

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, 2003

# THE OAKMARK FAMILY OF FUNDS

## 2003 Semi-Annual Report

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### 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.

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

## Letter from the President:

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### Dear Fellow Shareholders,

The prolonged market decline continued in the first quarter of 2003, and most equity funds, ours included, again suffered negative returns. While our relative results through quarter end are generally satisfactory, they are not in line with our goal to produce positive long-term returns. We believe that the current emotional swings in the stock markets are likely reflective of the impending end of the bear market. The attractiveness of our portfolios enhances our optimism.

A constant theme in these letters is how the consistent application of our value philosophy and process contributes to our success. This discipline limits the effect of emotion on our process. Today, most investors are focused on macroeconomic and geopolitical issues, which are difficult to forecast, hard to quantify, and indicative of emotional decision making. In contrast, our investment philosophy involves a constant and calculated focus on intrinsic business value. Time has shown that business value is much more stable than market emotions and stock prices. We believe that our philosophy and process give us a true advantage in volatile times and should highlight attractive opportunities—even in this environment.

While the current issues are significant and troublesome, they are not secular problems affecting the long-term attractiveness of stocks. Our economy and our nation are still fundamentally strong. The valuation excesses of the late 90s are gone, and we feel that common stocks offer more attractive return opportunities than other competing asset classes. Our confidence grows as we extend our time horizon. We are long-term investors not short-term traders. This is a mark of distinction in the current environment, which reinforces our conviction. An outside analytical contact recently agreed that we are in the minority in this regard, as we are one of few investment companies willing to think about individual stocks beyond a one-year horizon.

These are difficult times and frustrating for all investors. We hope for a rapid resolution of the current war and the safe return of our troops. Our professional activities



continue to be focused on carefully managing our shareholders' assets. We are proud that this extended period of worldwide weakness has not pressured our returns to the point of limiting the achievement of our clients' long-term goals. Looking ahead, the critical decision will be to maintain or increase one's equity exposure. The market has shown that disciplined, analytical investing—such as Oakmark practices—and not emotional decisions prove rewarding over time.

We welcome your comments and questions; you can reach us via e-mail at [ContactOakmark@oakmark.com](mailto:ContactOakmark@oakmark.com). We appreciate your continued investment in and commitment to The Oakmark Family of Funds.

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

**Robert M. Levy**  
President

# THE OAKMARK FAMILY OF FUNDS

## Summary Information

<i>Performance for Period Ended March 31, 2003<sup>1</sup></i>	<b>The Oakmark Fund (OAKMX)</b>	<b>The Oakmark Select Fund (OAKLX)</b>	<b>The Oakmark Small Cap Fund (OAKSX)</b>
3 Months*	-4.09%	-0.50%	-7.58%
6 Months*	3.12%	9.47%	-1.49%
1 Year	-21.19%	-15.07%	-28.44%
<i>Average Annual Total Return for:</i>			
3 Year	6.04%	8.22%	2.47%
5 Year	-1.72%	10.13%	-4.58%
10 Year	10.05%	N/A	N/A
Since inception	15.67% (8/5/91)	20.18% (11/1/96)	7.57% (11/1/95)
Value of \$10,000 from inception date	\$54,576	\$32,535	\$17,185
<i>Top Five Holdings as of March 31, 2003<sup>2</sup></i>	Washington Mutual, Inc. 3.8%	Washington Mutual, Inc. 18.0%	Pharmaceutical Resources Inc. 5.4%
	H&R Block, Inc. 3.5%	H&R Block, Inc. 9.1%	Ralcorp Holdings, Inc. 4.8%
<i>Company and % of Total Net Assets</i>	Fannie Mae 2.4%	Yum! Brands, Inc. 5.0%	SureBeam Corporation, CI A 4.5%
	The Home Depot, Inc. 2.4%	First Data Corporation 4.8%	Tupperware Corporation 3.8%
	Yum! Brands, Inc. 2.3%	Xerox Corporation 4.4%	Hanger Orthopedic Group, Inc. 3.5%
<i>Top Five Industries as of March 31, 2003</i>	Retail 10.3%	Banks & Thrifts 18.0%	Computer Software 8.2%
	Pharmaceuticals 9.3%	Other Consumer Goods & Services 13.2%	Food & Beverage 7.7%
<i>Industries and % of Total Net Assets</i>	Food & Beverage 8.2%	Retail 9.7%	Medical Products 7.7%
	Other Consumer Goods & Services 7.1%	Information Services 7.7%	Banks & Thrifts 7.3%
	Banks & Thrifts 6.8%	Pharmaceuticals 5.8%	Oil & Natural Gas 5.9%

**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 (OAKBX)	The Oakmark Global Fund (OAKGX)	The Oakmark International Fund (OAKIX)	The Oakmark International Small Cap Fund (OAKEX)
-2.28%	-10.55%	-11.72%	-12.24%
3.70%	2.74%	-3.78%	-5.19%
-8.21%	-21.02%	-27.50%	-24.43%
9.01%	6.50%	-4.75%	-3.37%
8.59%	N/A	-0.45%	3.96%
N/A	N/A	6.57%	N/A
12.85% (11/1/95)	5.48% <sup>3</sup> (8/4/99)	8.02% (9/30/92)	4.52% (11/1/95)
\$24,515	\$12,153	\$22,481	\$13,882
Laboratory Corporation of America Holdings 3.5% Burlington Resources, Inc. 3.2% Synopsys, Inc. 3.1% Guidant Corporation 3.0% SAFECO Corporation 2.7%	eFunds Corporation 5.9% Synopsys, Inc. 5.6% The Interpublic Group of Companies, Inc. 5.6% Ceridian Corporation 4.7% Vivendi Universal SA 4.3%	Akzo Nobel N.V. 3.7% Telefonaktiebolaget LM Ericsson, CI B 3.5% GlaxoSmithKline plc 3.4% Diageo plc 3.4% Vivendi Universal SA 3.3%	Bulgari S.p.A. 4.3% Neopost SA 4.1% Gurit-Heberlein AG 4.1% Grupo Aeroportuario del Sureste S.A. de C.V. 3.9% Baycorp Advantage Ltd. 3.8%
U.S. Government Notes 33.2% Oil & Natural Gas 6.7% Medical Products 5.3% Retail 4.5% Computer Software 3.9%	Information Services 10.6% Computer Software 9.1% Computer Services 7.9% Broadcasting & Programming 7.0% Marketing Services 5.6%	Food & Beverage 11.1% Banks & Thrifts 9.9% Pharmaceuticals 9.3% Chemicals 6.2% Other Financial 6.0%	Retail 10.7% Machinery & Industrial Processing 7.4% Airport Maintenance 7.2% Food & Beverage 6.2% Banks & Thrifts 5.8%

## THE OAKMARK AND OAKMARK SELECT FUNDS (a)

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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.



In the movie *Rounders*, Mike McDermott (Matt Damon) is a law student with aspirations of becoming a professional poker player. After recovering from a night of devastating losses, he says, “Few players recall big pots they have won, strange as it seems, but every player can remember with remarkable accuracy the outstanding tough beats of his career.” Maybe there is a similarity to stock market investors—that’s

why it doesn’t feel like the market has gone up since the July and October lows! Last month marked the three-year anniversary of the bull market’s demise. Although The Oakmark and Oakmark Select Funds have gained in value over those three years, the damage to most investors has been very serious. Not many bear markets have lasted for three years, not many have cut the S&P 500<sup>4</sup> nearly in half, and not many have left investors so confused.

