,809,891, for federal income tax purposes, consisted of gross unrealized appreciation of \$154,250,593 and gross unrealized depreciation of \$19,440,702.

# 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 (3/31/02) AS COMPARED TO THE MSCI WORLD INDEX<sup>16</sup>



### Average Annual Total Returns<sup>2</sup>

(as of 3/31/02)

	Total Return Last 3 Months*	1-year	Since Inception (8/4/99)
<b>Oakmark Global Fund</b>	<b>10.86%</b>	<b>34.04%</b>	<b>17.53%<sup>3</sup></b>
MSCI World	0.34%	-4.24%	-6.48%
Lipper Global Fund Index <sup>17</sup>	0.96%	-2.98%	-1.93%

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 continued its strong performance this quarter, gaining 11% for the three-month period ending March 31, 2002. The Fund's performance compares favorably with that of the MSCI World and the Lipper Global Fund indices, which were up 0.3% and 1%, respectively.

Over the past twelve months ending March 31, 2002, The Oakmark Global Fund returned a positive 34% compared to declines of 4% and 3%, respectively, for the MSCI World Index and the Lipper Global Fund Index. We believe this significant out-performance of your Fund amidst turbulent global markets is a reflection of our focus on downside protection in the portfolio as well as capital appreciation.

We are also pleased to report that as of quarter-end, your Fund was ranked the #1 global fund in the Lipper<sup>18</sup> Universe (219 Funds) since our inception in August, 1999.

### Investment Environment

As we write this letter we are in the midst of a global bear market, a notion that would have been considered quaint when this Fund was launched at the height of the internet bubble in August, 1999. As long-term investors however, we are not overly concerned about the market's decline to date. On the contrary, we consider much of what has happened and what is currently happening in the markets as rational behavior. It is a natural and healthy process when speculation and excesses are wrung out of the market.

Last year we wrote about the bursting of the global bubble in technology, media and telecom companies. While the bubble continues to burst, the market has also found new issues

to obsess over. For example, share prices of companies using aggressive accounting are falling. In addition, the credit markets refuse to lend to companies with excessive debt or to companies that fail to generate free cash flow. Further, outside of bankruptcy proceedings, capital intensive telecommunications businesses with commodity—like products are having difficulty attracting capital. One should not be surprised at the market's reaction. It is rational to apply a risk premium where risk exists. As value investors, we have of course always critically assessed each business we invest in, attempting to avoid exactly these issues. Those employing momentum strategies and investors unwilling to take the time to read through boring annual reports, regulatory filings and industry analysis are caught holding the bag.

There is no doubt however, that in addition to continued problems in those industries, the current market is reflecting a decline in corporate profitability. On a macro level, the U.S. and European economies have slowed to a growth rate of just above 1% in 2001. The world's second largest economy, Japan, fell into recession. The impact on profits, especially in the U.S., has been dramatic. Profits have also declined in Europe but at a much lower rate. Based on our micro view, part of the decline in profits is permanent, as excess or even artificial levels of demand for certain products and services will likely not be seen again. Another part of the decline has to do with snap reactions such as inventory and personnel reductions in expectation of lower demand. We would expect the latter part of the reduction to accrue back to corporate income statements. Either way, return on equity for the markets as a whole have declined and the market has reacted by selling.

That said, a snapshot of the U.S. economy—if you can remove yourself from the psychology of the last two years—looks relatively healthy. The unemployment rate at 5.6% is what just a few years ago would have been considered to be the long-term frictional rate. Consumer spending continues to grow evidenced by strong retail sales and housing figures. Further, business inventories and payrolls are lean while the banking system is showing close to record levels of common equity to loans outstanding. Considering the terrorist attacks and the war in Afghanistan, the economy to date has held up remarkably well.

### *Highlights*

- We have made significant changes in the Fund's holdings over the past six months as the overall market decline has allowed for what we believe is a considerable upgrade in the quality of the companies held in the portfolio.
- Flexibility is our mandate, as we can pick from our entire investment team's best ideas—small, medium, large caps, foreign or domestic. As short-term market volatility provides new long-term opportunities, we won't hesitate to switch out of companies that are at higher valuations or lower quality, and into new alternatives.
- The Fund celebrates its three-year anniversary this August, and we're pleased that for the period ending March 31, 2002, it ranked the #1 global fund in the Lipper universe (219 funds) since inception in August, 1999.

### **Portfolio Update**

The Oakmark Global Fund is managed using a value philosophy. We search for companies that are priced at a substantial discount to their true business value and are run by managers who think and act as owners. We base our investment decisions on our own intensive, fundamental research. The portfolio is focused, and is constructed and monitored with strict buy and sell disciplines. Investments are made with a long-term horizon. This approach has successfully preserved capital, and should generate superior investment returns over the market cycle.

We have made significant changes in the Fund's holdings over the past six months. Although significant changes in portfolio composition over a short period is not what we would expect in a normal environment, the overall decline in the markets has allowed a significant upgrade in the quality of the companies held in the portfolio.

Over the past two quarters we have added some terrific new situations to the Fund's holdings. In the U.S., for example, we have added First Health and IMS Health in the health-care industry, as well as blue-chips Waste Management, Kroger, and Gap. Overseas we have added three very high quality European blue-chips: Wolters Kluwer (Netherlands), Henkel (Germany), and LM Ericsson (Sweden).

---

Our value strategy dictates two main reasons for selling a stock. First, when a stock hits its target price, our sell discipline requires that it be sold. Over the last few quarters, especially within the U.S., market volatility pushed up the price of several holdings which were subsequently disposed (e.g. NOVA Corporation). Second, when there are substantially more attractive alternatives than the current holdings we take the opportunity to sell an existing position and purchase the shares of the more attractive company.

We feel very fortunate to have the flexibility to be able to pick from the best ideas throughout Harris Associates, be they small, medium, or large caps, or foreign or domestic. When we see short-term market volatility provide new long-term opportunities we won't hesitate to switch out of companies that are either at higher valuations or lower quality than new alternatives.

### **Looking Forward**

We will continue to manage the portfolio using the same value discipline described above. Although we would not expect to achieve the same exceptional level of relative out-performance, we remain excited about the values in the portfolio and expect that over the long-term we could provide superior investment returns. We thank you for your continued support.



**Gregory L. Jackson**

Portfolio Manager  
gjackson@oakmark.com



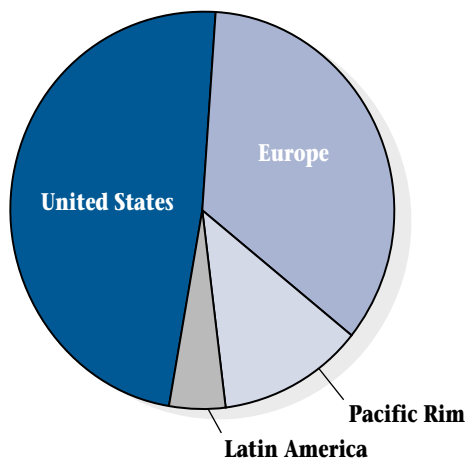
**Michael J. Welsh, CFA, CPA**





Portfolio Manager  
102521.2142@compuserve.com

April 4, 2002

# THE OAKMARK GLOBAL FUND

Global Diversification—March 31, 2002



	<u>% of Fund Net Assets</u>		<u>% of Fund Net Assets</u>
 <b>United States</b>	<b>44.8%</b>	 <b>Pacific Rim</b>	<b>11.3%</b>
		Japan	5.8%
 <b>Europe</b>	<b>32.3%</b>	Korea	4.3%
Great Britain	11.8%	Australia	1.2%
* Netherlands	6.1%	 <b>Latin America</b>	<b>4.5%</b>
* Italy	4.5%	Mexico	4.5%
* Germany	3.1%		
Sweden	2.3%		
* Ireland	2.1%		
* France	1.6%		
Switzerland	0.8%		

\* Euro currency countries comprise 17.4% of the Fund.

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2002 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—93.2%</b>			
<b>Food &amp; Beverage—4.8%</b>			
Hite Brewery Co., Ltd. (Korea)	Brewer	48,700	\$ 3,002,307
Lotte Chilsung Beverage Co., Ltd. (Korea)	Soft Drinks, Juices, & Sport Drinks Manufacturer	4,800	2,512,557
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	116,300	<u>1,520,311</u>
			7,035,175
<b>Retail—7.5%</b>			
The Kroger Co. (United States), (a)	Supermarkets	185,000	\$ 4,099,600
The Gap, Inc. (United States)	Apparel Retailer	230,000	3,459,200
Somerfield plc (Great Britain)	Food Retailer	2,121,000	<u>3,450,698</u>
			11,009,498
<b>Home Furnishings—4.0%</b>			
Hunter Douglas N.V. (Netherlands)	Window Coverings Manufacturer	200,500	\$ 5,899,631
<b>Bank &amp; Thrifts—7.8%</b>			
U.S. Bancorp (United States)	Commercial Bank	220,000	\$ 4,965,400
Banca Popolare di Verona (Italy)	Commercial Banking	301,500	3,443,617
Washington Mutual, Inc. (United States)	Thrift	90,000	<u>2,981,700</u>
			11,390,717
<b>Other Financial—3.0%</b>			
Daiwa Securities Group Inc. (Japan)	Stock Broker	402,000	\$ 2,376,205
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	523,000	<u>1,999,178</u>
			4,375,383
<b>Hotels &amp; Motels—0.8%</b>			
Jarvis Hotels plc (Great Britain)	Hotel Operator	705,000	\$ 1,109,332
<b>Human Resources—4.0%</b>			
Michael Page International plc (Great Britain)	Recruitment Consultancy Services	2,236,000	\$ 5,874,600
<b>Educational Services—0.9%</b>			
ITT Educational Services, Inc. (United States), (a)	Postsecondary Degree Programs	30,000	\$ 1,350,000

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—93.2% (cont.)</b>			
<b>Marketing Services—5.0%</b>			
Cordiant Communications Group plc (Great Britain)	Advertising & Media Services	3,310,000	\$ 4,454,202
The Interpublic Group of Companies, Inc. (United States)	Advertising & Marketing Services	85,000	<u>2,913,800</u>
			7,368,002
<b>Information Services—7.5%</b>			
eFunds Corporation (United States), (a)	Electronic Debit Payment Services	400,000	\$ 6,420,000
Ceridian Corporation (United States), (a)	Data Management Services	205,000	<u>4,520,250</u>
			10,940,250
<b>Computer Services—2.8%</b>			
Meitec Corporation (Japan)	Software Engineering Services	139,600	\$ 4,167,949
<b>Computer Software—10.1%</b>			
Synopsys, Inc. (United States), (a)	Electronic Design Automation	135,000	\$ 7,446,600
Novell, Inc. (United States), (a)	Network & Internet Integration Software	1,886,000	<u>7,336,540</u>
			14,783,140
<b>Computer Systems—3.6%</b>			
The Reynolds and Reynolds Company, Class A (United States)	Information Management Systems	100,000	\$ 3,000,000
Lectra (France), (a)	Manufacturing Process Systems	477,000	<u>2,304,651</u>
			5,304,651
<b>Telecommunications—2.3%</b>			
Sprint Corporation (United States)	Telecommunications	175,000	\$ 2,675,750
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	3,500	<u>773,071</u>
			3,448,821
<b>Telecommunications Equipment—2.3%</b>			
Telefonaktiebolaget LM Ericsson, Class B (Sweden), (a)	Mobile & Wired Telecommunications Products	800,400	\$ 3,380,016
<b>Broadcasting &amp; Cable TV—2.4%</b>			
Grupo Televisa S.A. (Mexico), (a)(b)	Television Production & Broadcasting	72,900	\$ 3,536,379

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—93.2% (cont.)</b>			
<b>Publishing—4.2%</b>			
Independent News & Media PLC (Ireland)	Newspaper Publisher	1,612,000	\$ 3,087,319
Wolters Kluwer NV (Netherlands)	Reference Material Publisher	144,000	<u>3,008,621</u>
			6,095,940
<b>Printing—1.3%</b>			
Valassis Communications, Inc. (United States), (a)	Product Promotions Printer	50,000	\$ 1,931,500
<b>Managed Care Services—3.8%</b>			
First Health Group Corp. (United States), (a)	Health Benefits Company	230,000	\$ 5,549,900
<b>Health Care Services—2.0%</b>			
IMS Health Incorporated (United States)	Pharmaceutical Market Research	130,000	\$ 2,918,500
<b>Automobiles—2.1%</b>			
Ducati Motor Holding S.p.A. (Italy), (a)	Motorcycle Manufacturer	1,933,500	\$ 3,147,600
<b>Airport Maintenance—2.1%</b>			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico), (a)(b)	Airport Operator	199,900	\$ 3,018,490
<b>Waste Disposal—3.2%</b>			
Waste Management, Inc. (United States)	Waste Management Services	170,000	\$ 4,632,500
<b>Chemicals—3.9%</b>			
Henkel KGaA (Germany)	Chemical Products Manufacturer	80,000	\$ 4,561,682
Givaudan (Switzerland), (a)	Fragrance & Flavor Compound Manufacturer	3,800	<u>1,218,166</u>
			5,779,848
<b>Other Industrial Goods &amp; Services—0.6%</b>			
Enodis plc (Great Britain)	Food Processing Equipment	557,000	\$ 701,954
Enodis plc, Rights (Great Britain)	Food Processing Equipment	334,200	<u>183,222</u>
			885,176
<b>Diversified Conglomerates—1.2%</b>			
Pacific Dunlop Limited (Australia)	Diversified Manufacturer	2,795,000	\$ 1,819,693
<b>Total Common Stocks (Cost: \$117,392,448)</b>			<b>136,752,691</b>

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Description	Par Value/ Shares Subject to Call	Market Value
<b>Short Term Investments—6.8%</b>			
<b>U.S. Government Bills—2.7%</b>			
	United States Treasury Bills, 1.71% - 1.76% due 4/4/2002 - 4/18/2002	\$4,000,000	\$ 3,998,084
	<b>Total U.S. Government Bills (Cost: \$3,998,085)</b>		<b>3,998,084</b>
<b>Commercial Paper—1.4%</b>			
	American Express Credit Corporation, 1.79% due 4/4/2002	\$2,000,000	\$ 2,000,000
	<b>Total Commercial Paper (Cost: \$2,000,000)</b>		<b>2,000,000</b>
<b>Repurchase Agreements—2.7%</b>			
	State Street Repurchase Agreement, 1.75% due 4/1/2002, repurchase price \$4,010,780 collateralized by U.S. Treasury Bonds	\$4,010,000	\$ 4,010,000
	<b>Total Repurchase Agreements (Cost: \$4,010,000)</b>		<b>4,010,000</b>
	<b>Total Short Term Investments (Cost: \$10,008,085)</b>		<b>10,008,084</b>
	<b>Total Investments (Cost \$127,400,533)—100.0% (c)</b>		<b>\$ 146,760,775</b>
<b>Call Options Written—(0.2%)</b>			
<b>Retail—(0.1%)</b>			
	The Gap, Inc., June 15 Calls (United States)	(130,000)	\$ (169,000)
<b>Educational Services—0.0%</b>			
	ITT Educational Services, Inc., April 45 Calls (United States)	(27,000)	\$ (40,500)
<b>Marketing Services—(0.1%)</b>			
	The Interpublic Group of Companies, Inc., April 35 Calls (United States)	(30,000)	\$ (21,000)
	The Interpublic Group of Companies, Inc., July 35 Calls (United States)	(55,000)	(99,000)
			<u>(120,000)</u>
<b>Computer Software—(0.0%)</b>			
	Synopsys Incorporated, Jun 60 Calls (United States)	(25,000)	\$ (46,250)
	<b>Total Call Options Written (Premiums Received: \$(365,174)—(0.2%)</b>		<b>(375,750)</b>

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Description	Shares Subject to Call	Market Value
<b>Put Options Written—(0.1%)</b>			
<b>Retail—(0.1%)</b>			
The Gap, Inc., June 12.50 Puts (United States)	Apparel Retailer	(130,000)	\$ (58,500)
<b>Educational Services—0.0%</b>			
ITT Educational Services, Inc., April 35 Puts (United States)	Postsecondary Degree Programs	(2,000)	\$ (1,800)
<b>Marketing Services—0.0%</b>			
The Interpublic Group of Companies, Inc., April 25 Puts (United States)	Advertising & Marketing Services	(30,000)	\$ (21,000)
<b>Computer Software—0.0%</b>			
Synopsys Incorporated, Jun 45 Puts (United States)	Electronic Design Automation	(25,000)	\$ (36,250)
<b>Total Put Options Written (Premiums Received: \$(177,257))—(0.1%)</b>			<b>(117,550)</b>
Foreign Currencies (Proceeds \$0)—0.0%			\$ 0
Other Assets In Excess Of Other Liabilities—0.3% (d)			<u>537,504</u>
<b>Total Net Assets—100%</b>			<b><u>\$146,804,979</u></b>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

(c) At March 31, 2002, net unrealized appreciation of \$19,409,373, for federal income tax purposes, consisted of gross unrealized appreciation of \$20,834,051 and gross unrealized depreciation of \$1,424,678.

(d) Includes transaction hedges.

# THE OAKMARK INTERNATIONAL AND OAKMARK INTERNATIONAL SMALL CAP FUNDS

---

## Fellow Shareholders,

We are happy to report that both of your Funds, Oakmark International and Oakmark International Small Cap, had outstanding quarters. The Oakmark International Fund returned 11% over the last three months, comparing favorably to the 1% and 2% returns posted by the MSCI World ex-U.S.<sup>19</sup> and the Lipper International Fund<sup>20</sup> indices, respectively. Meanwhile, International Small Cap climbed 10% over the last quarter, as compared to a 6% increase for the MSCI Small Cap World ex-U.S. index<sup>21</sup> and a 5% return for the Lipper International Small Cap Average.<sup>22</sup>

Based on the attractive valuations of the businesses we own in the portfolios we continue to remain excited about future prospects. Stocks around the world are attractively priced, economic growth is accelerating, and in general, corporate governance continues to strengthen.

## What is Enron-itis?

The world has been a buzz about the scandal at Enron for some time now. Sadly, in our opinion, the Enron mess is nothing new. We view the events as “more of the same”, but on a grander scale. What is “more of the same?” People investing in companies solely because they see share prices going up. The Enron fiasco was another spectacular instance of speculation, not investing. Despite our industry being littered with MBAs, CFAs, CPAs and even PhDs, greed almost always seems to get in the way of a little common sense.

The financial community knew Enron’s financial statements were “opaque”—a polite euphemism for intentionally complicated and incomplete. Any investment professional that took the time to analyze Enron’s statements could figure out the company generated poor returns and no free cash flow. Industry competitors called Enron “the crooked E.” And yet Enron’s share price continued climbing, seemingly immune to economic reality. The price, which traded around \$20 in mid-1998, soared to over \$80 in mid-2000. A share will now cost you a few pennies.

We are sometimes asked whether it is difficult to deal with foreign accounting standards and statements. Often the question is posed in a condescending way, the clear implication being that standards for foreign companies are lax relative to their US peers. One lesson we have learned over the past 16 years is that the integrity of any accounting statement, especially the income statement, is a reflection of the



## Highlights

- Both Funds had outstanding performance in a troublesome quarter, which we believe is a reflection of our strict adherence to value. We believe the discount to intrinsic value we require before investing gives us a margin of safety, cushioning the blow of down markets.
- Two significant geographical shifts took place in Oakmark International over the past year—a lower weighting in Latin America and a higher weighting in Japan. Latin America declined to 7.5% of the portfolio from 14% at the end of 2000; our weighting in Japan increased to nearly 9%, from less than 2% at year-end 2000.
- The biggest weighting increase in Oakmark Int’l. Small Cap was Switzerland, which jumped to 12% from 7% in December 2001. We have steadily accumulated shares of all our Swiss companies, and added a new name during the quarter, Schindler Holding.

company’s management. Companies run by prudent and honest management teams usually have clear and often “understated” financial statements; those run by aggressive, self-promotional managers tend to have very opaque or incomplete accounting statements that sometimes don’t quite add up.

To us, we have always viewed the analysis of a company’s management team as a major part of our job. It is critical to understand their motivations, incentives, and, to the extent possible, integrity.

---

And the key in understanding and hopefully avoiding faulty accounting? As we have said from the beginning, watch the CASH.

### **European Restructuring**

A new company in The International Small Cap Fund is Schindler Holding. The Schindler story is in microcosm the story of what has occurred in Europe over the past ten years. This is a company that for most of the 90's was very uncommunicative (and, on occasion, hostile) to outside investors and their questions. We still remember one meeting in particular in 1994, one that took weeks of pleading and negotiating to arrange. Many questions were met with answers dripping with arrogant evasion or outright refusal. They viewed our questions about the controlling family and their indifferent treatment of minority shareholders with unabashed hostility. This line of questioning provoked a classic old-school European response: "Look, the Family has much more at risk than you do! They can't just go out and sell their shares the next day like you can!" They already did sell shares, we replied, and now they have an obligation of fair treatment to those outside investors. End of meeting.

This mentality has changed dramatically. Senior management has been replaced; both the CEO and CFO are Americans. They have repurchased a significant number of shares and just recently announced an authorization to repurchase an additional 10% of the shares outstanding, as well as make a tax-free capital repayment to shareholders. Along with restructuring the balance sheet, they are also focusing on revamping operations. The restructuring plans they have announced include measures to increase the operational competitiveness of the company, with the goal of reducing complexity and costs.

### **The Oakmark Way**

Everyone makes mistakes. But, our mistakes tend to be caused by misjudging the ability of a company's management to allocate capital or not properly weighting a factor that ends up being more important to a company's success. Even though we are not perfect, our mistakes are our own: we rely on our own, independent thorough research. We start with the premise that a company's value is determined by its ability to generate free cash flow and end with an assessment of a management team's ability to drive its assets for profit and invest capital wisely. This forms the basis for an investment decision. Note the difference: price movements drive a speculator's actions; our actions are determined by value assessment. Adherence to this discipline is what has led to our strong perform-

ance since inception, and why we think our process will continue to lead to good results.

Thank you for your continued confidence and support.



**David G. Herro, CFA**

Portfolio Manager  
dherro@oakmark.com



**Michael J. Welsh, CFA, CPA**

Portfolio Manager  
102521.2142@compuserve.com

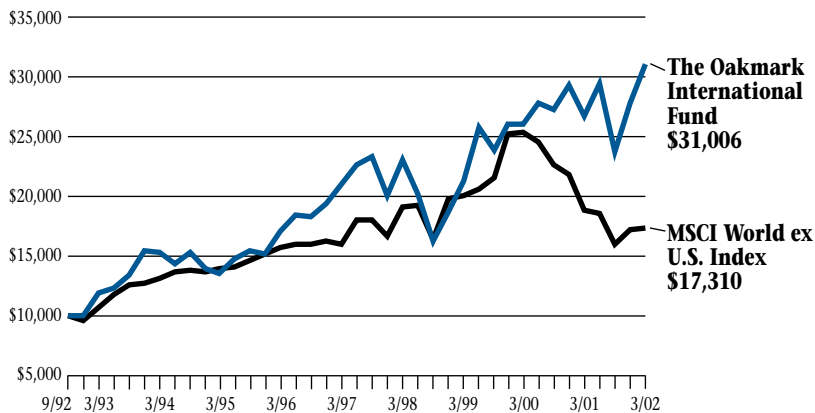
April 4, 2002

# 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 (3/31/02) COMPARED TO THE MSCI WORLD EX U.S. INDEX<sup>19</sup>



### Average Annual Total Returns<sup>2</sup>

(as of 3/31/02)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (9/30/92)
<b>Oakmark International Fund</b>	<b>11.46%</b>	<b>15.85%</b>	<b>8.14%</b>	<b>12.64%</b>
MSCI World ex. U.S.	0.57%	-8.08%	1.57%	5.94%
MSCI EAFE <sup>23</sup>	0.51%	-8.50%	1.32%	5.76%
Lipper International Fund Index <sup>20</sup>	2.46%	-4.95%	2.75%	7.66%

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 long-term performance of your Fund has been strong, and we are particularly pleased with the resiliency the Fund has shown in down markets. Over the past three years your Fund has returned 13% on an annualized basis, while all of the major international indices are negative. The discount to intrinsic value that we require before investing in a company gives us a margin of safety we believe helps to cushion the blow of down markets.

### Portfolio Update

The two most significant geographical shifts in The Oakmark International Fund since the end of 2000 have been a lower weighting in Latin America (declining to 7.5% from 14%) and a higher weighting in Japan (increased to 9% from 2%). We have added a number of high-quality Japanese businesses to the portfolio in the past year including Meitec, Tokyo Broadcasting and, last quarter, Takeda Pharmaceutical. All three of these businesses generate good economic returns, are run by shareholder-oriented management, and trade at significant discounts to our estimate of intrinsic value.

Even with these additions to the Fund, Japan still remains significantly under-represented in your Fund relative to the indices; it still comprises roughly 20% of the EAFE and World ex-U.S. indices. We will continue, as we have over the past ten years, to search for quality companies trading at prices that provide real opportunity.

**David G. Herro, CFA**

Portfolio Manager  
dherro@oakmark.com

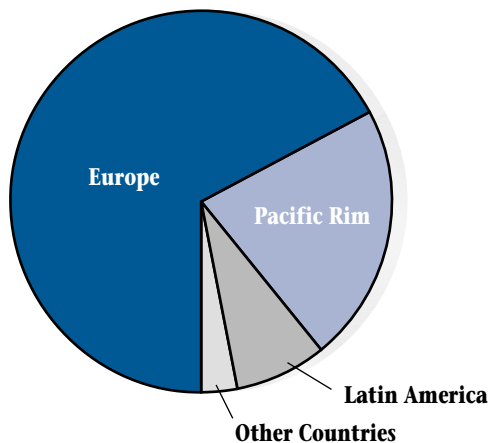
**Michael J. Welsh, CFA, CPA**

Portfolio Manager  
102521.2142@compuserve.com

April 4, 2002

# THE OAKMARK INTERNATIONAL FUND

International Diversification—March 31, 2002



	<b>% of Fund Net Assets</b>
<b>Europe</b>	<b>64.1%</b>
Great Britain	22.2%
* Netherlands	9.1%
* France	7.5%
Sweden	6.4%
* Finland	5.5%
* Italy	4.2%
* Ireland	2.8%
Switzerland	2.8%
* Germany	2.5%
* Greece	1.1%

	<b>% of Fund Net Assets</b>
<b>Pacific Rim</b>	<b>21.1%</b>
Japan	8.7%
Korea	5.6%
Australia	2.4%
Hong Kong	2.4%
Singapore	2.0%
<b>Latin America</b>	<b>7.5%</b>
Mexico	4.3%
Brazil	2.3%
Panama	0.9%
<b>Other</b>	<b>2.9%</b>
Israel	2.9%

\* Euro currency countries comprise 32.6% of the Fund.