In March, *New York Magazine* ran a cover story “Down and Out on Wall Street” that showed an ex-investment banker working as a hot dog vendor. The *Chicago Tribune* ran a feature on an equity mutual fund manager crediting him for making a “daring move” during the first quarter putting his portfolio one hundred percent in cash. And it’s not just the media staking out the bearish turf. In his annual report to shareholders, Berkshire Hathaway Chairman Warren Buffett states, “Despite three years of falling prices, ... we still find very few (stocks) that even mildly interest us.” Buffett goes on to say “Unless we see a very high probability of ten percent pre-tax returns, we will sit on the sidelines.”<sup>5</sup> Also last quarter, renowned author and portfolio manager Peter Bernstein created a stir when he encouraged market-timing by asserting “For now, equities aren’t the best place to be in the long run.”<sup>6</sup>

Of course not everyone is bearish—Bill Miller is the only fund manager to beat the S&P 500 for twelve consecutive years. In his January report to shareholders, Bill shared his market outlook saying “I think the odds favor a solid year after three bad ones. That is based not just on the rarity of four consecutive down years as a matter of market history, but on the difference between valuation—what’s in the price—and what I think is likely to happen as the year unfolds.”<sup>7</sup> Also checking in with a positive outlook is John Bogle, founder and former CEO of The Vanguard Group. In the late nineties, John presciently warned that returns in the upcoming decade were destined to be disappointing. He postulated that the S&P 500’s P/E ratio<sup>8</sup>, which, in 1999

### Highlights

- Strict adherence to our value philosophy kept us from owning stocks hit hardest in this three-year decline.
- Rather than focusing on macro issues, we analyze individual companies and estimate future business value.
- We select each stock because it meets our investment criteria, not because of a market outlook.

hovered around thirty times, was likely to revert to its historical average of just over half that level. The decline in P/E would offset most of his projected six percent annual earnings growth, leaving an expected annual return of just slightly over the one percent dividend yield. But in a recent speech, he updated that forecast by acknowledging that the severe price decline had basically eliminated the excesses that troubled him. Bogle stated, “The future investment return (yield plus growth) could be in the eight percent range. And with P/E’s now at fifteen times, it is even possible we will see a slight increase—let’s say to eighteen times—bringing the annual market return to nine percent.”<sup>9</sup> Relative to one percent money market returns or four percent long bond yields, I think we would all agree that an S&P return of nine percent per year would be welcome.

So, with investors more confused than ever, the brightest minds in the industry unfortunately aren’t of much help because their outlooks are all over the map. Where do we at The Oakmark Family come out on this argument? Were I to pick a side, I would side with the bulls, and I would base that on *valuation*—P/E’s deserve to be high based on record low bond yields; *supply/demand*—money fund assets are at their highest level ever as a percentage of equity values; and *sentiment*—the media and most individuals are giving up on stocks, which I view as a contrary indicator.

Despite these reasons, we find it very difficult to add value by making top-down decisions—rather than trying to forecast where the stock market is headed, we much prefer analyzing individual companies and projecting where we think their stock prices should be several years from now. We make *decisions on individual stocks* rather than predictions about the market for two important reasons. The first is greater clarity. We can more easily analyze

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dividend yield, expected business value growth, and the implications of the current valuation than we can forecast how the overall market ought to be priced. Second, even if one correctly forecasts the market, the wrong individual stock decisions could still be made. Three years ago, we thought our stocks were very attractive notwithstanding the pricing bubble in large-cap growth and technology stocks. Despite our correct call on the bubble, our shareholders fared much better with our portfolio of undervalued stocks than they would have in cash.

Three of our largest holdings in The Oakmark and Oakmark Select Funds are Washington Mutual, H&R Block, and YUM Brands. They are in three very different industries: savings and loans, consumer services, and restaurants. We own these stocks not because we are bullish on the stock market, but because we believe they meet our investment criteria—they sell at a discount to a growing business value and are run by managers that consistently act in the interest of shareholders. Each sells at a below average P/E ratio<sup>8</sup>—as a package it is priced at twelve times current year estimates and under eleven times 2004 estimates. The group provides a two percent dividend yield and is expected to continue growing earnings more rapidly than the S&P 500<sup>4</sup>. If the P/E ratio doesn't change, we expect compound annual returns in excess of ten percent. But in addition, we believe the P/E discount is undeserved. Five years from now, if the P/E ratios better reflect our belief that these are above-average companies, annual returns could be substantially above ten percent.

In closing, I would like to thank an Oakmark shareholder, Stephen Royce, for the following:

*"Stocks have just declined thirty-five percent, sliding several percentage points a week for months on end. Many famous issues have been cut in half with terrifying speed. Current business news is terrible and many authorities feel that things are likely to get even worse. There have been several spectacular bankruptcies of international importance. Unemployment is up. There is a grave unresolved national problem. The brokerage business itself is in the dumps."<sup>10</sup>*

You may be wondering which business periodical ran that summary of recent events. The answer is none. Mr. Royce excerpted it from the book *The Craft of Investing*, written a decade ago by John Train. In the book, Train listed each of these events as typical of market bottoms. None of us know for sure whether or not the stock market has bottomed, but one thing does seem certain—the view ahead is better than the view in the rear-view mirror!



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

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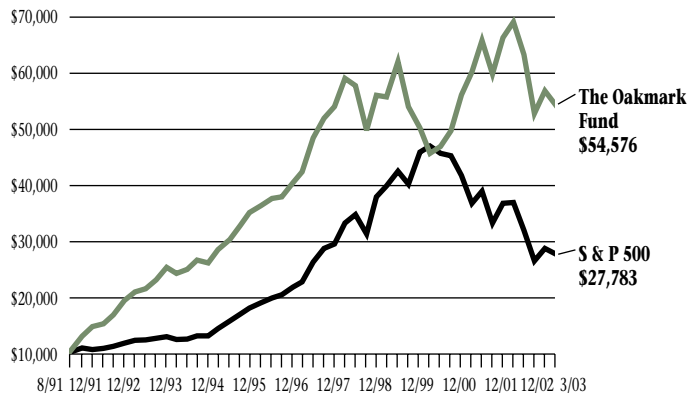
(a) The views expressed by shareholder Stephen Royce or the quoted authors do not reflect the investments of the Funds, or the views of the portfolio managers or Harris Associates L.P., the Funds' investment adviser. Neither Harris Associates L.P. nor The Oakmark Funds can guarantee the accuracy or completeness of any information or numerical data included in a quoted statement.

# 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 (3/31/03) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX<sup>4</sup>



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

(as of 3/31/03)

	Total Return Last 3 Months*	1-year	5-year	10-year	Since Inception (8/5/91)
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<b>Oakmark Fund</b>	<b>-4.09%</b>	<b>-21.19%</b>	<b>-1.72%</b>	<b>10.05%</b>	<b>15.67%</b>
S&P 500	-3.15%	-24.76%	-3.77%	8.53%	9.16%
Dow Jones Average <sup>11</sup>	-3.46%	-21.39%	-0.14%	11.10%	11.14%
Lipper Large Cap Value Index <sup>12</sup>	-4.88%	-25.04%	-3.50%	7.63%	8.62%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

**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 decreased in value by 4% last quarter. That loss was more than the 3% decline in the S&P 500 but less than most large-cap value funds. While the cumulative loss in the S&P 500 over the last three years is 41%, over those same three years, The Oakmark Fund has increased in value by 19%. Strict adherence to our business value based investment philosophy kept us from owning stocks hit hardest in this decline. Instead, we mostly owned stocks that benefited from a renewed focus on intrinsic value. Three years ago, the market was paying unusually large premiums for large-cap companies and for above-average growth companies. Today, after large price declines, those premiums have fallen sharply. For that reason, our new purchases have been concentrated in above-average growth large-cap stocks. Last quarter we added five new names—Anheuser-Busch is discussed below. Amerisource Bergen, Bank of New York, Baxter, and Diageo are discussed on our website ([www.oakmark.com](http://www.oakmark.com)).

### This Bud's for you—again!

We believe Anheuser-Busch (BUD-\$47) is a great company! Over the past twenty years, BUD had only one down EPS<sup>13</sup> year (and that was down 2%) and compounded EPS growth at 12% per year. It has consistently gained share, and as the world's largest brewer, it enjoys the economies of scale that come from supplying 50% of the beer consumed in the United States. (Not to mention the credit deserved for producing such entertaining commercials!) Since late 2000, BUD's EPS have grown 30% and interest rates have come down; yet BUD's stock price has been flat. We own this great company—now selling below seventeen times next year's expected earnings—at about a market multiple. Long term holders may recall that this is BUD's second appearance in The Oakmark Fund, having previously been held in the mid-nineties. It was a very good holding then, but in hindsight, we should have never sold it! We feel fortunate to have the opportunity to now re-purchase BUD.