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2002 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.4%</b>			
<b>Food &amp; Beverage—8.9%</b>			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	2,410,000	\$ 31,504,300
Lotte Chilsung Beverage Co., Ltd. (Korea)	Soft Drinks, Juices, & Sport Drinks Manufacturer	55,700	29,156,127
Pernod-Ricard SA (France)	Manufactures Wines, Spirits, & Fruit Juices	328,100	26,134,914
Fomento Economico Mexicano, S.A. de C.V. (Mexico), (b)	Soft Drink & Beer Manufacturer	549,400	25,904,210
			<u>112,699,551</u>
<b>Apparel—1.0%</b>			
Fila Holding S.p.A. (Italy), (a)(b)(d)	Athletic Footwear & Apparel	5,894,760	\$ 12,968,472
<b>Retail—5.3%</b>			
Somerfield plc (Great Britain)	Food Retailer	22,714,000	\$ 36,953,871
Giordano International Limited (Hong Kong)	Pacific Rim Clothing Retailer & Manufacturer	50,401,000	30,047,713
			<u>67,001,584</u>
<b>Home Furnishings—3.4%</b>			
Hunter Douglas N.V. (Netherlands)	Window Coverings Manufacturer	1,435,484	\$ 42,238,532
<b>Other Consumer Goods &amp; Services—0.3%</b>			
Shimano Inc. (Japan)	Bicycle Components Manufacturer	350,600	\$ 4,308,651
<b>Bank &amp; Thrifts—10.2%</b>			
Banca Popolare di Verona (Italy)	Commercial Banking	3,493,000	\$ 39,895,708
Uniao de Bancos Brasileiros S.A. (Brazil), (c)	Commercial Banking	939,300	22,965,885
BNP Paribas SA (France)	Commercial Banking	354,000	17,843,317
United Overseas Bank Limited, Foreign Shares (Singapore)	Commercial Banking	1,426,968	11,762,745
Kookmin Bank (Korea)	Commercial Banking	269,968	11,333,755
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Latin American Trade Bank	515,400	11,313,030

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.4% (cont.)</b>			
<b>Bank &amp; Thrifts—10.2% (cont.)</b>			
Svenska Handelsbanken			
AB (Sweden)	Commercial Banking	508,000	\$ 7,273,236
DePfa Bank plc (Ireland)	Mortgage Bank	83,000	5,563,685
			<u>127,951,361</u>
<b>Other Financial—3.8%</b>			
Daiwa Securities Group			
Inc. (Japan)	Stock Broker	4,076,000	\$ 24,093,066
Euronext (Netherlands)	Stock Exchange	1,236,500	23,261,764
			<u>47,354,830</u>
<b>Hotels &amp; Motels—1.1%</b>			
Mandarin Oriental			
International Limited			
(Singapore)	Hotel Management	32,381,400	\$ 13,600,188
<b>Human Resources—2.8%</b>			
Michael Page			
International plc			
(Great Britain)	Recruitment Consultancy Services	13,386,000	\$ 35,168,780
<b>Marketing Services—5.6%</b>			
Cordiant			
Communications Group			
plc (Great Britain), (d)	Advertising & Media Services	29,611,070	\$ 39,847,036
Aegis Group plc			
(Great Britain)	Media Services	16,962,000	30,131,983
			<u>69,979,019</u>
<b>Computer Services—2.9%</b>			
Meitec Corporation			
(Japan)	Software Engineering Services	1,234,000	\$ 36,842,761
<b>Telecommunications—4.3%</b>			
Telefonaktiebolaget			
LM Ericsson, Class B			
(Sweden), (a)	Mobile & Wired		
	Telecommunications Products	4,826,100	\$ 20,380,176
Panafon Hellenic			
Telecom S.A. (Greece)	Mobile Telecommunications	2,817,000	14,076,429
SK Telecom Co., Ltd.			
(Korea)	Mobile Telecommunications	39,620	8,751,165

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.4% (cont.)</b>			
<b>Telecommunications—4.3% (cont.)</b>			
Telemig Celular Participacoes S.A. (Brazil)	Mobile Telecommunications	2,273,095,600	\$ 6,357,625
Cable & Wireless plc (Great Britain)	Telecommunications	1,600,000	5,120,705
			<u>54,686,100</u>
<b>Broadcasting &amp; Cable TV—4.2%</b>			
Tokyo Broadcasting System, Inc. (Japan)	Television & Radio Broadcasting	1,511,000	\$ 28,537,375
Grupo Televisa S.A. (Mexico), (a)(b)	Television Production & Broadcasting	504,000	24,449,040
			<u>52,986,415</u>
<b>Publishing—7.1%</b>			
John Fairfax Holdings Limited (Australia)	Newspaper Publisher	14,211,500	\$ 30,032,515
Wolters Kluwer NV (Netherlands)	Reference Material Publisher	1,418,500	29,637,007
Independent News & Media PLC (Ireland)	Newspaper Publisher	15,299,965	29,302,648
			<u>88,972,170</u>
<b>Pharmaceuticals—4.8%</b>			
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	1,380,200	\$ 32,350,572
Takeda Chemical Industries, Ltd. (Japan)	Pharmaceuticals & Food Supplementes	378,000	15,304,104
Novartis AG (Switzerland)	Pharmaceuticals	298,500	11,722,039
Aventis S.A. (France)	Pharmaceuticals	22,300	1,537,531
			<u>60,914,246</u>
<b>Medical Products—2.0%</b>			
Gambro AB, Class A (Sweden)	Manufacturer of Dialysis Products	4,122,000	\$ 25,434,632
<b>Automotive—4.1%</b>			
Autoliv, Inc (Sweden)	Automotive Safety Systems Manufacturer	1,163,000	\$ 27,920,073
Compagnie Generale des Etablissements Michelin (France)	Tire Manufacturer	632,000	23,955,170
			<u>51,875,243</u>

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.4% (cont.)</b>			
<b>Aerospace—2.7%</b>			
Rolls-Royce plc (Great Britain)	Aviation & Marine Power	12,546,995	\$ 33,321,816
<b>Airport Maintenance—0.3%</b>			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico), (a)(b)	Airport Operator	242,000	\$ 3,654,200
<b>Instruments—2.8%</b>			
Orbotech, Ltd. (Israel), (a)	Optical Inspection Systems	1,139,200	\$ 35,793,664
<b>Machinery &amp; Industrial Processing—2.8%</b>			
Metso Corporation (Finland)	Paper & Pulp Machinery	2,942,100	\$ 35,601,311
<b>Building Materials &amp; Construction—1.7%</b>			
Kumkang Korea Chemical Co., Ltd. (Korea)	Building Materials	180,140	\$ 21,257,065
<b>Chemicals—5.9%</b>			
Henkel KGaA (Germany)	Chemical Products Manufacturer	553,700	\$ 31,572,544
Givaudan (Switzerland), (a)	Fragrance & Flavor Compound Manufacturer	73,200	23,465,717
Akzo Nobel N.V. (Netherlands)	Chemical Producer	425,500	19,854,462
			74,892,723
<b>Other Industrial Goods &amp; Services—7.4%</b>			
Kone Corporation, Class B (Finland)	Elevators	361,980	\$ 33,087,780
Enodis plc (Great Britain), (d)	Food Processing Equipment	20,381,200	25,685,210
Chargeurs SA (France), (d)	Wool, Textile Production & Trading	350,067	24,837,195
Enodis plc, Rights (Great Britain)	Food Processing Equipment	12,228,720	6,704,275
FKI plc (Great Britain)	Industrial Manufacturing	1,020,000	2,741,557
			93,056,017
<b>Total Common Stocks (Cost: \$1,116,600,021)</b>			<b>1,202,559,331</b>

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Description	Par Value	Market Value
<b>Short Term Investments—4.3%</b>			
<b>U.S. Government Bills—1.2%</b>			
	United States Treasury Bills, 1.71% - 1.76% due 4/4/2002 - 4/18/2002	\$15,000,000	\$ 14,992,835
	<b>Total U.S. Government Bills (Cost: \$14,992,864)</b>		<b>14,992,835</b>
<b>Repurchase Agreements—3.1%</b>			
	State Street Repurchase Agreement, 1.75% due 4/1/2002, repurchase price \$39,131,607 collateralized by U.S. Treasury Bonds	\$39,124,000	\$ 39,124,000
	<b>Total Repurchase Agreements (Cost: \$39,124,000)</b>		<b>39,124,000</b>
	<b>Total Short Term Investments (Cost: \$54,116,864)</b>		<b>54,116,835</b>
	Total Investments (Cost \$1,170,716,885)—99.7% (e)		\$ 1,256,676,166
	Foreign Currencies (Proceeds \$818,576)—0.1%		\$ 813,223
	Other Assets In Excess Of Other Liabilities—0.2% (f)		2,582,294
	<b>Total Net Assets—100%</b>		<b>\$1,260,071,683</b>

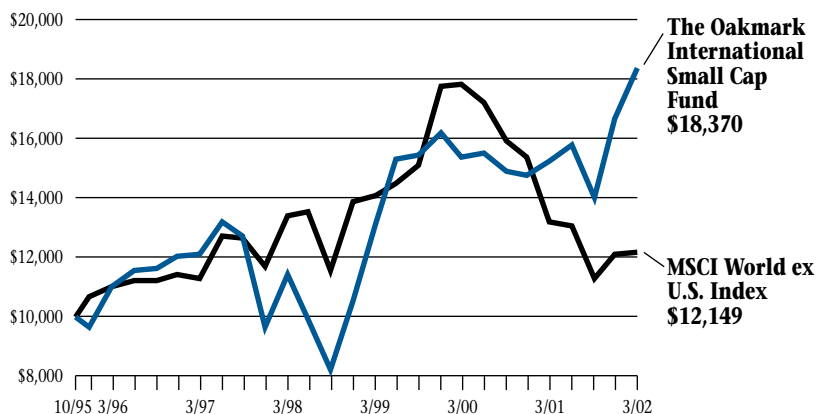
- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) Represents a Global Depository Receipt.
- (d) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.
- (e) At March 31, 2002, net unrealized appreciation of \$85,953,929, for federal income tax purposes, consisted of gross unrealized appreciation of \$212,763,850 and gross unrealized depreciation of \$126,809,921.
- (f) Includes transaction hedges.

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

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



**THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/02) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX<sup>19</sup>**



## Average Annual Total Returns<sup>2</sup> (as of 3/31/02)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
<b>Oakmark International Small Cap Fund</b>	<b>10.19%</b>	<b>20.60%</b>	<b>8.74%</b>	<b>9.94%</b>
MSCI World ex. U.S.	0.57%	-8.08%	1.57%	3.08%
Lipper International Small Cap Average <sup>22</sup>	4.55%	-4.98%	5.76%	9.72%

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

## Portfolio Update

The biggest country weighting increase from last quarter was in Switzerland, which jumped to 12% of the Fund from a little over 7% at the end of December. The share prices of Swiss small caps were hit in the aftermath of September 11th, and many failed to participate in the subsequent Continental European market rallies. This has led to a good buying opportunity.

We have been steadily accumulating shares of all our Swiss companies and added a new name during the quarter, Schindler Holding. Schindler is the world's second largest elevator company, just ahead of Kone (a long-time Oakmark International Fund holding). The share price has stagnated due primarily to lagging technology, slow-downs in their Brazilian and Chinese operations, and the legacy of an insular family-company culture.

Despite the strong performance of your Fund over the past few years, we still believe there are significant opportunities in the market, and that the portfolio remains undervalued. We want to thank you for your continued confidence.

**David G. Herro, CFA**

Portfolio Manager  
DGH100@earthlink.net

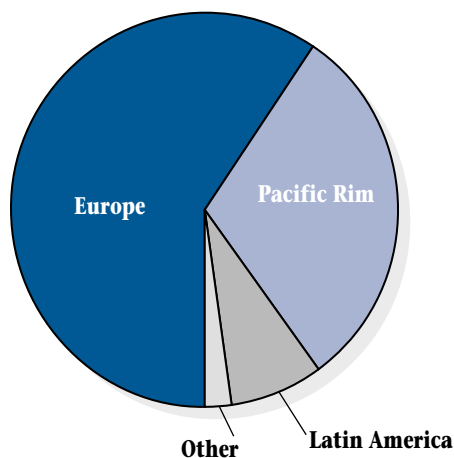
**Michael J. Welsh, CFA, CPA**













Portfolio Manager  
102521.2142@compuserve.com

April 4, 2002

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## International Diversification—March 31, 2002



<b>% of Fund Net Assets</b>		<b>% of Fund Net Assets</b>																																																																																																																				
<table border="0"> <tr> <td style="width: 15px;"></td> <td><b><i>Europe</i></b></td> <td style="text-align: right;"><b>56.5%</b></td> <td></td> </tr> <tr> <td></td> <td>Switzerland</td> <td style="text-align: right;">12.1%</td> <td></td> </tr> <tr> <td></td> <td>Great Britain</td> <td style="text-align: right;">11.0%</td> <td></td> </tr> <tr> <td></td> <td>* Italy</td> <td style="text-align: right;">9.5%</td> <td></td> </tr> <tr> <td></td> <td>* France</td> <td style="text-align: right;">6.2%</td> <td></td> </tr> <tr> <td></td> <td>Denmark</td> <td style="text-align: right;">3.6%</td> <td></td> </tr> <tr> <td></td> <td>* Belgium</td> <td style="text-align: right;">3.2%</td> <td></td> </tr> <tr> <td></td> <td>* Spain</td> <td style="text-align: right;">2.9%</td> <td></td> </tr> <tr> <td></td> <td>* Netherlands</td> <td style="text-align: right;">2.4%</td> <td></td> </tr> <tr> <td></td> <td>* Germany</td> <td style="text-align: right;">2.3%</td> <td></td> </tr> <tr> <td></td> <td>Norway</td> <td style="text-align: right;">1.1%</td> <td></td> </tr> <tr> <td></td> <td>* Finland</td> <td style="text-align: right;">0.9%</td> <td></td> </tr> <tr> <td></td> <td>* Ireland</td> <td style="text-align: right;">0.8%</td> <td></td> </tr> <tr> <td></td> <td>Sweden</td> <td style="text-align: right;">0.5%</td> <td></td> </tr> </table>		<b><i>Europe</i></b>	<b>56.5%</b>			Switzerland	12.1%			Great Britain	11.0%			* Italy	9.5%			* France	6.2%			Denmark	3.6%			* Belgium	3.2%			* Spain	2.9%			* Netherlands	2.4%			* Germany	2.3%			Norway	1.1%			* Finland	0.9%			* Ireland	0.8%			Sweden	0.5%			<table border="0"> <tr> <td style="width: 15px;"></td> <td><b><i>Pacific Rim</i></b></td> <td style="text-align: right;"><b>29.3%</b></td> <td></td> </tr> <tr> <td></td> <td>Japan</td> <td style="text-align: right;">8.5%</td> <td></td> </tr> <tr> <td></td> <td>Hong Kong</td> <td style="text-align: right;">5.3%</td> <td></td> </tr> <tr> <td></td> <td>Australia</td> <td style="text-align: right;">3.9%</td> <td></td> </tr> <tr> <td></td> <td>New Zealand</td> <td style="text-align: right;">3.7%</td> <td></td> </tr> <tr> <td></td> <td>Korea</td> <td style="text-align: right;">2.9%</td> <td></td> </tr> <tr> <td></td> <td>Philippines</td> <td style="text-align: right;">2.4%</td> <td></td> </tr> <tr> <td></td> <td>Singapore</td> <td style="text-align: right;">1.7%</td> <td></td> </tr> <tr> <td></td> <td>Thailand</td> <td style="text-align: right;">0.9%</td> <td></td> </tr> <tr> <td style="width: 15px;"></td> <td><b><i>Latin America</i></b></td> <td style="text-align: right;"><b>7.3%</b></td> <td></td> </tr> <tr> <td></td> <td>Mexico</td> <td style="text-align: right;">4.7%</td> <td></td> </tr> <tr> <td></td> <td>Panama</td> <td style="text-align: right;">2.6%</td> <td></td> </tr> <tr> <td style="width: 15px;"></td> <td><b><i>Other</i></b></td> <td style="text-align: right;"><b>1.9%</b></td> <td></td> </tr> <tr> <td></td> <td>Bermuda</td> <td style="text-align: right;">1.1%</td> <td></td> </tr> <tr> <td></td> <td>United States</td> <td style="text-align: right;">0.8%</td> <td></td> </tr> </table>		<b><i>Pacific Rim</i></b>	<b>29.3%</b>			Japan	8.5%			Hong Kong	5.3%			Australia	3.9%			New Zealand	3.7%			Korea	2.9%			Philippines	2.4%			Singapore	1.7%			Thailand	0.9%			<b><i>Latin America</i></b>	<b>7.3%</b>			Mexico	4.7%			Panama	2.6%			<b><i>Other</i></b>	<b>1.9%</b>			Bermuda	1.1%			United States	0.8%	
	<b><i>Europe</i></b>	<b>56.5%</b>																																																																																																																				
	Switzerland	12.1%																																																																																																																				
	Great Britain	11.0%																																																																																																																				
	* Italy	9.5%																																																																																																																				
	* France	6.2%																																																																																																																				
	Denmark	3.6%																																																																																																																				
	* Belgium	3.2%																																																																																																																				
	* Spain	2.9%																																																																																																																				
	* Netherlands	2.4%																																																																																																																				
	* Germany	2.3%																																																																																																																				
	Norway	1.1%																																																																																																																				
	* Finland	0.9%																																																																																																																				
	* Ireland	0.8%																																																																																																																				
	Sweden	0.5%																																																																																																																				
	<b><i>Pacific Rim</i></b>	<b>29.3%</b>																																																																																																																				
	Japan	8.5%																																																																																																																				
	Hong Kong	5.3%																																																																																																																				
	Australia	3.9%																																																																																																																				
	New Zealand	3.7%																																																																																																																				
	Korea	2.9%																																																																																																																				
	Philippines	2.4%																																																																																																																				
	Singapore	1.7%																																																																																																																				
	Thailand	0.9%																																																																																																																				
	<b><i>Latin America</i></b>	<b>7.3%</b>																																																																																																																				
	Mexico	4.7%																																																																																																																				
	Panama	2.6%																																																																																																																				
	<b><i>Other</i></b>	<b>1.9%</b>																																																																																																																				
	Bermuda	1.1%																																																																																																																				
	United States	0.8%																																																																																																																				

\* Euro currency countries comprise 28.1% of the Fund.

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2002 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.0%</b>			
<b>Food &amp; Beverage—8.6%</b>			
Mikuni Coca-Cola Bottling Co., Ltd. (Japan)	Soft Drink Manufacturer	923,000	\$ 6,993,742
Campari Group (Italy), (a)	Soft Drinks, Wines, & Spirits Producer	256,300	6,983,718
Baron De Ley, S.A. (Spain), (a)	Wines & Spirits Manufacturer	194,985	5,075,352
Hite Brewery Co., Ltd. (Korea)	Brewer	65,700	4,050,340
Grupo Continental, S.A. (Mexico)	Soft Drink Manufacturer	1,728,000	3,161,689
Alaska Milk Corporation (Philippines), (c)	Milk Producer	49,394,000	2,033,073
			<u>28,297,914</u>
<b>Apparel—1.1%</b>			
Kingmaker Footwear Holdings Limited (Hong Kong)	Athletic Footwear Manufacturer	13,505,000	\$ 3,636,078
<b>Retail—6.6%</b>			
Carpetright plc (Great Britain)	Carpet Retailer	915,700	\$ 8,462,682
House of Fraser Plc (Great Britain)	Department Store	4,376,000	5,982,169
Jusco Stores (Hong Kong) Co., Limited (Hong Kong)	Department Stores	5,486,000	2,532,081
Dairy Farm International Holdings Limited (Singapore), (a)	Supermarket Chain	2,502,000	1,801,440
Harvey Nichols plc (Great Britain)	High Fashion Clothing Retailer	493,400	1,608,958
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	79,000	671,916
Signet Group plc (Great Britain)	Jewelry Retailer	389,000	661,954
			<u>21,721,200</u>
<b>Household Products—2.0%</b>			
D.F.S. Furniture Company plc (Great Britain)	Furniture Retailer & Manufacturer	966,600	\$ 6,586,260
<b>Home Furnishings—2.4%</b>			
Industrie Natuzzi S.p.A. (Italy), (b)	Home Furniture Manufacturer	522,900	\$ 7,712,775
<b>Office Equipment—1.4%</b>			
Neopost SA (France), (a)	Mailroom Equipment Supplier	139,300	\$ 4,729,437

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.0% (cont.)</b>			
<b>Other Consumer Goods &amp; Services—0.8%</b>			
Ilshin Spinning Co., Ltd. (Korea)	Fabric & Yarn Manufacturer	44,550	\$ 1,839,962
Royal Doulton plc (Great Britain), (a)(c)	Tableware & Giftware	4,387,000	531,003
Royal Doulton plc, Rights (Great Britain)	Tableware & Giftware	13,161,000	<u>93,706</u>
			2,464,671
<b>Bank &amp; Thrifts—2.6%</b>			
Banco Latinoamericano de Exportaciones, S.A., Class E (Panama), (b)	Multinational Bank	390,600	\$ 8,573,670
<b>Insurance—0.9%</b>			
IPC Holdings, Ltd. (Bermuda)	Reinsurance Provider	87,700	\$ 2,853,758
<b>Other Financial—3.7%</b>			
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	1,861,000	\$ 7,113,710
JCG Holdings Limited (Hong Kong)	Consumer Finance	8,291,000	<u>4,996,019</u>
			12,109,729
<b>Hotels &amp; Motels—3.1%</b>			
Jarvis Hotels plc (Great Britain)	Hotel Operator	6,395,000	\$ 10,062,663
<b>Human Resources—5.6%</b>			
Solvus S.A. (Belgium)	Temporary Staffing Services	566,445	\$ 10,577,397
United Services Group NV (Netherlands)	Temporary Staffing Services	388,747	<u>7,699,140</u>
			18,276,537
<b>Marketing Services—2.5%</b>			
Asatsu-DK Inc. (Japan)	Advertising Services Provider	381,400	\$ 8,022,814
<b>Computer Software—0.8%</b>			
Enix Corporation (Japan)	Entertainment Software	146,600	\$ 2,542,165
<b>Computer Systems—1.6%</b>			
Lectra (France), (a)	Manufacturing Process Systems	1,084,000	\$ 5,237,403
<b>Broadcasting &amp; Cable TV—1.7%</b>			
ABS-CBN Broadcasting Corporation (Philippines)	Television & Broadcasting Operator	8,678,000	\$ 5,698,020

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.0% (cont.)</b>			
<b>Broadcasting &amp; Publishing—0.9%</b>			
Tamedia AG (Switzerland)	TV Broadcasting & Publishing	42,200	\$ 2,931,078
<b>Publishing—5.4%</b>			
Edipresse S.A. (Switzerland)	Newspaper & Magazine Publisher	18,274	\$ 5,749,611
Recoletos Grupo de Comunicacion, S.A. (Spain), (a)	Publisher	880,000	4,443,288
Matchon Public Company Limited, Foreign Shares (Thailand), (c)	Newspaper Publisher	2,039,500	2,999,265
Hollinger International Inc. (United States)	Newspaper Publisher	210,000	2,753,100
VLT AB, Class B (Sweden)	Newspaper Publisher	182,250	1,634,135
			<u>17,579,399</u>
<b>Automobiles—2.6%</b>			
Ducati Motor Holding S.p.A. (Italy), (a)	Motorcycle Manufacturer	5,177,200	\$ 8,428,112
<b>Transportation Services—2.8%</b>			
Mainfreight Limited (New Zealand), (c)	Logistics Services	6,228,551	\$ 4,118,319
Bergesen d.y. ASA, Class A Shares (Norway)	Tanker Operator	187,000	3,550,472
DelGro Corporation Limited (Singapore)	Bus, Taxi, & Car Leasing	1,066,000	1,520,421
			<u>9,189,212</u>
<b>Airport Maintenance—7.4%</b>			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico), (a)(b)	Airport Operator	814,300	\$ 12,295,930
Kobenhavns Lufthavne A/S (Copenhagen Airports A/S) (Denmark)	Airport Management & Operations	166,000	11,863,394
			<u>24,159,324</u>
<b>Instruments—0.9%</b>			
Vaisala Oyj, Class A (Finland)	Atmospheric Observation Equipment	126,000	\$ 2,961,611
<b>Machinery &amp; Industrial Processing—4.8%</b>			
Pfeiffer Vacuum Technology AG (Germany)	Vacuum Pump Manufacturer	212,500	\$ 7,492,172
ASM Pacific Technology Limited (Hong Kong)	Semiconductor Machinery	2,482,000	6,046,091
Carbone Lorraine SA (France)	Electrical Systems Manufacturer	72,700	2,151,826
			<u>15,690,089</u>

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.0% (cont.)</b>			
<b>Building Materials &amp; Construction—3.2%</b>			
Fletcher Building Limited (New Zealand)	Building Materials Manufacturer	6,349,000	\$ 7,920,151
Grafton Group plc (Ireland)	Building Materials Distributor	723,000	2,454,690
			<u>10,374,841</u>
<b>Chemicals—5.3%</b>			
Gurit-Heberlien AG (Switzerland)	Chemical Producer	20,764	\$ 14,175,482
Taiyo Ink Mfg. Co., Ltd. (Japan)	Manufacturer of Resist Inks	96,000	3,228,107
			<u>17,403,589</u>
<b>Production Equipment—2.6%</b>			
Interpump Group S.p.A. (Italy)	Pump and Piston Manufacturer	1,780,200	\$ 7,299,338
NSC Groupe (France)	Textile Equipment Manufacturer	17,466	1,368,452
			<u>8,667,790</u>
<b>Other Industrial Goods &amp; Services—5.5%</b>			
Schindler Holding AG (Switzerland)	Elevator & Escalator Manufacturer	5,310	\$ 9,299,199
GFI Industries SA (France)	Industrial Fastener Manufacturer	296,271	6,705,887
Coats plc (Great Britain)	Textile Manufacturer	2,872,000	2,075,537
			<u>18,080,623</u>
<b>Diversified Conglomerates—8.2%</b>			
Pacific Dunlop Limited (Australia)	Diversified Manufacturer	19,754,626	\$ 12,861,311
Pargesa Holding AG (Switzerland)	Diversified Operations	3,384	7,362,636
Haw Par Corporation Limited (Singapore)	Healthcare & Leisure Products	903,000	2,076,368
Jardine Strategic Holdings Limited (Bermuda)	Diversified Operations	340,700	902,855
Tae Young Corp. (Korea)	Heavy Construction	106,600	3,547,958
			<u>26,751,128</u>
<b>Total Common Stocks (Cost: \$282,324,079)</b>			<b>310,741,890</b>

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2002 (Unaudited) cont.

Name	Par Value	Market Value
<b>Short Term Investments—6.3%</b>		
<b>U.S. Government Bills—3.4%</b>		
United States Treasury Bills, 1.71% - 1.76% due 4/4/2002 - 4/25/2002	11,000,000	\$ 10,991,361
<b>Total U.S. Government Bills (Cost: \$10,991,460)</b>		<b>10,991,361</b>
<b>Commercial Paper—1.2%</b>		
ChevronTexaco Corporation, 1.79% due 4/5/2002	4,000,000	\$ 4,000,000
<b>Total Commercial Paper (Cost: \$4,000,000)</b>		<b>4,000,000</b>
<b>Repurchase Agreements—1.7%</b>		
State Street Repurchase Agreement, 1.75% due 4/1/2002, repurchase price \$5,723,113 collateralized by U.S. Treasury Bonds	5,722,000	5,722,000
<b>Total Repurchase Agreements (Cost: \$5,722,000)</b>		<b>5,722,000</b>
<b>Total Short Term Investments (Cost: \$20,713,460)</b>		<b>20,713,361</b>
Total Investments (Cost \$303,037,539)—101.3% (d)		\$ 331,455,251
Foreign Currencies (Proceeds \$65,441)—0.0%		\$65,370
Other Liabilities In Excess Of Other Assets—(1.3)% (e)		<u>(4,435,109)</u>
<b>Total Net Assets—100%</b>		<b><u>\$327,085,512</u></b>

(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 March 31, 2002, net unrealized appreciation of \$28,417,642, for federal income tax purposes, consisted of gross unrealized appreciation of \$38,942,553 and gross unrealized depreciation of \$10,524,911.