Best wishes,

**William C. Nygren, CFA**  
Portfolio Manager  
[bnynren@oakmark.com](mailto:bnynren@oakmark.com)

**Kevin Grant, CFA**  
Portfolio Manager  
[kgrant@oakmark.com](mailto:kgrant@oakmark.com)

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2003 (Unaudited)

Name	Shares Held	Market Value
<b>Common Stocks—92.3%</b>		
<b>Food &amp; Beverage—8.2%</b>		
General Mills, Inc.	1,605,000	\$ 73,107,750
Kraft Foods Inc.	2,495,000	70,359,000
H.J. Heinz Company	2,310,000	67,452,000
Anheuser-Busch Companies, Inc.	1,000,000	46,610,000
Diageo plc (b)	1,100,000	45,232,000
		<u>302,760,750</u>
<b>Household Products—1.7%</b>		
The Clorox Company	1,390,200	\$ 64,185,534
<b>Other Consumer Goods &amp; Services—7.1%</b>		
H&R Block, Inc.	3,029,300	\$ 129,320,817
Fortune Brands, Inc.	1,745,600	74,833,872
Mattel, Inc.	2,599,800	58,495,500
		<u>262,650,189</u>
<b>Broadcasting &amp; Programming—2.8%</b>		
Liberty Media Corporation, Class A (a)	7,849,400	\$ 76,374,662
The Walt Disney Company	1,500,000	25,530,000
		<u>101,904,662</u>
<b>Building Materials &amp; Construction—1.9%</b>		
Masco Corporation	3,733,000	\$ 69,508,460
<b>Cable Systems &amp; Satellite TV—6.5%</b>		
AOL Time Warner Inc. (a)	6,867,700	\$ 74,583,222
General Motors Corporation, Class H (Hughes Electronics Corporation) (a)	6,100,000	68,320,000
EchoStar Communications Corporation (a)	2,275,000	65,702,000
Comcast Corporation, Special Class A (a)	1,050,000	28,864,500
		<u>237,469,722</u>
<b>Hardware—1.8%</b>		
The Black & Decker Corporation	1,922,200	\$ 67,007,892
<b>Publishing—3.1%</b>		
Gannett Co., Inc.	884,500	\$ 62,295,335
Knight-Ridder, Inc.	916,000	53,586,000
		<u>115,881,335</u>
<b>Recreation &amp; Entertainment—1.1%</b>		
Carnival Corporation	1,678,300	\$ 40,463,813
<b>Restaurants—4.3%</b>		
Yum! Brands, Inc (a)	3,509,000	\$ 85,373,970
McDonald's Corporation	5,000,000	72,300,000
		<u>157,673,970</u>

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Shares Held	Market Value
<b>Common Stocks—92.3% (cont.)</b>		
<b>Retail—10.3%</b>		
The Home Depot, Inc.	3,581,500	\$ 87,245,340
J.C. Penney Company, Inc.	4,052,900	79,598,956
The Kroger Co. (a)	5,290,000	69,563,500
Safeway Inc. (a)	3,327,000	62,980,110
The Gap, Inc.	3,576,700	51,826,383
Toys 'Я' Us, Inc. (a)	3,125,000	26,156,250
		377,370,539
<b>Bank &amp; Thrifts—6.8%</b>		
Washington Mutual, Inc.	3,937,300	\$ 138,868,571
U.S. Bancorp	3,700,000	70,226,000
The Bank of New York Company, Inc.	2,100,000	43,050,000
		252,144,571
<b>Insurance—2.1%</b>		
MGIC Investment Corporation	1,937,900	\$ 76,101,333
<b>Other Financial—2.4%</b>		
Fannie Mae	1,370,000	\$ 89,529,500
<b>Health Care Services—1.0%</b>		
AmerisourceBergen Corp	700,000	\$ 36,750,000
<b>Medical Products—3.1%</b>		
Guidant Corporation (a)	1,571,700	\$ 56,895,540
Baxter International Inc.	3,000,000	55,920,000
		112,815,540
<b>Pharmaceuticals—9.3%</b>		
Abbott Laboratories	2,050,000	\$ 77,100,500
Merck & Co., Inc.	1,350,000	73,953,000
Bristol-Myers Squibb Company	3,450,000	72,898,500
Schering-Plough Corporation	3,925,000	69,982,750
Chiron Corporation (a)	1,299,000	48,712,500
		342,647,250
<b>Telecommunications—1.3%</b>		
Sprint Corporation	4,200,800	\$ 49,359,400
<b>Computer Services—3.7%</b>		
First Data Corporation	2,200,000	\$ 81,422,000
SunGard Data Systems, Inc. (a)	2,601,600	55,414,080
		136,836,080
<b>Computer Systems—1.1%</b>		
Sun Microsystems, Inc. (a)	12,500,000	\$ 40,750,000
<b>Office Equipment—1.5%</b>		
Xerox Corporation (a)	6,267,400	\$ 54,526,380

# THE OAKMARK FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—92.3% (cont.)</b>		
<b>Aerospace &amp; Defense—2.6%</b>		
Honeywell International, Inc.	3,050,000	\$ 65,148,000
The Boeing Company	1,152,800	28,889,168
		94,037,168
<b>Other Industrial Goods &amp; Services—1.0%</b>		
Illinois Tool Works Inc.	604,200	\$ 35,134,230
<b>Waste Disposal—1.9%</b>		
Waste Management, Inc.	3,274,300	\$ 69,349,674
<b>Oil &amp; Natural Gas—4.1%</b>		
ConocoPhillips	1,435,335	\$ 76,933,956
Burlington Resources Inc.	1,571,100	74,957,181
		151,891,137
<b>Electric Utilities—1.6%</b>		
Duke Energy Corporation	3,997,700	\$ 58,126,558
<b>Total Common Stocks (Cost: \$3,500,853,706)</b>		<b>3,396,875,687</b>
<b>Short Term Investments—7.5%</b>		
<b>U.S. Government Bills—4.2%</b>		
United States Treasury Bills, 1.15% - 1.18% due 4/10/2003 - 6/19/2003	\$155,000,000	\$ 154,779,993
<b>Total U.S. Government Bills (Cost: \$154,770,715)</b>		<b>154,779,993</b>
<b>Repurchase Agreements—3.3%</b>		
IBT Repurchase Agreement, 1.25% due 4/1/2003, repurchase price \$117,004,063 collateralized by U.S. Government Agency Securities	\$117,000,000	\$ 117,000,000
IBT Repurchase Agreement, 1.01% due 4/1/2003, repurchase price \$2,825,328 collateralized by a U.S. Government Agency Security	2,825,249	2,825,249
<b>Total Repurchase Agreement (Cost: \$119,825,249)</b>		<b>119,825,249</b>
<b>Total Short Term Investments (Cost: \$274,595,964)</b>		<b>274,605,242</b>
Total Investments (Cost \$3,775,449,670)—99.8%		\$ 3,671,480,929
Other Assets In Excess Of Other Liabilities—0.2%		7,432,939
<b>Total Net Assets—100%</b>		<b>\$3,678,913,868</b>

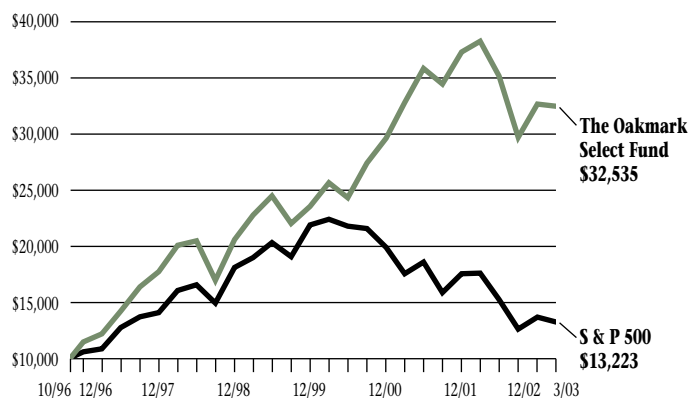
- (a) Non-income producing security.  
 (b) Represents an American Depository Receipt.