(e) Includes transaction hedges.



(This page has been intentionally left blank.)

# THE OAKMARK FAMILY OF FUNDS

## Statement of Assets and Liabilities—March 31, 2002

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
<b>Assets</b>			
Investments in unaffiliated securities, at value	\$ 4,088,623,974 (cost: 3,493,683,317)	\$ 4,612,899,717 (cost: 3,653,255,928)	\$ 471,021,494 (cost: 384,074,621)
Investments in affiliated securities, at value	0 (cost: 0)	446,811,284 (cost: 312,359,214)	26,605,210 (cost: 26,691,280)
Cash	4,174,847	1,459,678	9,975,892
Foreign currency, at value	0	0	0
Receivable for:			
Forward foreign currency contracts	0	0	0
Securities sold	8,870,957	3,213,776	0
Fund shares sold	7,117,248	2,529,258	3,039,861
Dividends and interest	4,893,038	2,725,850	153,801
Total receivables	20,881,243	8,468,884	3,193,662
Other Assets	191,031	71,430	22,538
Total assets	\$ 4,113,871,095	\$ 5,069,710,993	\$ 510,818,796
<b>Liabilities and Net Assets</b>			
Options sold, at fair value	\$ 0 (premiums received: \$0)	\$ 0 (premiums received: \$0)	\$ 290,000 (premiums received: \$305,768)
Payable for:			
Securities purchased	22,869,999	41,850,556	11,985,429
Fund shares redeemed	0	0	0
Due to advisor	285,963	340,066	32,252
Forward foreign currency contracts	0	0	0
Other	1,509,278	1,708,142	306,154
Total liabilities	24,665,240	43,898,764	12,613,835
Net assets applicable to fund shares outstanding	\$ 4,089,205,855	\$ 5,025,812,229	\$ 498,204,961
Fund shares outstanding	111,316,185	179,983,467	25,669,296
<b>Analysis of Net Assets</b>			
Paid in capital	\$ 3,589,918,544	\$ 3,845,740,865	\$ 406,322,595
Accumulated undistributed net realized gain (loss) of investments, forward contracts and foreign currency exchange transactions	(102,616,467)	84,429,516	5,005,794
Net unrealized appreciation (depreciation) of investments	594,940,657	1,094,095,859	86,876,572
Net unrealized appreciation (depreciation) of foreign currency portfolio hedges	0	0	0
Net unrealized appreciation (depreciation) — other	0	0	0
Accumulated undistributed net investment income (loss)	6,963,121	1,545,989	0
Net assets applicable to Fund shares outstanding	\$ 4,089,205,855	\$ 5,025,812,229	\$ 498,204,961
<b>Price of Shares</b>			
Net asset value per share: Class I	\$ 36.74	\$ 27.93	\$ 19.41
Class I - Net assets	4,088,670,383	4,942,461,276	498,204,961
Class I - Shares outstanding	111,301,596	176,988,787	25,669,296
Net asset value per share: Class II	\$ 36.71	\$ 27.83	
Class II - Net assets	535,471	83,350,953	
Class II Shares outstanding	14,588	2,994,680	

The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 1,800,894,666 (cost: 1,666,136,431) 0 (cost: 0) 12,014,401 0  0 310,790 9,794,547 8,842,800 <u>18,948,137</u> 10,185 <u>\$ 1,831,867,389</u>	\$ 146,760,775 (cost: 127,400,533) 0 (cost: 0) 1,699,994 0 (cost: 0)  0 0 1,347,864 291,009 <u>1,638,873</u> 11,531 <u>\$ 150,111,173</u>	\$ 1,153,338,253 (cost: 983,509,702) 103,337,913 (cost: 187,207,183) 4,256,432 813,223 (cost: 818,576)  0 3,568,818 2,552,659 8,153,958 <u>14,275,435</u> 28,910 <u>\$ 1,276,050,166</u>	\$ 321,773,591 (cost: 286,280,476) 9,681,660 (cost: 16,757,063) 3,242,182 65,370 (cost: 65,441)  0 56,903 2,537,278 636,561 <u>3,230,742</u> 3,185 <u>\$ 337,996,730</u>
\$ 631,800 (premiums received: \$683,457)  8,315,461 0 89,614 0 644,295 <u>9,681,170</u> <u>\$ 1,822,186,219</u> <u>93,859,703</u>	\$ 493,300 (premiums received: \$542,431)  2,603,025 0 8,679 0 201,190 <u>3,306,194</u> <u>\$ 146,804,979</u> <u>9,985,158</u>	\$ 0 (premiums received: \$0)  14,287,273 0 754,334 0 936,876 <u>15,978,483</u> <u>\$ 1,260,071,683</u> <u>78,005,179</u>	\$ 0 (premiums received: \$0)  10,507,314 0 25,097 0 378,807 <u>10,911,218</u> <u>\$ 327,085,512</u> <u>25,625,241</u>
\$ 1,692,006,869  (11,433,761) 134,809,891  0 (237) 6,803,457 <u>\$ 1,822,186,219</u>	\$ 124,484,512  2,911,479 19,409,373  0 (385) 0 <u>\$ 146,804,979</u>	\$ 1,179,879,287  (9,971,437) 85,953,929  0 (10,442) 4,220,346 <u>\$ 1,260,071,683</u>	\$ 295,723,989  2,945,471 28,417,642  0 (1,590) 0 <u>\$ 327,085,512</u>
\$ 19.41 1,769,886,768 91,163,512 <u>\$ 19.40</u> 52,299,451 2,696,192	\$ 14.70 146,114,965 9,938,137 <u>\$ 14.67</u> 690,014 47,021	\$ 16.15 1,229,329,767 76,100,024 <u>\$ 16.14</u> 30,744,585 1,905,155	\$ 12.76 326,849,563 25,606,739 <u>\$ 12.75</u> 235,950 18,502

# THE OAKMARK FAMILY OF FUNDS

## Statement of Operations—March 31, 2002

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
<b>Investment Income:</b>			
Dividends from unaffiliated securities	\$ 23,896,136	\$ 22,181,314	\$ 783,436
Dividends from affiliated securities	0	0	0
Interest Income	3,583,960	4,189,781	307,946
Other Income	0	0	0
Foreign taxes withheld	0	0	0
Total investment income	27,480,096	26,371,095	1,091,382
<b>Expenses:</b>			
Investment advisory fee	16,482,658	19,895,065	1,607,331
Transfer and dividend disbursing agent fees	1,267,611	1,073,681	175,419
Other shareholder servicing fees	1,369,619	2,132,369	120,930
Service Fee - Class II	229	66,470	0
Reports to shareholders	696,061	537,928	91,426
Custody and accounting fees	216,819	271,833	41,966
Registration and blue sky expenses	(440,154)	105,076	(61,880)
Trustee fees	140,649	140,094	50,922
Legal fees	48,299	58,117	16,068
Audit fees	12,251	11,626	9,633
Other	92,877	117,941	13,527
Total expenses	19,886,919	24,410,200	2,065,342
Expense reimbursement	0	0	0
Expense offset arrangements	(11,500)	(7,059)	(1,098)
Net expenses	19,875,419	24,403,141	2,064,244
<b>Net Investment Income (loss):</b>	<b>7,604,677</b>	<b>1,967,954</b>	<b>(972,862)</b>
<b>Net realized and unrealized gain (loss) on investments and foreign currency transactions:</b>			
Net realized gain (loss) on unaffiliated securities	55,239,969	128,081,080	4,596,533
Net realized gain (loss) on affiliated securities	0	0	0
Net realized gain (loss) on options	5,254,439	3,809,912	433,874
Net realized gain (loss) on short sales	(197,816)	(510,036)	0
Net realized gain (loss) on foreign currency transactions	0	0	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	437,447,110	342,809,776	93,845,396
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:	<u>497,743,702</u>	<u>474,190,732</u>	<u>98,875,803</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 505,348,379</u>	<u>\$ 476,158,686</u>	<u>\$ 97,902,941</u>

The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 5,761,181	\$ 394,685	\$ 6,471,550	\$ 1,358,769
0	0	5,650,112	157,199
8,381,047	62,503	408,684	118,324
0	0	1,229	579
(21,786)	(13,173)	(590,146)	(190,258)
<u>14,120,442</u>	<u>444,015</u>	<u>11,941,429</u>	<u>1,444,613</u>
3,862,301	368,912	5,254,863	1,105,100
234,103	62,309	370,945	65,110
561,425	34,923	383,569	83,737
26,045	464	17,521	126
124,219	31,418	191,118	31,766
101,347	51,980	485,500	154,844
254,222	26,838	38,653	36,923
65,705	43,051	66,725	44,491
23,068	13,951	20,899	14,711
9,633	12,251	11,754	13,323
31,887	7,770	27,484	10,097
<u>5,293,955</u>	<u>653,867</u>	<u>6,869,031</u>	<u>1,560,228</u>
0	(95)	0	0
(3,701)	(392)	(1,150)	(167)
<u>5,290,254</u>	<u>653,380</u>	<u>6,867,881</u>	<u>1,560,061</u>
8,830,188	(209,365)	5,073,548	(115,448)
(12,520,847)	2,586,760	12,379,283	3,909,454
0	0	(7,523,169)	0
1,087,465	331,758	0	0
0	0	0	0
(2,663)	(9,042)	(530,008)	(83,081)
<u>133,003,511</u>	<u>21,977,231</u>	<u>248,392,211</u>	<u>48,088,211</u>
0	0	0	0
(237)	(570)	215	(4,358)
<u>121,567,229</u>	<u>24,886,137</u>	<u>252,718,532</u>	<u>51,910,226</u>
<u>\$130,397,417</u>	<u>\$24,676,772</u>	<u>\$ 257,792,080</u>	<u>\$ 51,794,778</u>

# THE OAKMARK FAMILY OF FUNDS

## Statement of Changes in Net Assets—March 31, 2002

	The Oakmark Fund	
	Period Ended March 31, 2002	Year Ended September 30, 2001
<b>From Operations:</b>		
Net investment income	\$ 7,604,677	\$ 19,416,042
Net realized gain (loss) on investments	60,296,592	195,984,944
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	<u>437,447,110</u>	<u>126,130,060</u>
<b>Net increase (decrease) in net assets from operations</b>	<b>505,348,379</b>	<b>341,531,046</b>
<b>From Distributions to shareholders of: (a)</b>		
Net investment income — Class I	(19,630,178)	(28,565,025)
Net investment income — Class II	(447)	0
Net realized short-term gain — Class I	0	0
Net realized short-term gain — Class II	0	0
Net realized long-term gain — Class I	0	0
Net realized long-term gain — Class II	<u>0</u>	<u>0</u>
<b>Total distribution to shareholders</b>	<b>(19,630,625)</b>	<b>(28,565,025)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold — Class I	870,722,901	1,499,450,622
Proceeds from shares sold — Class II	584,413	122,635
Reinvestment of dividends and capital gain distributions	19,106,131	27,842,716
Payments for shares redeemed, net of fees — Class I	(395,971,957)	(769,874,783)
Payments for shares redeemed, net of fees — Class II	<u>(181,890)</u>	<u>(7,515)</u>
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<b><u>494,259,598</u></b>	<b><u>757,533,675</u></b>
<b>Total increase (decrease) in net assets</b>	<b>979,977,352</b>	<b>1,070,499,696</b>
<b>Net assets:</b>		
Beginning of period	3,109,228,503	2,038,728,807
End of period	<u>\$ 4,089,205,855</u>	<u>\$ 3,109,228,503</u>
Undistributed net investment income	<u>\$ 6,963,121</u>	<u>\$ 18,989,069</u>
<b>(a) Distributions per share — Class I:</b>		
Net investment income	\$ 0.1969	\$ 0.3872
Net realized short-term gain	0	0
Net realized long-term gain	<u>0</u>	<u>0</u>
<b>Total distributions to shareholders</b>	<b><u>\$ 0.1969</u></b>	<b><u>\$ 0.3872</u></b>
<b>Distributions per share — Class II:</b>		
Net investment income	\$ 0.1715	
Net realized short-term gain	0	
Net realized long-term gain	<u>0</u>	
<b>Total distributions to shareholders</b>	<b><u>\$ 0.1715</u></b>	

## The Oakmark Select Fund

	Period Ended March 31, 2002	Year Ended September 30, 2001
<b>From Operations:</b>		
Net investment income	\$ 1,967,954	\$ 8,224,650
Net realized gain (loss) on investments	131,380,956	(46,951,440)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	<u>342,809,776</u>	<u>564,071,103</u>
<b>Net increase (decrease) in net assets from operations</b>	<b>476,158,686</b>	<b>525,344,313</b>
<b>From Distributions to shareholders of: (a)</b>		
Net investment income — Class I	(8,379,997)	(7,393,194)
Net investment income — Class II	0	(21,608)
Net realized short-term gain — Class I	0	(23,966,532)
Net realized short-term gain — Class II	0	0
Net realized long-term gain — Class I	0	(93,492,833)
Net realized long-term gain — Class II	<u>0</u>	<u>0</u>
<b>Total distribution to shareholders</b>	<b>(8,379,997)</b>	<b>(124,874,167)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold — Class I	693,295,310	2,438,122,791
Proceeds from shares sold — Class II	50,844,384	33,209,296
Reinvestment of dividends and capital gain distributions	7,956,922	121,465,993
Payments for shares redeemed, net of fees — Class I	(382,293,988)	(569,095,434)
Payments for shares redeemed, net of fees — Class II	<u>(8,509,919)</u>	<u>(6,168,435)</u>
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<b><u>361,292,709</u></b>	<b><u>2,017,534,211</u></b>
<b>Total increase (decrease) in net assets</b>	<b>829,071,398</b>	<b>2,418,004,357</b>
<b>Net assets:</b>		
Beginning of period	4,196,740,831	1,778,736,474
End of period	<u>\$ 5,025,812,229</u>	<u>\$ 4,196,740,831</u>
Undistributed net investment income	<u>\$ 1,545,989</u>	<u>\$ 7,958,033</u>
<b>(a) Distributions per share — Class I:</b>		
Net investment income	\$ 0.0501	\$ 0.0861
Net realized short-term gain	0	0.2779
Net realized long-term gain	<u>0</u>	<u>1.0832</u>
<b>Total distributions to shareholders</b>	<b><u>\$ 0.0501</u></b>	<b><u>\$ 1.4472</u></b>
<b>Distributions per share — Class II:</b>		
Net investment income	\$ 0	\$ 0.0593
Net realized short-term gain	0	0.2667
Net realized long-term gain	<u>0</u>	<u>1.0732</u>
<b>Total distributions to shareholders</b>	<b><u>\$ 0</u></b>	<b><u>\$ 1.3992</u></b>