# 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 (3/31/03) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX<sup>4</sup>



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

(as of 3/31/03)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/96)
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<b>Oakmark Select Fund</b>	<b>-0.50%</b>	<b>-15.07%</b>	<b>10.13%</b>	<b>20.18%</b>
S&P 500	-3.15%	-24.76%	-3.77%	4.45%
S&P MidCap 400 <sup>14</sup>	-4.43%	-23.45%	3.27%	9.82%
Lipper Mid Cap Value Index <sup>15</sup>	-4.23%	-23.06%	-0.71%	5.14%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

**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 lost 1% last quarter. Although reporting a negative return is always disappointing, the loss was less than either the 3% decline in the S&P 500 or the 4% decline that equity mutual funds averaged. On a trailing three year basis, The Oakmark Select Fund has increased by 27% in sharp contrast to the S&P 500's loss of 41%. Two factors made that outcome possible. The Fund's non-diversified structure made stock selection more influential on our results than it was for most funds and allowed for the possibility that our results would materially differ from market returns. That could have been either a good or a bad thing! For us, it was a good thing because our research team led us to stocks that were priced substantially below business value, despite the market being overvalued. That's why we continue to believe our analysts are the best in the business!

Last quarter we eliminated our Electronic Data Systems (EDS) position and increased the number of holdings to twenty by adding Bristol-Myers (BMJ-\$21) and Starwood Hotels (HOT-\$24). Our rationale for owning BMJ has been covered previously in material from The Oakmark Fund—we believe most drug companies are superior businesses deserving premium multiples but now are priced as below-average companies.

Starwood Hotels operates and franchises hotels under the brands Sheraton, Westin, St. Regis, and W. Our purchase of Starwood is an example of exploiting a time horizon that is much longer than most investors use. Starwood stock peaked last May at \$38. Last month, when travel fears increased, the stock sold at \$22. Analysts generally agree that Starwood's assets are worth \$35-\$40 per share, yet suggest deferring purchase until the timing of a recovery in travel is more certain. We concur with their valuation and especially like Starwood's recent sale of a Milan hotel at a price that makes our valuation look too conservative. At this discount, we are very comfortable being patient!

Best wishes,

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

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

# THE OAKMARK SELECT FUND

## Schedule of Investments—March 31, 2003 (Unaudited)

Name	Shares Held	Market Value
<b>Common Stocks—92.3%</b>		
<b>Other Consumer Goods &amp; Services—13.2%</b>		
H&R Block, Inc.	8,859,800	\$ 378,224,862
Mattel, Inc.	7,541,400	169,681,500
		<u>547,906,362</u>
<b>Cable Systems &amp; Satellite TV—3.7%</b>		
AOL Time Warner Inc. (a)	14,000,000	\$ 152,040,000
<b>Hotels &amp; Motels—2.2%</b>		
Starwood Hotels & Resorts Worldwide, Inc.	3,880,000	\$ 92,305,200
<b>Information Services—7.7%</b>		
The Dun & Bradstreet Corporation (a)(b)	4,534,900	\$ 173,459,925
Moody's Corporation	3,123,600	144,404,028
		<u>317,863,953</u>
<b>Publishing—3.7%</b>		
Knight-Ridder, Inc.	2,606,500	\$ 152,480,250
<b>Restaurants—5.0%</b>		
Yum! Brands, Inc (a)	8,472,000	\$ 206,123,760
<b>Retail—9.7%</b>		
The Kroger Co. (a)	11,175,700	\$ 146,960,455
Office Depot, Inc. (a)	11,384,900	134,683,367
Toys 'Я' Us, Inc. (a)(b)	14,198,100	118,838,097
		<u>400,481,919</u>
<b>Bank &amp; Thrifts—18.0%</b>		
Washington Mutual, Inc.	21,151,400	\$ 746,009,878
<b>Investment Management—2.8%</b>		
Janus Capital Group Inc.	10,169,600	\$ 115,831,744
<b>Health Care Services—4.3%</b>		
IMS Health Incorporated	11,353,441	\$ 177,227,214
<b>Pharmaceuticals—5.8%</b>		
Chiron Corporation (a)	3,892,000	\$ 145,950,000
Bristol-Myers Squibb Company	4,417,400	93,339,662
		<u>239,289,662</u>
<b>Telecommunications—3.1%</b>		
Sprint Corporation	11,054,200	\$ 129,886,850
<b>Computer Services—4.8%</b>		
First Data Corporation	5,330,400	\$ 197,278,104
<b>Office Equipment—4.3%</b>		
Xerox Corporation (a)	20,692,700	\$ 180,026,490

# THE OAKMARK SELECT FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—92.3% (cont.)</b>		
<b>Oil &amp; Natural Gas—4.0%</b>		
Burlington Resources Inc.	3,501,800	\$ 167,070,878
<b>Total Common Stocks (Cost: \$3,260,481,723)</b>		<b>3,821,822,264</b>
<b>Short Term Investments—7.6%</b>		
<b>U.S. Government Bills—4.0%</b>		
United States Treasury Bills, 1.18% - 1.20% due 4/3/2003 - 6/12/2003	\$165,000,000	\$ 164,802,930
<b>Total U.S. Government Bills (Cost: \$164,791,087)</b>		<b>164,802,930</b>
<b>Repurchase Agreements—3.6%</b>		
IBT Repurchase Agreement, 1.25% due 4/1/2003, repurchase price \$142,004,931 collateralized by U.S. Government Agency Securities	\$142,000,000	\$ 142,000,000
IBT Repurchase Agreement, 1.01% due 4/1/2003, repurchase price \$5,452,076 collateralized by U.S. Government Agency Securities	5,451,923	<u>5,451,923</u>
<b>Total Repurchase Agreement (Cost: \$147,451,923)</b>		<b>147,451,923</b>
<b>Total Short Term Investments (Cost: \$312,243,010)</b>		<b>312,254,853</b>
Total Investments (Cost \$3,572,724,733)—99.9%		\$ 4,134,077,117
Other Assets In Excess Of Other Liabilities—0.1%		<u>5,786,443</u>
<b>Total Net Assets—100%</b>		<b><u>\$4,139,863,560</u></b>

(a) Non-income producing security.

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

# THE OAKMARK SMALL CAP FUND

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

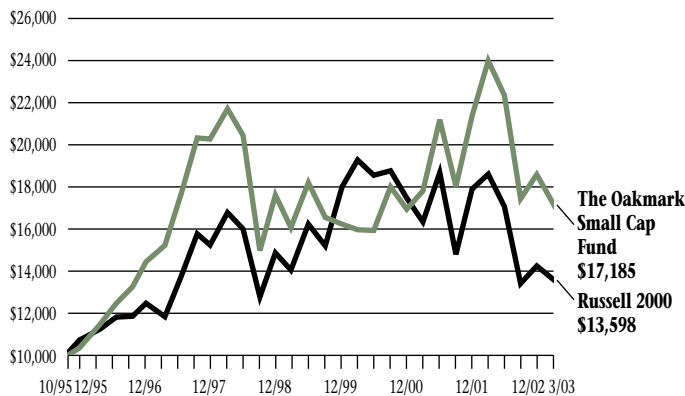


During the first calendar quarter of 2003 investors appeared to focus on geopolitical developments and the stock market surged and slumped along with news developments. Overall, the just concluded quarter could be characterized as lackluster. Stocks slipped in value as the S&P 500 Index<sup>4</sup> fell by 3% and the Russell 2000 Index declined by 4%. Your Fund experienced a loss of 8% during the last three months which we believe reflects the near-term volatility of the uncertain times in which we live.