# THE OAKMARK FAMILY OF FUNDS

## Statement of Changes in Net Assets—March 31, 2002 (cont.)

	The Oakmark Small Cap Fund	
	Period Ended March 31, 2002	Year Ended September 30, 2001
<b>From Operations:</b>		
Net investment income	\$ (972,862)	\$ (710,637)
Net realized gain (loss) on investments	5,030,407	1,334,090
Net realized gain (loss) on foreign currency transactions	0	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	<u>93,845,396</u>	<u>(10,475,705)</u>
<b>Net increase (decrease) in net assets from operations</b>	<b>97,902,941</b>	<b>(9,852,252)</b>
<b>From Distributions to shareholders of: (a)</b>		
Net investment income	0	0
Net realized short-term gain	0	0
Net realized long-term gain	<u>0</u>	<u>(8,165,109)</u>
<b>Total distribution to shareholders</b>	<b>0</b>	<b>(8,165,109)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold	173,570,751	133,704,823
Reinvestment of dividends and capital gain distributions	0	8,045,937
Payments for shares redeemed, net of fees	<u>(37,880,936)</u>	<u>(107,824,806)</u>
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<b><u>135,689,815</u></b>	<b><u>33,925,954</u></b>
<b>Total increase (decrease) in net assets</b>		
Net assets:	233,592,756	15,908,593
Beginning of period	264,612,205	248,703,612
End of period	<u>\$ 498,204,961</u>	<u>\$ 264,612,205</u>
Undistributed net investment income	<u>\$ 0</u>	<u>\$ 0</u>
<b>(a) Distributions per share:</b>		
Net investment income	\$ 0	\$ 0
Net realized short-term gain	0	0
Net realized long-term gain	<u>0</u>	<u>0.5102</u>
<b>Total distributions to shareholders</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0.5102</u></b>

## The Oakmark Equity and Income Fund

	Period Ended March 31, 2002	Year Ended September 30, 2001
<b>From Operations:</b>		
Net investment income	\$ 8,830,188	\$ 5,055,874
Net realized gain (loss) on investments	(11,433,382)	1,909,621
Net realized gain (loss) on foreign currency transactions	(2,663)	(518)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	133,003,511	(5,101,055)
Net change in unrealized appreciation (depreciation) — other	(237)	0
<b>Net increase (decrease) in net assets from operations</b>	<u>130,397,417</u>	<u>1,863,923</u>
<b>From Distributions to shareholders of: (a)</b>		
Net investment income — Class I	(7,013,868)	(897,529)
Net investment income — Class II	(7,433)	(7,433)
Net realized short-term gain — Class I	0	0
Net realized short-term gain — Class II	0	0
Net realized long-term gain — Class I	(1,870,660)	(3,733,470)
Net realized long-term gain — Class II	(33,869)	0
<b>Total distribution to shareholders</b>	<u>(8,925,830)</u>	<u>(4,638,432)</u>
<b>From Fund share transactions:</b>		
Proceeds from shares sold — Class I	1,225,813,388	682,515,057
Proceeds from shares sold — Class II	50,784,082	2,887,484
Reinvestment of dividends and capital gain distributions	8,611,522	4,457,698
Payments for shares redeemed, net of fees — Class I	(203,112,329)	(118,553,446)
Payments for shares redeemed, net of fees — Class II	(4,738,428)	(111,704)
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<u>1,077,358,235</u>	<u>571,195,069</u>
<b>Total increase (decrease) in net assets</b>	1,198,829,822	568,420,559
<b>Net assets:</b>		
Beginning of period	623,356,397	54,935,837
End of period	<u>\$ 1,822,186,219</u>	<u>\$ 623,356,396</u>
Undistributed net investment income	<u>\$ 6,803,457</u>	<u>\$ 5,004,490</u>
<b>(a) Distributions per share — Class I:</b>		
Net investment income	\$ 0.1542	\$ 0.2427
Net realized short-term gain	0	0
Net realized long-term gain	0.0416	1.0013
<b>Total distributions to shareholders</b>	<u>\$ 0.1958</u>	<u>\$ 1.2440</u>
<b>Distributions per share — Class II:</b>		
Net investment income	\$ 0.1107	\$ 0.2368
Net realized short-term gain	0	0
Net realized long-term gain	0.0416	0.9967
<b>Total distributions to shareholders</b>	<u>\$ 0.1523</u>	<u>\$ 1.2335</u>

# THE OAKMARK FAMILY OF FUNDS

## Statement of Changes in Net Assets—March 31, 2002 (cont.)

	The Oakmark Global Fund	
	Period Ended March 31, 2002	Year Ended September 30, 2001
<b>From Operations:</b>		
Net investment income	\$ (209,365)	\$ (55)
Net realized gain (loss) on investments	2,918,518	1,479,943
Net realized gain (loss) on foreign currency transactions	(9,042)	71,444
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	21,977,231	(4,901,265)
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	0	(76,462)
Net change in unrealized appreciation (depreciation) — other	(570)	1,700
<b>Net increase (decrease) in net assets from operations</b>	<b>24,676,772</b>	<b>(3,424,695)</b>
<b>From Distributions to shareholders of: (a)</b>		
Net investment income — Class I	(11,774)	(435,138)
Net investment income — Class II	(61)	0
Net realized short-term gain — Class I	0	(92,927)
Net realized short-term gain — Class II	0	0
Net realized long-term gain — Class I	(1,361,493)	(37,007)
Net realized long-term gain — Class II	(7,099)	0
<b>Total distribution to shareholders</b>	<b>(1,380,427)</b>	<b>(565,072)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold — Class I	82,404,960	42,948,303
Proceeds from shares sold — Class II	601,860	0
Reinvestment of dividends and capital gain distributions	1,321,517	560,498
Payments for shares redeemed, net of fees — Class I	(8,997,020)	(18,542,262)
Payments for shares redeemed, net of fees — Class II	(26,694)	0
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<b>75,304,623</b>	<b>24,966,539</b>
<b>Total increase (decrease) in net assets</b>	<b>98,600,968</b>	<b>20,976,772</b>
<b>Net assets:</b>		
Beginning of period	48,204,011	27,227,239
End of period	<u>\$ 146,804,979</u>	<u>\$ 48,204,011</u>
Undistributed net investment income	<u>\$ 0</u>	<u>\$ (159,043)</u>
<b>(a) Distributions per share — Class I:</b>		
Net investment income	\$ 0.0025	\$ 0.1742
Net realized short-term gain	0	0.0372
Net realized long-term gain	0.2891	0.0145
<b>Total distributions to shareholders</b>	<u>\$ 0.2916</u>	<u>\$ 0.2259</u>
<b>Distributions per share — Class II:</b>		
Net investment income	\$ 0.0025	0
Net realized short-term gain	0	0.2891
Net realized long-term gain	0.2891	0
<b>Total distributions to shareholders</b>	<u>\$ 0.2916</u>	0

## The Oakmark International Fund

	Period Ended March 31, 2002	Year Ended September 30, 2001
<b>From Operations:</b>		
Net investment income	\$ 5,073,548	\$ 11,508,911
Net realized gain (loss) on investments	4,856,114	(13,334,222)
Net realized gain (loss) on foreign currency transactions	(530,008)	2,323,657
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	248,392,211	(118,037,625)
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	0	(2,048,003)
Net change in unrealized appreciation (depreciation) — other	215	169,583
<b>Net increase (decrease) in net assets from operations</b>	<b>257,792,080</b>	<b>(119,417,699)</b>
<b>From Distributions to shareholders of: (a)</b>		
Net investment income — Class I	(10,170,790)	(24,851,611)
Net investment income — Class II	(76,332)	(3,245)
Net realized short-term gain — Class I	0	(16,422,539)
Net realized short-term gain — Class II		
Net realized long-term gain — Class I	0	(8,281,127)
Net realized long-term gain — Class II		
<b>Total distribution to shareholders</b>	<b>(10,247,122)</b>	<b>(49,558,522)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold — Class I	353,620,828	282,295,504
Proceeds from shares sold — Class II	28,790,132	2,588,328
Reinvestment of dividends and capital gain distributions	9,818,490	47,893,421
Payments for shares redeemed, net of fees — Class I	(115,985,251)	(205,510,100)
Payments for shares redeemed, net of fees — Class II	(4,194,398)	(327,974)
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<b>272,049,801</b>	<b>126,939,179</b>
<b>Total increase (decrease) in net assets</b>	<b>519,594,759</b>	<b>(42,037,042)</b>
<b>Net assets:</b>		
Beginning of period	740,476,924	782,513,966
End of period	<u>\$ 1,260,071,683</u>	<u>\$ 740,476,924</u>
Undistributed net investment income	<u>\$ 4,220,346</u>	<u>\$ 9,923,928</u>
<b>(a) Distributions per share — Class I:</b>		
Net investment income	\$ 0.1649	\$ 0.5074
Net realized short-term gain	0	0.3353
Net realized long-term gain	0	0.1690
<b>Total distributions to shareholders</b>	<u>\$ 0.1649</u>	<u>\$ 1.0117</u>
<b>Distributions per share — Class II:</b>		
Net investment income	\$ 0.1229	\$ 0.4869
Net realized short-term gain	0	0.3217
Net realized long-term gain	0	0.1621
<b>Total distributions to shareholders</b>	<u>\$ 0.1229</u>	<u>\$ 0.9707</u>

# THE OAKMARK FAMILY OF FUNDS

## Statement of Changes in Net Assets—March 31, 2002 (cont.)

	The Oakmark International Small Cap Fund	
	Period Ended March 31, 2002	Year Ended September 30, 2001
<b>From Operations:</b>		
Net investment income	\$ (115,448)	\$ 1,844,218
Net realized gain (loss) on investments	3,909,454	1,136,757
Net realized gain (loss) on foreign currency transactions	(83,081)	591,541
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	48,088,211	(12,360,111)
Net change in unrealized appreciation (depreciation) of forward currency exchange contracts	0	(289,441)
Net change in unrealized appreciation (depreciation) — other	(4,358)	28,453
<b>Net increase (decrease) in net assets from operations</b>	<u>51,794,778</u>	<u>(9,048,583)</u>
<b>From Distributions to shareholders of: (a)</b>		
Net investment income — Class I	(2,120,585)	(2,566,080)
Net investment income — Class II	(921)	0
Net realized short-term gain — Class I	(1,891,258)	0
Net realized short-term gain — Class II	(1,136)	0
Net realized long-term gain — Class I	0	(3,663,064)
Net realized long-term gain — Class II	0	0
<b>Total distribution to shareholders</b>	<u>(4,013,900)</u>	<u>(6,229,144)</u>
<b>From Fund share transactions:</b>		
Proceeds from shares sold — Class I	176,736,276	72,931,617
Proceeds from shares sold — Class II	193,894	39,964
Reinvestment of dividends and capital gain distributions	3,875,760	6,071,794
Payments for shares redeemed, net of fees — Class I	(20,383,797)	(35,203,678)
Payments for shares redeemed, net of fees — Class II	(25,251)	0
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<u>160,396,882</u>	<u>43,839,697</u>
<b>Total increase (decrease) in net assets</b>	208,177,760	28,561,970
<b>Net assets:</b>		
Beginning of period	<u>118,907,752</u>	<u>90,345,782</u>
End of period	<u>\$ 327,085,512</u>	<u>\$ 118,907,752</u>
Undistributed net investment income	<u>\$ 0</u>	<u>\$ 1,922,975</u>
<b>(a) Distributions per share — Class I:</b>		
Net investment income	\$ 0.1600	\$ 0.3402
Net realized short-term gain	0.1427	0
Net realized long-term gain	0	0.4853
<b>Total distributions to shareholders</b>	<u>\$ 0.3027</u>	<u>\$ 0.8255</u>
<b>Distributions per share — Class II:</b>		
Net investment income	\$ 0.1157	
Net realized short-term gain	0.1427	
Net realized long-term gain	0	
<b>Total distributions to shareholders</b>	<u>\$ 0.2584</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 among 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, securities traded on the NASDAQ National Market, and Over-the-counter securities 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. Debt obligations and money market instruments maturing in more than 60 days from the date of purchase shall be valued at the latest bid quotation. Debt obligations and money market instruments maturing in less than 61 days from the date of purchase are valued on an amortized cost basis which approximates market value. Options are valued at the last reported sale price on the day of valuation, or if lacking any reported sales that day, at the mean of the most recent bid and ask quotations. Securities for which quotations are not readily available are valued at a fair value as determined by the Pricing Committee 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 March 31, 2002, only 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 reclaims receivable	\$ 652	\$ (6,971)	\$ 1,298
Unrealized appreciation (depreciation) on open securities purchases and sales	58	9,549	21,058
Unrealized appreciation (depreciation) on transaction hedge purchases and sales	(1,075)	(13,554)	(23,609)
Unrealized appreciation (depreciation) on tax expense payable	(20)	535	(337)
Net Unrealized Appreciation (Depreciation) - Other	\$ (385)	\$ (10,441)	\$ (1,590)

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements (cont.)

### 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.

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 March 31, 2002, Global, International and Int'l Small Cap had entered into forward foreign currency contracts under which they are 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 Global Fund had the following outstanding contracts at March 31, 2002:

### Transaction Hedges: Foreign Currency Purchases—

US Dollars Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at March 31, 2002
\$ 57,202	65,195 Euro Currency	April 2002	\$ (368)
218,610	29,013,912 Japanese Yen	April 2002	49
346,689	3,583,380 Swedish Krona	April 2002	(756)
			<u>\$(1,075)</u>

The International Fund had the following outstanding contracts at March 31, 2002:

### Transaction Hedges: Foreign Currency Purchases—

US Dollar Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at March 31, 2002
\$ 142,924	162,988 Euro Currency	April 2002	\$ (1,035)
57,233	65,559 Euro Currency	April 2002	(161)
86,368	98,876 Euro Currency	April 2002	(291)
2,008,479	1,406,793 Pound Sterling	April 2002	(5,205)
1,977,180	20,436,128 Swedish Krona	April 2002	(6,862)
			<u>\$(13,554)</u>

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements (cont.)

The Int'l Small Cap Fund had the following outstanding contracts at March 31, 2002:

### Transaction Hedges: Foreign Currency Purchases—

US Dollars Sold	Foreign Currency Purchased	Settlement Date	Unrealized Appreciation (Depreciation) at March 31, 2002
\$1,511,483	2,545,338 Swiss Franc	April 2002	\$ (449)
457,080	3,872,842 Danish Krone	April 2002	(3,347)
489,457	4,163,513 Danish Krone	April 2002	(1,669)
160,234	182,790 Euro Currency	April 2002	(1,106)
103,784	118,461 Euro Currency	April 2002	(657)
255,041	291,110 Euro Currency	April 2002	(1,616)
193,512	220,677 Euro Currency	April 2002	(1,401)
797,691	913,212 Euro Currency	April 2002	(2,694)
1,006,794	1,152,597 Euro Currency	April 2002	(3,400)
193,194	221,173 Euro Currency	April 2002	(652)
476,180	545,141 Euro Currency	April 2002	(1,608)
147,566	169,441 Euro Currency	April 2002	(59)
91,496	105,059 Euro Currency	April 2002	(37)
1,020,475	714,769 Pound Sterling	April 2002	(2,644)
1,061,352	743,712 Pound Sterling	April 2002	(2,305)
8,228	64,170 Hong Kong Dollar	April 2002	0
26,439	206,206 Hong Kong Dollar	April 2002	(2)
144,951	1,130,471 Hong Kong Dollar	April 2002	(14)
809,860	6,316,101 Hong Kong Dollar	April 2002	(78)
22,649	3,006,000 Japanese Yen	April 2002	15
15,117	2,004,000 Japanese Yen	April 2002	(9)
			<u><u>\$ (23,732)</u></u>

### Transaction Hedges: Foreign Currency Sales—

US Dollars Purchased	Foreign Currency Sold	Settlement Date	Unrealized Appreciation (Depreciation) at March 31, 2002
\$57,027	39,960 Pound Sterling	April 2002	\$123
			<u><u>\$123</u></u>

At March 31, 2002, 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.

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.

### Bank Loans —

The Funds have an unsecured line of credit with Investors Bank & Trust. It is a committed line of \$250 million. Borrowings under this arrangement bear interest at .45% above the Federal Funds Effective Rate. As of March 31, 2002, 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 six months ended March 31, 2002, Oakmark, Select, Small Cap, Equity & Income, and Global wrote option contracts. At March 31, 2002, Small Cap, Equity & Income, and Global had outstanding option contracts. Portfolio securities valued at \$3,517,000, \$12,032,280, and \$11,610,710 were being held in escrow by the custodian as cover for call options and put options written by Small Cap, Equity & Income, and 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 the Global Fund and 1.0% for the Equity and Income Fund; or for Class II shares, exceed 1.75% for domestic funds, 2.25% for international funds, 2% for the Global Fund and 1.25% for the Equity and Income Fund.

During the six months ended March 31, 2002, the Funds incurred brokerage commissions of \$3,582,251, \$3,596,465, \$209,756, \$1,741,694, \$227,420, \$1,429,127, and \$588,314 of which \$988,741, \$570,563, \$39,811, \$405,399, \$52,225, \$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):

	Six Months Ended March 31, 2002						
	Oakmark	Select	Small Cap	Equity & Income	Global	International	Int'l Small Cap
Shares sold	25,065	27,772	9,766	68,983	6,115	26,562	15,151
Shares issued in reinvestment of dividends	563	300	0	483	109	726	375
Less shares redeemed	(11,448)	(14,636)	(2,260)	(11,332)	(689)	(8,452)	(1,796)
Net increase (decrease) in shares outstanding	<u>14,180</u>	<u>13,436</u>	<u>7,506</u>	<u>58,134</u>	<u>5,535</u>	<u>18,836</u>	<u>13,730</u>

	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>

### 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	\$1,224,883	\$971,676	\$102,173	\$1,586,021	\$86,533	\$382,426	\$168,651
Proceeds from sales	\$ 833,400	\$697,282	\$ 23,014	\$ 524,155	\$18,448	\$133,936	\$ 21,139

Transactions in options written by Oakmark during the period ended March 31, 2002 were as follows:

	Number of Contracts	Premiums Received
Options outstanding at September 30, 2001	0	\$ 0
Options written	83,645	7,552,732
Options terminated in closing purchase transactions	(8,910)	(670,772)
Options expired	(50,745)	(5,804,083)
Options exercised	<u>(23,990)</u>	<u>(1,077,877)</u>
Options outstanding at March 31, 2002	0	\$ 0

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements (cont.)

Transactions in options written by Select during the period ended March 31, 2002 were as follows:

	Number of Contracts	Premiums Received
Options outstanding at September 30, 2001	0	\$ 0
Options written	39,935	4,004,963
Options terminated in closing purchase transactions	(2,700)	(139,207)
Options expired	(25,389)	(3,500,703)
Options exercised	<u>(11,846)</u>	<u>(365,053)</u>
Options outstanding at March 31, 2002	0	\$ 0

Transactions in options written by Small Cap during the period ended March 31, 2002 were as follows:

	Number of Contracts	Premiums Received
Options outstanding at September 30, 2001	0	\$ 0
Options written	4,925	868,639
Options terminated in closing purchase transactions	(200)	(47,318)
Options expired	(3,325)	(413,956)
Options exercised	<u>(200)</u>	<u>(101,597)</u>
Options outstanding at March 31, 2002	1,200	\$ 305,768

Transactions in options written by Equity & Income during the period ended March 31, 2002 were as follows:

	Number of Contracts	Premiums Received
Options outstanding at September 30, 2001	0	\$ 0
Options written	22,510	2,465,968
Options terminated in closing purchase transactions	(9,775)	(780,319)
Options expired	(9,194)	(999,677)
Options exercised	<u>(31)</u>	<u>(2,515)</u>
Options outstanding at March 31, 2002	3,510	\$ 683,457

Transactions in options written by Global during the period ended March 31, 2002 were as follows:

	Number of Contracts	Premiums Received
Options outstanding at September 30, 2001	450	\$ 141,020
Options written	6,760	943,288
Options terminated in closing purchase transactions	(1,010)	(241,427)
Options expired	(1,610)	(291,350)
Options exercised	<u>(50)</u>	<u>(9,100)</u>
Options outstanding at March 31, 2002	4,540	\$ 542,431

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements (cont.)

### 5. TRANSACTIONS IN SECURITIES OF AFFILIATED ISSUERS

Affiliated issuers, as defined under the Investment Company Act of 1940, are those in which the Fund's holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. A summary of the Fund's transactions in the securities of these issuers during the period ended March 31, 2002 is set forth below:

#### Summary of Transactions with Affiliated Companies The Oakmark Select Fund

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2002
The Dun & Bradstreet Corporation	\$109,946,411	\$ 0	\$ 0	\$216,950,224
Toys 'Я' Us, Inc.	202,412,803	0	0	229,861,060
TOTALS	\$312,359,214	\$ 0	\$ 0	\$446,811,284

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

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2002
Department 56, Inc.	\$ 10,772,852	\$ 0	\$ 0	\$ 11,200,000
Hanger Orthopedic Group, Inc.	5,061,010	0	0	9,936,000
R.G. Barry Corporation	10,857,418	0	0	5,469,210
TOTALS	\$ 26,691,280	\$ 0	\$ 0	\$ 26,605,210

#### Summary of Transactions with Affiliated Companies The Oakmark International Fund

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2002
Chargeurs SA	\$ 19,034,755	\$ 0	\$ 0	\$ 24,837,195
Cordiant Communications Group plc	48,310,385	0	0	39,847,036
Enodis plc	35,994,642	5,578,340	5,650,112	25,685,210
Fila Holding S.p.A.	83,867,401	205,149	0	12,968,472
TOTALS	\$187,207,183	\$5,783,489	\$5,650,112	\$103,337,913

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

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2002
Alaska Milk Corporation	\$ 3,024,829	\$ 0	\$ 107,461	\$ 2,033,073
Royal Doulton plc	4,055,329	0	0	531,003
Mainfreight Limited	6,228,551	0	49,738	4,118,319
Matchon Public Company Limited, Foreign Shares	3,448,354	0	0	2,999,265
TOTALS	\$ 16,757,063	\$ 0	\$ 157,199	\$ 9,681,660

# THE OAKMARK FUND

## Financial Highlights

For a share outstanding throughout each period

	Period Ended March 31, 2002 Class I	Period Ended March 31, 2002 Class II	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	\$ 32.01	\$ 31.97	\$ 26.95	\$32.09	\$ 34.37	\$ 33.54	\$ 41.21	\$ 32.39	\$ 28.47
Income From Investment									
Operations:									
Net Investment									
Income (Loss)	0.06	0.04	0.07	0.05	0.48	0.36	0.47	0.36	0.34
Net Gains or Losses									
on Securities									
(both realized and									
unrealized)	4.87	4.87	5.38	(0.17)	(2.91)	2.51	(1.73)	10.67	4.70
Total From Investment									
Operations:	4.93	4.91	5.45	(0.12)	(2.43)	2.87	(1.26)	11.03	5.04
Less Distributions:									
Dividends (from net									
investment income)	(0.20)	(0.17)	(0.39)	0.00	(0.26)	(0.44)	(0.40)	(0.34)	(0.28)
Distributions									
(from capital gains)	0.00	0.00	0.00	0.00	(4.73)	(1.60)	(6.01)	(1.87)	(0.84)
Total Distributions	(0.20)	(0.17)	(0.39)	0.00	(5.00)	(2.04)	(6.41)	(2.21)	(1.12)
Net Asset Value,									
End of Period	\$ 36.74	\$ 36.71	\$ 32.01	\$31.97	\$ 26.95	\$ 34.37	\$ 33.54	\$ 41.21	\$ 32.39
Total Return	15.44%	15.41%	20.42%	(0.37)%	(7.55)%	7.98%	(4.06)%	39.24%*	18.07%
Ratios/Supplemental Data:									
Net Assets, End of									
Period (\$million)	\$4,088.7	\$ 0.5	\$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	1.11%*	1.14%*	1.15%	1.32%*	1.21%	1.11%	1.08%	1.08%*	1.18%
Ratio of Net Investment									
Income to Average									
Net Assets	0.42%*	0.12%*	0.73%	0.46%*	1.42%	1.02%	1.22%	1.19%*	1.13%
Portfolio Turnover Rate	24%	24%	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

	Period Ended March 31, 2002 Class I	Period Ended March 31, 2002 Class II	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	\$ 25.20	\$25.10	\$ 21.45	\$21.40	\$ 20.92	\$18.42	\$ 16.76	\$ 16.34	\$10.00
Income From Investment Operations:									
Net Investment Income (Loss)	0.01	0.00	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>2.77</u>	<u>2.73</u>	<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:	2.78	2.73	5.20	5.10	4.45	2.98	4.92	0.59	6.34
Less Distributions:									
Dividends (from net investment income)	(0.05)	0.00	(0.09)	(0.06)	(0.20)	0.00	(0.05)	0.00	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<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	(0.05)	0.00	(1.45)	(1.40)	(3.91)	0.00	(0.76)	(0.17)	0.00
Net Asset Value, End of Period	<u>\$ 27.93</u>	<u>\$27.83</u>	<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	11.04%	10.88%	25.75%	25.28%	24.53%	16.18%	30.07%	3.64%	69.16%*
Ratios/Supplemental Data:									
Net Assets, End of Period (\$million)	\$4,942.5	\$ 83.4	\$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	1.06%*	1.30%*	1.08%	1.40%	1.17%	1.41%*	1.16%	1.22%	1.12%*
Ratio of Net Investment Income (Loss) to Average Net Assets	0.09%*	(0.16)%*	0.26%	(0.08)%	0.76%	0.59%*	0.98%	0.17%	(0.11)%*
Portfolio Turnover Rate	13%	13%	21%	21%	69%	69%	67%	56%	37%

### Notes

\* 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

	Period Ended March 31, 2002	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	\$14.57	\$15.10	\$13.88	\$12.63	\$20.34	\$ 13.19	\$10.00
Income From Investment Operations:							
Net Investment Income (Loss)	0.00	0.00	0.00	0.14	(0.12)	(0.01)	(0.02)
Net Gains or Losses on Securities (both realized and unrealized)	4.84	(0.02)	1.22	1.20	(4.73)	7.16	3.21
Total From Investment Operations:	4.84	(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	0.00
Distributions (from capital gains)	0.00	0.00	0.00	(0.09)	(2.86)	0.00	0.00
Total Distributions	0.00	(0.51)	0.00	(0.09)	(2.86)	0.00	0.00
Net Asset Value, End of Period	<u>\$19.41</u>	<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	33.22%	0.07%	8.79%	10.56%	(26.37)%	59.14%*	31.94%
Ratios/Supplemental Data:							
Net Assets, End of Period (\$million)	\$498.2	\$264.6	\$248.7	\$437.1	\$618.0	\$1,513.4	\$218.4
Ratio of Expenses to Average Net Assets	1.19%*	1.27%	1.50%(a)	1.48%	1.45%	1.37%*	1.61%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.56)%*	(0.28)%	(0.41)% (a)	(0.44)%	(0.40)%	(0.25)%*	(0.29)%
Portfolio Turnover Rate	6%	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