## Where Do We Go From Here?

We are not going to waste time with a review of the most recent news events that have been impacting stock prices since that would be redundant given the saturation news coverage accorded the hostilities in Iraq. Future economic activity, or lack thereof, is likely to be the key determinant of stock prices and we are reasonably upbeat with what we are seeing. Six major economic indicators are, we believe, pointing towards a more robust economy. These six include: 1) positive fiscal stimulus as federal and many state budgets experience operating deficits; 2) monetary policy from the Federal Reserve has been accommodative; 3) inventories are generally at low levels; 4) costs have been reduced at many companies; 5) the decline in the dollar makes U.S. exports more attractive to foreign buyers and 6) interest rates are near post World War II lows. If energy prices decline following the cessation of military action, the economy will have yet another source of stimulus. Collectively, we believe these indicators point toward stronger future economic activity. However, there are still trouble spots in the U.S. economy ranging from debt burdened consumers to tepid capital spending from businesses, but we believe the positives are likely to overwhelm the negatives over time. Successful long-term investing often hinges on seeing opportunities and accessing risks well ahead of the crowd. In constructing the portfolio for your Fund, we have been able to invest in many quality companies selling for single digit multiples of their estimated earnings and cash flow. We believe these valuation levels are extremely attractive when compared to current interest rates and we remain hopeful these stock valuations improve prospectively.

## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/03) AS COMPARED TO THE RUSSELL 2000 INDEX<sup>16</sup>



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

	(as of 3/31/03)			
	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)

<b>Oakmark Small Cap Fund</b>	<b>-7.58%</b>	<b>-28.44%</b>	<b>-4.58%</b>	<b>7.57%</b>
Russell 2000	-4.49%	-26.96%	-4.11%	4.23%
S&P Small Cap 600 <sup>17</sup>	-5.79%	-24.81%	-0.88%	7.51%
Lipper Small Cap Value Index <sup>18</sup>	-5.77%	-22.51%	-0.14%	7.83%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

**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

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### Highlights

- We are reasonably upbeat about future economic activity, likely to be the key determinant of stock prices.
- Six major economic indicators are pointing towards a more robust economy.
- The portfolio consists of many quality companies selling for single digit multiples of estimated earnings and cash flow.

### What Are We Looking For?

The easy answer to the forgoing question is an inexpensive stock that will appreciate rapidly over the next several years. While our goal is easily defined, finding companies that are likely to be additive to your Fund's portfolio performance is the difficult task assigned to our analytical staff. While no investment process that we are aware of generates a perfect track record, we work diligently to uncover stocks that are undervalued relative to their private market value. A couple of examples of stocks that we own should help clarify how we think about the investment process.

One stock that we continue to like is eFunds Corporation. This firm provides electronic transaction processing, ATM solutions, risk management and business process outsourcing services to financial institutions, government agencies and retailers worldwide. What most investors seem to be focused on is eFunds' disappointing earnings performance over the past few quarters and this has caused the stock to decline. What we see is a financially robust company (the company has over \$100 million in net cash) that generates a large amount of operating cash flow. In fact, eFunds' stock (less net cash) has recently been trading at just over three times the firm's pre-tax cash flow generation. We believe eFunds' outlook is also aided by the new management team that was hired in 2002. The new team appears to be proactively repositioning eFunds' product and service offerings to improve the company's revenue growth, earnings levels and cash generation capability. For those investors that just focus on reported earnings, most of eFunds' progress has been hidden in recent quarters, but if reported earnings begin to improve we would anticipate other investors may become aware of the value of this company.

Another company the Fund owns that makes a good case study is Checkpoint Systems. Checkpoint develops, manufactures and sells security systems that help retailers control shoplifting. Checkpoint's two major revenue sources are the sales of equipment (often seen at the

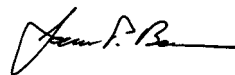
entrances of stores) and the source tags that are embedded in the items for sale in a store. During an economic slowdown, the number of retailers willing to upgrade their security systems tends to decline (this relates to the slowdown in capital spending point mentioned earlier) while the number of source tags sold also slows as retailers sell fewer units of merchandise. Both sources of revenue slowed for Checkpoint during 2002, but the firm remains well positioned to benefit from an economic upturn. Additionally, despite the sluggish economic environment in 2002, Checkpoint was able to generate slightly more than \$100 million in cash from operations. With a stock market capitalization of approximately \$330 million, Checkpoint is currently being valued at just over three times cash flow. While we have been disappointed with the recent performance of eFunds' and Checkpoint's stocks, we are encouraged by the underlying financial trends at these companies. These are a couple of examples why we remain optimistic on the long-term future of small cap equities.

### Portfolio Update

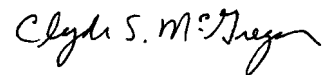
During the past quarter we deleted three stocks from your Fund's portfolio while we added one new company. The companies we sold were Elan Corporation, H.B. Fuller Company and ITT Educational Services. ITT Educational had been a strong performer for the Fund for a couple of years and we elected to liquidate this position principally due to its valuation relative to many other stocks in the portfolio. Both Elan and H.B. Fuller were small positions where we wanted to redeploy the capital invested in these companies into other stocks that we believe represent better values. The one stock we purchased during the quarter was Advanced Medical Optics Incorporated. This company is a leading provider of eye care products including replacement lenses for cataracts as well as contact lens care products. We were attracted to Advanced Medical's stock for reasons including strong market shares for several of the company's products, good cash flow generation and favorable macro demand trends being generated from an aging population.

### In Closing

We would like to thank our shareholders for your ongoing interest in and your support of The Oakmark Small Cap Fund. We look forward to communicating with you again next quarter.



**James P. Benson, CFA**  
Portfolio Manager  
jbenson@oakmark.com



**Clyde S. McGregor, CFA**  
Portfolio Manager  
mcgregor@oakmark.com

# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2003 (Unaudited)

Name	Shares Held	Market Value
<b>Common Stocks—94.9%</b>		
<b>Food &amp; Beverage—7.7%</b>		
Ralcorp Holdings, Inc. (a)	575,000	\$ 14,973,000
Del Monte Foods Company (a)	1,230,000	<u>9,175,800</u>
		24,148,800
<b>Household Products—3.7%</b>		
Tupperware Corporation	850,000	\$ 11,747,000
<b>Other Consumer Goods &amp; Services—5.0%</b>		
Department 56, Inc. (a)(b)	760,000	\$ 7,463,200
Callaway Golf Company	475,000	5,643,000
Central Parking Corporation	250,000	<u>2,500,000</u>
		15,606,200
<b>Security Systems—3.0%</b>		
Checkpoint Systems, Inc. (a)	968,300	\$ 9,528,072
<b>Apparel—2.4%</b>		
Oakley, Inc. (a)	671,200	\$ 5,537,400
R.G. Barry Corporation (a)(b)	900,000	<u>2,070,000</u>
		7,607,400
<b>Automobile Rentals—1.9%</b>		
Dollar Thrifty Automotive Group, Inc. (a)	350,000	\$ 5,827,500
<b>Building Materials &amp; Construction—3.1%</b>		
Insituform Technologies, Inc., Class A (a)	732,500	\$ 9,852,125
<b>Hotels &amp; Motels—1.3%</b>		
Prime Hospitality Corp. (a)	810,000	\$ 4,179,600
<b>Information Services—3.2%</b>		
eFunds Corporation (a)	1,477,600	\$ 10,151,112
<b>Marketing Services—1.4%</b>		
DoubleClick Inc. (a)	500,000	\$ 3,885,000
Grey Global Group Inc.	1,000	<u>616,990</u>
		4,501,990
<b>Restaurants—1.3%</b>		
Triarc Companies, Inc. (a)	150,000	\$ 4,177,500

# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Shares Held	Market Value
<b>Common Stocks—94.9% (cont.)</b>		
<b>Retail—2.8%</b>		
ShopKo Stores, Inc. (a)(c)	740,000	\$ 8,621,000
<b>Bank &amp; Thrifts—7.3%</b>		
BankAtlantic Bancorp, Inc., Class A	1,000,000	\$ 9,790,000
People's Bank of Bridgeport, Connecticut	360,000	9,090,000
PennFed Financial Services, Inc.	150,000	3,982,500
		<u>22,862,500</u>
<b>Insurance—3.3%</b>		
The PMI Group, Inc. (c)	400,000	\$ 10,220,000
<b>Other Financial—2.5%</b>		
NCO Group, Inc. (a)	530,000	\$ 7,685,000
<b>Real Estate—3.7%</b>		
Catellus Development Corporation (a)	360,000	\$ 7,560,000
Trammell Crow Company (a)	495,000	3,940,200
		<u>11,500,200</u>
<b>Medical Products—7.7%</b>		
Hanger Orthopedic Group, Inc. (a)	950,000	\$ 10,858,500
CONMED Corporation (a)	400,000	6,564,000
Sybron Dental Specialties, Inc. (a)	300,000	5,235,000
Advanced Medical Optics, Inc. (a)	100,000	1,345,000
		<u>24,002,500</u>
<b>Pharmaceuticals—5.4%</b>		
Pharmaceutical Resources Inc (a)	400,000	\$ 16,992,000
<b>Computer Services—2.9%</b>		
CIBER, Inc. (a)	1,805,000	\$ 8,591,800
Interland, Inc. (a)	800,000	528,000
		<u>9,119,800</u>
<b>Computer Software—8.2%</b>		
Sybase Inc (a)	800,000	\$ 10,360,000
MSC.Software Corp. (a)	1,300,000	10,075,000
Mentor Graphics Corporation (a)	587,000	5,247,780
		<u>25,682,780</u>
<b>Computer Systems—1.3%</b>		
Optimal Robotics Corp., Class A (a)(d)	723,500	\$ 4,167,360

# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Common Stocks—94.9% (cont.)</b>		
<b>Data Storage—2.2%</b>		
Imation Corp. (a)	182,000	\$ 6,774,040
<b>Office Equipment—1.6%</b>		
InFocus Corporation (a)	935,500	\$ 4,621,370
MCSi, Inc. (a)	895,000	304,300
		4,925,670
<b>Instruments—0.5%</b>		
Measurement Specialties, Inc. (a)	550,000	\$ 1,567,500
<b>Machinery &amp; Industrial Processing—4.6%</b>		
SureBeam Corporation, Class A (a)(b)	4,000,000	\$ 14,040,000
Columbus McKinnon Corporation (a)	254,800	410,228
		14,450,228
<b>Other Industrial Goods &amp; Services—1.0%</b>		
Integrated Electrical Services, Inc. (a)	750,000	\$ 3,202,500
<b>Oil &amp; Natural Gas—5.9%</b>		
St. Mary Land & Exploration Company	350,000	\$ 8,767,500
Cabot Oil & Gas Corporation	250,000	6,000,000
Berry Petroleum Company	250,000	3,750,000
		18,517,500
<b>Total Common Stocks (Cost: \$356,774,501)</b>		<b>297,617,877</b>
<b>Short Term Investments—5.4%</b>		
<b>U.S. Government Bills—1.6%</b>		
United States Treasury Bill, 1.155% due 4/3/2003	\$ 5,000,000	\$ 4,999,679
<b>Total U.S. Government Bills (Cost: \$4,999,679)</b>		<b>4,999,679</b>
<b>Repurchase Agreements—3.8%</b>		
IBT Repurchase Agreement, 1.25% due 4/1/2003, repurchase price \$10,000,347 collateralized by U.S. Government Agency Securities	\$10,000,000	\$ 10,000,000
IBT Repurchase Agreement, 1.01% due 4/1/2003, repurchase price \$1,932,573 collateralized by U.S. Government Agency Securities	1,932,519	1,932,519
<b>Total Repurchase Agreement (Cost: \$11,932,519)</b>		<b>11,932,519</b>
<b>Total Short Term Investments (Cost: \$16,932,198)</b>		<b>16,932,198</b>
<b>Total Investments (Cost \$373,706,699)—100.3%</b>		<b>\$314,550,075</b>

# THE OAKMARK SMALL CAP FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Shares Subject to Call/ Shares Subject to Put	Market Value
<b>Call Options Written—0.0%</b>		
<b>Retail—0.0%</b>		
ShopKo Stores, Inc., June 17.50 Calls	(100,000)	\$ (25,000)
<b>Total Call Options Written (Premiums Received: \$(102,097))—0.0%</b>		<b>\$ (25,000)</b>
<b>Put Options Written—(0.1%)</b>		
<b>Household Products—(0.1%)</b>		
Tupperware Corporation, July 15 Puts	(50,000)	\$ (91,250)
<b>Retail—0.0%</b>		
ShopKo Stores, Inc., June 10 Puts	(100,000)	\$ (72,500)
<b>Total Put Options Written (Premiums Received: \$(180,794))—(0.1%)</b>		<b>\$ (163,750)</b>
Other Liabilities In Excess Of Other Assets—(0.2%)		<u>(708,812)</u>
<b>Total Net Assets—100%</b>		<b><u><u>\$313,652,513</u></u></b>

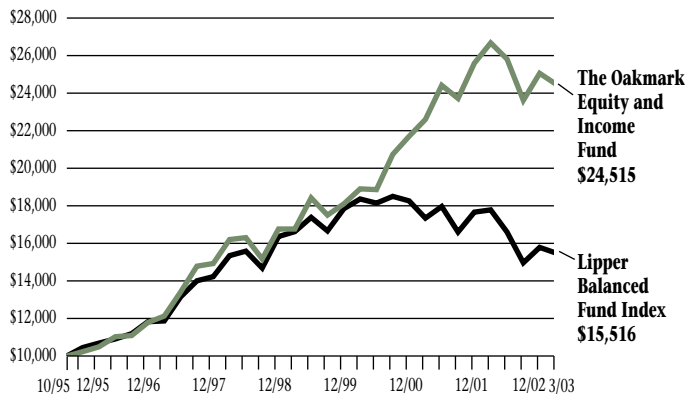
- (a) Non-income producing security.
- (b) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.
- (c) A portion of this security has been segregated to cover written option contracts.
- (d) Represents a foreign domiciled corporation.

# THE OAKMARK EQUITY AND INCOME FUND

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



## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (3/31/03) AS COMPARED TO THE LIPPER BALANCED FUND INDEX<sup>19</sup>



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

	(as of 3/31/03)			
	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
<b>Oakmark Equity and Income Fund</b>	<b>-2.28%</b>	<b>-8.21%</b>	<b>8.59%</b>	<b>12.85%</b>
S&P 500 <sup>4</sup>	-3.15%	-24.76%	-3.77%	6.90%
Lehman Govt./Corp. Bond <sup>20</sup>	1.65%	13.40%	7.64%	7.49%
Lipper Balanced Fund Index	-1.84%	-12.85%	0.19%	6.10%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

**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

### Quarter Review

Results for the quarter ended March 31 disappointed your management team. Not only did the fund's value decline by 2% but our results lagged behind the Lipper Balanced Fund Index by nearly 1/2%. The last time that the Fund trailed the Lipper Index was in the fourth calendar quarter of 1999, near the end of the bull market boom period. We can tolerate lagging when investors are ebullient. We have no tolerance, however, for lagging in a bear market. The explanation for the relative shortfall in the recently ended quarter was the poor performance of small and mid-cap companies, sectors where the fund is heavily represented. Large caps did somewhat better, particularly the large capitalization technology companies that dominate the NASDAQ<sup>21</sup>. In times of world crisis, investors often retreat to the most liquid issues, and that seems to have happened recently.

The outbreak of war made the March quarter another in what has been a series of highly unusual time periods. It is our opinion that much of the stock market's volatility was the result of poorly informed reactions to political events rather than the result of careful analysis and long term thinking. We do not bring much insight as to what may develop in the very near future, but we firmly believe that the Fund is favorably positioned for the long term.

### Fixed Income Strategy and Tactics

Since the Fund's earliest days we have welcomed your e-mailed questions and comments. When times are good, our e-mail flow tends to be sporadic. In challenging times like the present the flow picks up. Generally these communications cover a wide range of topics. The last few months, however, have been a time when our correspondents have converged on one issue. To our surprise, that issue has not been related to the extremely difficult conditions in the stock market or even the political environment. Instead, the authors have focused on our Fund's fixed income strategy, in particular, "what are we doing to protect the Fund's value against the inevitable increase in interest rates?" Given this level of interest, we are devoting this report to a review of our fixed income strategy and our current tactics. Those of you who have been with the Fund since the beginning can skip to the next report.

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### *Highlights*

- We base our investing on fundamental value and apply this measure to both our equity and fixed-income work.
- Objectives for the fixed-income segment are to preserve capital, enhance portfolio income, and reduce volatility of the portfolio's return stream.
- As fixed-income investors we manage two factors—duration and credit risk.