	Period Ended March 31, 2002 Class I	Period Ended March 31, 2002 Class II	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	\$ 17.45	\$17.40	\$16.50	\$16.49	\$15.68	\$15.51	\$13.99	\$14.49	\$11.29	\$10.00
Income From Investment Operations:										
Net Investment Income (Loss)	0.09	0.04	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)	2.07	2.11	2.11	2.07	2.28	0.68	1.72	0.04	3.24	1.19
Total From Investment Operations:	2.16	2.15	2.19	2.15	2.63	0.98	2.11	0.33	3.45	1.29
Less Distributions:										
Dividends (from net investment income)	(0.16)	(0.11)	(0.24)	(0.24)	(0.45)	0.00	(0.21)	(0.24)	(0.12)	0.00
Distributions (from capital gains)	(0.04)	(0.04)	(1.00)	(1.00)	(1.36)	0.00	(0.21)	(0.59)	(0.13)	0.00
Total Distributions	(0.20)	(0.15)	(1.24)	(1.23)	(1.81)	0.00	(0.42)	(0.83)	(0.25)	0.00
Net Asset Value, End of Period	\$ 19.41	\$19.40	\$17.45	\$17.40	\$16.50	\$16.49	\$15.68	\$13.99	\$14.49	\$11.29
Total Return	12.45%	12.44%	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)	\$1,769.9	\$ 52.3	\$620.1	\$ 3.3	\$ 54.5	\$ 0.4	\$ 60.3	\$ 57.7	\$ 33.5	\$ 13.8
Ratio of Expenses to Average Net Assets	0.92%*	1.22%*	0.98%	1.23%	1.25%	1.32%*	1.18%	1.31%	1.50%*(b)	2.50%(b)
Ratio of Net Investment Income (Loss) to Average Net Assets	1.55%*	1.39%*	2.07%	1.95%	3.04%	2.59%*	2.65%	2.39%	2.38%*(b)	1.21%(b)
Portfolio Turnover Rate	50%	50%	124%	124%	87%	87%	81%	46%	53%	66%

### Notes

\* 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	September 30, 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.

# THE OAKMARK GLOBAL FUND

## Financial Highlights

For a share outstanding throughout each period

	Period Ended March 31, 2002 Class I	October 10, 2001 through March 31, 2002 Class II (a)	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999 (c)
Net Asset Value, Beginning of Period	\$10.83	\$11.25	\$10.91	\$ 9.18	\$10.00
Income From Investment Operations:					
Net Investment Income (Loss)	0.04	0.00	0.03	0.11	0.01
Net Gains or Losses on Securities (both realized and unrealized)	<u>4.12</u>	<u>3.71</u>	<u>0.13</u>	<u>1.63</u>	<u>(0.83)</u>
Total From Investment Operations:	4.16	3.71	0.15	1.74	(0.82)
Less Distributions:					
Dividends (from net investment income)	(0.00)	(0.00)	(0.17)	(0.01)	0.00
Distributions (from capital gains)	<u>(0.29)</u>	<u>(0.29)</u>	<u>(0.06)</u>	<u>0.00</u>	<u>0.00</u>
Total Distributions	(0.29)	(0.29)	(0.23)	(0.01)	0.00
Net Asset Value, End of Period	<u>\$14.70</u>	<u>\$14.67</u>	<u>\$10.83</u>	<u>\$10.91</u>	<u>\$ 9.18</u>
Total Return	38.99%	33.62%	1.37%	18.97%	(8.20)%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$146.1	\$ 0.7	\$ 48.2	\$ 27.2	\$ 24.0
Ratio of Expenses to Average Net Assets	1.55%*	2.00%*(b)	1.75%(b)	1.75%(b)	1.75%*(b)
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.50)%*	(0.86)%*(b)	0.00%(b)	0.54%(b)	0.98%*(b)
Portfolio Turnover Rate	19%	19%	114%	147%	7%

### Notes

\* Data has been annualized

(a) The date which Class II shares were first sold to the public was October 10, 2001.

(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:

	March 31, 2002	September 30, 2001	September 30, 2000	September 30, 1999
Ratio of Expenses to Average Net Assets	2.05%	1.80%	1.96%	2.22%*
Ratio of Net Income (Loss) to Average Net Assets	(0.91)%	(0.05)%	0.34%	0.51%*

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

# THE OAKMARK INTERNATIONAL FUND

## Financial Highlights

For a share outstanding throughout each period

	Period Ended March 31, 2002 Class I	Period Ended March 31, 2002 Class II	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	\$ 12.51	\$12.47	\$15.40	\$15.37	\$13.95	\$14.36	\$10.42	\$18.77	\$ 14.92	\$ 12.97
Income From Investment Operations:										
Net Investment Income (Loss)	0.05	0.01	0.20	0.18	1.02	0.96	(0.34)	0.41	0.27	0.09
Net Gains or Losses on Securities (both realized and unrealized)	<u>3.76</u>	<u>3.78</u>	<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:	3.81	3.79	(1.87)	(1.93)	1.94	1.50	4.55	(4.91)	4.01	2.99
Less Distributions:										
Dividends (from net investment income)	(0.17)	(0.12)	(0.51)	(0.49)	(0.49)	(0.49)	(0.24)	(0.58)	(0.16)	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>(0.50)</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	(0.17)	(0.12)	(1.01)	(0.97)	(0.49)	(0.49)	(1.02)	(3.44)	(0.16)	(1.04)
Net Asset Value, End of Period	<u>\$ 16.15</u>	<u>\$16.14</u>	<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	30.67%	30.61%	(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)	\$1,229.3	\$ 30.7	\$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	1.41%*	1.87%*	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	1.04%*	1.37%*	1.40%	0.62%	1.87%	1.98%*	1.94%	1.95%	2.09%*	1.45%
Portfolio Turnover Rate	14%	14%	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.

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Financial Highlights

For a share outstanding throughout each period

	Period Ended March 31, 2002 Class I	Period Ended March 31, 2002 Class II	Year Ended September 30, 2001 Class I	January 9, 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	\$10.00	\$ 9.97	\$11.51	\$10.73	\$12.64	\$ 6.89	\$12.20	\$11.41	\$10.00
Income From Investment Operations:									
Net Investment Income (Loss)	0.00	0.00	0.12	0.15	0.23	0.24	0.18	0.13	0.04
Net Gains or Losses on Securities (both realized and unrealized)	<u>3.06</u>	<u>3.04</u>	<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:	3.06	3.04	(0.68)	(0.76)	(0.43)	5.95	(3.91)	1.23	1.41
Less Distributions:									
Dividends (from net investment income)	(0.16)	(0.12)	(0.34)	0.00	(0.11)	(0.20)	(0.06)	(0.08)	0.00
Distributions (from capital gains)	<u>(0.14)</u>	<u>(0.14)</u>	<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	(0.30)	(0.26)	(0.83)	0.00	(0.70)	(0.20)	(1.40)	(0.44)	0.00
Net Asset Value, End of Period	<u>\$12.76</u>	<u>\$12.75</u>	<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	31.34%	31.08%	(6.18)%	(7.08)%	(3.44)%	88.02%	(35.20)%	12.07%*	14.15%
Ratios/Supplemental Data:									
Net Assets, End of Period (\$million)	\$326.8	\$ 0.2	\$118.9	\$ 0.0	\$ 90.3	\$155.4	\$ 51.8	\$ 66.0	\$ 39.8
Ratio of Expenses to Average Net Assets									
Net Assets	1.57%*	1.68%*	1.74%	1.97%*	1.77%	1.79%	1.96%	1.93%*	2.50%(c)
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.12)%*	(0.21)%*	1.83%	1.76%*	1.99%	2.31%	2.17%	1.23%*	0.65%(c)
Portfolio Turnover Rate	9%	9%	49%	49%	40%	126%	69%	63%	27%

### Notes

\* Data has been annualized.

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

(c) 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%

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](http://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. According to Morningstar, the Morningstar Manager of the Year award is presented to portfolio managers based on the managers' (i) "ability to generate exceptional returns;" (ii) "willingness to align their interests with shareholders;" and (iii) "courage to stay with their strategies in order to produce superior risk-adjusted returns in the end.
2. 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.

3. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.
4. The Price-Earnings Ratio ("P/E") is the most common measure of how expensive a stock is.
5. The S&P 500 Index is a broad market-weighted average of U.S. blue-chip companies.
6. The Dow Jones Industrial Average is an unmanaged index that includes only 30 big companies.
7. The Lipper Large Cap Value Fund Index measures the performance of the thirty largest U.S. large-cap value funds tracked by Lipper.
8. 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.
9. The Lipper Mid Cap Value Fund Index measures the performance of the thirty largest U.S. mid-cap value funds tracked by Lipper.

10. NAV stands for Net Asset Value. NAV is the dollar value of a single mutual fund share, based on the value of the underlying assets of the fund minus its liabilities divided by the number of outstanding shares.
11. 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.
12. The S&P Small Cap 600 Index measures the performance of selected U.S. stocks with small market capitalizations.
13. The Lipper Small Cap Value Fund Index measures the performance of the thirty largest U.S. small-cap value funds tracked by Lipper.
14. The Lipper Balanced Fund Index measures the performance of the thirty largest U.S. balanced funds tracked by Lipper.
15. The Lehman Govt./Corp. Bond Index is an unmanaged index that includes the Lehman Government and Lehman Corporate indices.
16. 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.
17. The Lipper Global Fund Index is an unmanaged index that includes 30 mutual funds that invest in securities throughout the world.
18. Lipper, Inc. is an independent monitor of mutual fund performance. For the period ended 12/31/01, Global ranked #1 of 290 funds for the 1-year period, #1 of 231 for the 2-year period, and #1 of 222 since inception (8/4/99).
19. The MSCI World Ex U.S. Index is an unmanaged index made up of 19 country sub-indexes, excluding the U.S.
20. 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.
21. The Morgan Stanley Small Cap World Ex US Index includes stocks having market capitalizations between \$200-\$800 million across 23 developed markets. This index is unmanaged and investors cannot actually make an investment in this index.
22. The Lipper International Small Cap Average includes 76 mutual funds that invest in securities whose primary markets are outside the U.S.
23. 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.

# 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.”

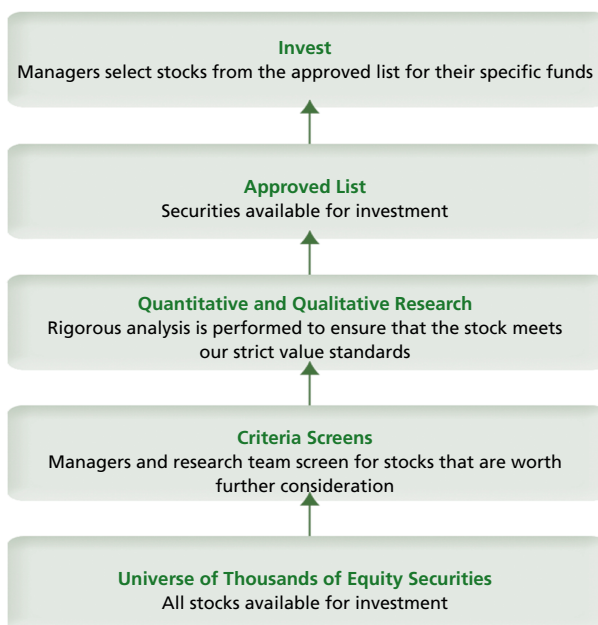
**The Result:** a unified effort aimed at identifying the best values in the marketplace. From the list of approved stocks, each fund manager constructs a relatively focused portfolio, built on a stock-by-stock basis from the bottom up.

## 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*

Robert M. Levy—*President*  
James P. Benson—*Vice President*  
Henry R. Berghoef—*Vice President*  
Kevin G. Grant—*Vice President*  
David G. Herro—*Vice President*  
Gregory L. Jackson—*Vice President*  
Clyde S. McGregor—*Vice President*  
Anita M. Nagler—*Vice President*  
William C. Nygren—*Vice President*  
John R. Raitt—*Vice President*  
Janet L. 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**

#### *Investment Adviser*

Harris Associates L.P.  
Two North LaSalle Street  
Chicago, Illinois 60602-3790

#### *Transfer Agent*

CDC IXIS Asset Management Services, Inc.  
Attention: The Oakmark Family of Funds  
P.O. Box 8510  
Boston, Massachusetts 02266-8510

#### *Legal Counsel*

Bell, Boyd & Lloyd LLC  
Chicago, Illinois

#### *Independent Public Accountants*

Arthur Andersen LLP  
Chicago, Illinois

#### *For More Information:*

Please call 1-800-OAKMARK  
(1-800-625-6275)  
or 617-449-6274

#### *Website*

[www.oakmark.com](http://www.oakmark.com)

#### *24-hour NAV hotline*

1-800-GROWOAK (1-800-476-9625)

#### *E-mail Address*

[ServiceComments@oakmark.com](mailto:ServiceComments@oakmark.com)

This report, including the unaudited 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.

P.O. Box 8510  
Boston, MA 02266-8510



1-800-OAKMARK  
[www.oakmark.com](http://www.oakmark.com)

The Oakmark Funds are distributed by Harris  
Associates Securities L.P., member NASD.  
Date of first use: May 2002.