At Harris Associates, we base all of our investing activities on the idea of fundamental or intrinsic value. The concept of value is somewhat clearer for stocks as standards usually exist to help define what a business might be worth. And, opportunities to purchase equities that are materially mis-priced arise often. In the fixed income arena we observe that pricing inefficiencies do develop, but rarely to the degree commonly found in equities. This drives us to the conclusion that when we take on risk in the Fund, we should take it in equities because the reward for insightful analysis is far greater. Our objectives for the fixed income segment of the Fund are to preserve capital, enhance portfolio income, and reduce the volatility of the total portfolio return stream.

We typically invest between 30% and 40% of The Equity and Income Fund's assets in fixed income securities. We invest at least one-quarter of the total portfolio in US Treasury notes in order to provide safety, liquidity, and income. We periodically find opportunities to purchase attractively priced securities that government agencies such as the Federal Home Loan Bank Board issue. On rare occasions we add bonds that foreign governments have issued. The remainder of the fixed income segment is composed of corporate bonds and preferred stocks that we estimate to have total return prospects that are competitive with the stock market.

As fixed income investors we manage two factors: duration, a measure of sensitivity to changes in interest rates, and credit risk, the possibility that a holding will default. Since the great majority of the Fund's fixed income holdings are Treasury notes, the issue of credit risk applies only to the small allocation to corporate debt securities. For corporate issues, our analysts perform the same kind of fundamental analysis that they

employ when evaluating equities. In fact, when looking at companies, our analysts are charged to look across the entire capitalization to seek out opportunity.

We are less active in our management of duration. We typically maintain the duration for the entire fixed income portfolio between 3 and 4. This means that a general shift in interest rates of 1% would cause a change in the value of the fixed income segment of 3-4%. We do very little investing based on anticipating changes in interest rates. Instead, we simply try to construct a fixed income position that dampens portfolio volatility while providing income. As rates have declined in recent years, we have shortened the maturity structure because we perceived the risk/reward ratio in longer term bonds to be less favorable. To understand this better, we study hypothetical scenarios and their effect on returns. For example, we analyzed the return profile of today's 10-year Treasury notes and found that it was almost impossible for these notes to generate returns of 6% or better over a longer term time horizon.

So, what are we doing to protect the portfolio against significant increases in interest rates? We are keeping our maturity structure quite short. The duration for the portfolio is currently only 2.7, probably a record low. This means that should interest rates instantaneously increase by 2%, the value of the fixed income segment of the Fund would decline by approximately 5.4%. But remember that the Fund is invested in both bonds and stocks. Given the current 36% allocation to fixed income securities, the effect on the Fund as a whole would be approximately 2% (in the unlikely event that the interest rate increase did not also affect stock prices).

Because we have previously written so much about our investment in Treasury Inflation-Protected Securities, we will simply note that they also speak to the problem of rising interest rates. For those who feel that we write too much about fixed income, the solution is simple: send us more e-mails about stocks!

In closing, we would like to express our hope for a speedy resolution to the Iraqi conflict. We recognize that anything we write about the Fund is of little significance when contrasted with current world events. We hope that our next quarterly report will find a world at peace.

*Clyde S. McGregor Edward A. Studzinski*

**Clyde S. McGregor, CFA** **Edward A. Studzinski, CFA**  
Portfolio Manager Portfolio Manager  
mcgregor@oakmark.com estudzinski@oakmark.com

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2003 (Unaudited)

Name	Shares Held	Market Value
<b>Equity and Equivalents—57.5%</b>		
<b>Common Stocks—57.0%</b>		
<b>Food &amp; Beverage—0.0%</b>		
UST Inc. (a)	25,000	\$ 690,000
<b>Broadcasting &amp; Publishing—0.6%</b>		
Gemstar-TV Guide International Inc. (a)	4,500,000	\$ 16,510,500
<b>Cable Systems &amp; Satellite TV—2.5%</b>		
General Motors Corporation, Class H (Hughes Electronics Corporation) (a)	6,456,200	\$ 72,309,440
<b>Information Services—2.0%</b>		
Ceridian Corporation (a)	4,300,000	\$ 60,114,000
<b>Marketing Services—1.5%</b>		
The Interpublic Group of Companies, Inc.	4,895,000	\$ 45,523,500
<b>Recreation &amp; Entertainment—1.0%</b>		
International Game Technology (a)	345,000	\$ 28,255,500
<b>Retail—4.0%</b>		
J.C. Penney Company, Inc.	2,200,000	\$ 43,208,000
Office Depot, Inc. (a)	2,230,000	26,380,900
BJ's Wholesale Club, Inc. (a)	2,275,000	25,707,500
Costco Wholesale Corporation (a)	730,500	21,936,915
		<u>117,233,315</u>
<b>Insurance—2.7%</b>		
SAFECO Corporation	2,300,000	\$ 80,431,000
<b>Other Financial—0.5%</b>		
GATX Corporation	1,000,000	\$ 14,480,000
<b>Real Estate—1.3%</b>		
Catellus Development Corporation (a)	1,550,000	\$ 32,550,000
Hospitality Properties Trust	175,000	5,346,250
		<u>37,896,250</u>
<b>Health Care Services—1.8%</b>		
Caremark Rx, Inc. (a)	2,850,000	\$ 51,727,500

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Shares Held	Market Value
<b>Equity and Equivalents—57.5% (cont.)</b>		
<b>Managed Care Services—2.6%</b>		
First Health Group Corp. (a)	3,000,000	\$ 76,320,000
<b>Medical Centers—3.5%</b>		
Laboratory Corporation of America Holdings (a)	3,500,000	\$ 103,775,000
<b>Medical Products—5.1%</b>		
Guidant Corporation (a)	2,419,500	\$ 87,585,900
Apogent Technologies Inc. (a)	2,750,000	40,095,000
Techne Corporation (a)	750,000	15,502,500
Edwards Lifesciences Corporation (a)	275,000	<u>7,535,000</u>
		150,718,400
<b>Pharmaceuticals—2.5%</b>		
Watson Pharmaceuticals, Inc. (a)	2,250,000	\$ 64,732,500
Abbott Laboratories	200,000	<u>7,522,000</u>
		72,254,500
<b>Computer Services—1.1%</b>		
Concord EFS, Inc. (a)	3,500,000	\$ 32,900,000
<b>Computer Software—3.9%</b>		
Synopsys, Inc. (a)	2,150,000	\$ 91,504,000
Novell, Inc. (a)	8,000,000	17,200,000
Mentor Graphics Corporation (a)	800,000	<u>7,152,000</u>
		115,856,000
<b>Computer Systems—1.0%</b>		
The Reynolds and Reynolds Company, Class A	1,164,000	\$ 29,449,200
<b>Aerospace &amp; Defense—3.4%</b>		
Rockwell Collins, Inc. (b)	2,810,000	\$ 51,619,700
Honeywell International, Inc.	2,294,500	<u>49,010,520</u>
		100,630,220
<b>Agricultural Equipment—0.1%</b>		
Alamo Group Inc.	141,900	\$ 1,654,554
<b>Diversified Conglomerates—0.9%</b>		
Textron, Inc.	975,000	\$ 26,773,500

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Equity and Equivalents—57.5% (cont.)</b>		
<b>Instruments—1.6%</b>		
Varian Inc. (a)	1,649,400	\$ 47,271,804
<b>Machinery &amp; Industrial Processing—2.7%</b>		
Rockwell Automation International Corporation	2,075,000	\$ 42,952,500
Cooper Industries, Ltd.	1,000,000	<u>35,710,000</u>
		78,662,500
<b>Transportation Services—0.0%</b>		
Nordic American Tanker Shipping Limited (c)	70,000	\$ 983,500
<b>Agricultural Operations—1.9%</b>		
Monsanto Company	3,500,000	\$ 57,400,000
<b>Forestry Products—2.1%</b>		
Plum Creek Timber Company, Inc.	2,909,644	\$ 62,819,214
<b>Oil &amp; Natural Gas—6.7%</b>		
Burlington Resources Inc.	2,000,000	\$ 95,420,000
XTO Energy, Inc.	2,495,233	47,409,427
St. Mary Land & Exploration Company	1,200,000	30,060,000
Cabot Oil & Gas Corporation	1,000,000	<u>24,000,000</u>
		196,889,427
<b>Total Common Stocks (Cost: \$1,702,869,618)</b>		<b>1,679,528,824</b>
<b>Convertible Bonds—0.5%</b>		
<b>Cable Systems &amp; Satellite TV—0.5%</b>		
EchoStar Communications Corporation, 4.875% due 1/1/2007	\$15,000,000	\$ 14,568,750
<b>Total Convertible Bonds (Cost: \$12,462,386)</b>		<b>14,568,750</b>
<b>Total Equity And Equivalents (Cost: \$1,715,332,004)</b>		<b>1,694,097,574</b>
<b>Fixed Income—37.0%</b>		
<b>Preferred Stocks—0.0%</b>		
<b>Bank &amp; Thrifts—0.0%</b>		
Pennfed Capital Trust, Preferred, 8.90%	27,500	\$ 705,375
Fidelity Capital Trust I, Preferred, 8.375%	43,500	<u>437,175</u>
		1,142,550

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
<b>Fixed Income—37.0% (cont.)</b>		
<b>Telecommunications—0.0%</b>		
MediaOne Finance Trust III, Preferred, 9.04%	20,000	\$ 509,600
<b>Total Preferred Stocks (Cost: \$1,622,500)</b>		<b>1,652,150</b>
<b>Corporate Bonds—1.6%</b>		
<b>Broadcasting &amp; Programming—0.5%</b>		
Liberty Media Corporation, 8.25% due 2/1/2030, Debenture	\$12,900,000	\$ 13,716,131
<b>Building Materials &amp; Construction—0.0%</b>		
Juno Lighting, Inc., 11.875% due 7/1/2009, Senior Subordinated Note	\$ 750,000	\$ 798,750
<b>Cable Systems &amp; Satellite TV—0.1%</b>		
CSC Holdings Inc., 7.875% due 12/15/2007	\$ 3,000,000	\$ 3,030,000
<b>Hotels &amp; Motels—0.2%</b>		
HMH Properties, 7.875% due 8/1/2005, Senior Note Series A	\$ 3,450,000	\$ 3,381,000
Park Place Entertainment, 7.00% due 7/15/2004, Senior Notes	2,750,000	2,799,547
		<u>6,180,547</u>
<b>Retail—0.5%</b>		
The Gap, Inc., 6.90% due 9/15/2007	\$ 9,187,000	\$ 9,485,577
Rite Aid Corporation, 7.625% due 4/15/2005, Senior Notes	4,900,000	4,679,500
Ugly Duckling Corporation, 12.00% due 10/23/2003, Subordinated Debenture	650,000	585,000
		<u>14,750,077</u>
<b>Medical Products—0.2%</b>		
CONMED Corporation, 9.00% due 3/15/2008	\$ 5,610,000	\$ 5,806,350
<b>Machinery &amp; Industrial Processing—0.1%</b>		
Columbus McKinnon Corporation New York, 8.50% due 4/1/2008	\$ 3,000,000	\$ 2,070,000
<b>Electric Utilities—0.0%</b>		
Midland Funding Corporation, 11.75% due 7/23/2005	\$ 500,000	\$ 522,500
<b>Total Corporate Bonds (Cost: \$43,665,528)</b>		<b>46,874,355</b>

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Par Value	Market Value
<b>Fixed Income—37.0% (cont.)</b>		
<b>Government and Agency Securities—35.4%</b>		
<b>Canadian Government Bonds—1.7%</b>		
Canada Government, 3.50% due 6/1/2004	\$ 75,000,000	\$ 50,990,300
<b>U.S. Government Notes—33.2%</b>		
United States Treasury Notes, 3.375% due 1/15/2007, Inflation Indexed	\$244,242,840	\$ 268,743,328
United States Treasury Notes, 5.75% due 11/15/2005 (b)	175,000,000	192,670,975
United States Treasury Notes, 3.50% due 11/15/2006	175,000,000	182,369,075
United States Treasury Notes, 1.625% due 1/31/2005	150,000,000	150,468,750
United States Treasury Notes, 1.875% due 9/30/2004	125,000,000	126,020,500
United States Treasury Notes, 2.875% due 6/30/2004	25,000,000	25,503,900
United States Treasury Notes, 1.75% due 12/31/2004	25,000,000	25,143,550
United States Treasury Notes, 7.25% due 8/15/2004	5,000,000	<u>5,407,030</u>
		976,327,108
<b>U.S. Government Agencies—0.5%</b>		
Federal Home Loan Mortgage Corporation, 3.75% due 11/26/2007	\$ 10,000,000	\$ 10,146,880
Federal Home Loan Bank, 5.10% due 12/26/2006	2,035,000	2,092,871
Federal Home Loan Bank, 3.875% due 12/15/2004	1,000,000	<u>1,037,615</u>
		13,277,366
<b>Total Government and Agency Securities (Cost: \$1,007,925,921)</b>		<b>1,040,594,774</b>
<b>Total Fixed Income (Cost: \$1,053,213,949)</b>		<b>1,089,121,279</b>
<b>Short Term Investments—6.1%</b>		
<b>U.S. Government Bills—3.4%</b>		
United States Treasury Bills, 1.11% - 1.163% due 4/3/2003 - 5/15/2003	\$100,000,000	\$ 99,927,854
<b>Total U.S. Government Bills (Cost: \$99,927,854)</b>		<b>99,927,854</b>
<b>Repurchase Agreements—2.7%</b>		
IBT Repurchase Agreement, 1.25% due 4/1/2003, repurchase price \$78,002,708 collateralized by U.S. Government Agency Securities	\$ 78,000,000	\$ 78,000,000
IBT Repurchase Agreement, 1.01% due 4/1/2003, repurchase price \$2,670,299 collateralized by U.S. Government Agency Securities	2,670,224	<u>2,670,224</u>
<b>Total Repurchase Agreement (Cost: \$80,670,224)</b>		<b>80,670,224</b>
<b>Total Short Term Investments (Cost: \$180,598,078)</b>		<b>180,598,078</b>
<b>Total Investments (Cost \$2,949,144,031)—100.6%</b>		<b>\$ 2,963,816,931</b>

# THE OAKMARK EQUITY AND INCOME FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Contracts Held/ Shares Subject to Call/ Shares Subject to Put	Market Value
<b>Call Options Purchased—0.0%</b>		
<b>Retail—0.0%</b>		
Office Depot, Inc., April 15 Calls	1,000	\$ 15,000
Office Depot, Inc., April 17.50 Calls	1,500	15,000
		30,000
<b>Total Call Options Purchased (Cost: \$130,500)</b>		<b>30,000</b>
 <b>Call Options Written—0.0%</b>		
<b>Aerospace &amp; Defense—0.0%</b>		
Rockwell Collins, Inc., July 25 Calls	(200,000)	\$ (40,000)
<b>Total Call Options Written (Premiums Received: \$(115,996))—0.0%</b>		<b>(40,000)</b>
 <b>Put Options Written—0.0%</b>		
<b>Aerospace &amp; Defense—0.0%</b>		
Rockwell Collins, Inc., July 20 Puts	(200,000)	\$ (500,000)
<b>Total Put Options Written (Premiums Received: \$(390,988))—0.0%</b>		<b>(500,000)</b>
Other Liabilities In Excess Of Other Assets—(0.6%)		<u>\$ (18,857,393)</u>
<b>Total Net Assets—100%</b>		<b><u>\$2,944,449,538</u></b>

- (a) Non-income producing security.
- (b) A portion of this security has been segregated to cover written option contracts.
- (c) Represents a foreign domiciled corporation.

# THE OAKMARK GLOBAL FUND

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



## Fellow Shareholders,

The Oakmark Global Fund was down 11% for the three-month period ending March 31, 2003. This compares to declines of 5% for the MSCI World Index and 7% for the Lipper Global Fund Index. Since inception, your Fund has generated a total positive return of 22% versus declines of 37% for the MSCI World Index and 29% for the Lipper Global Fund Index.

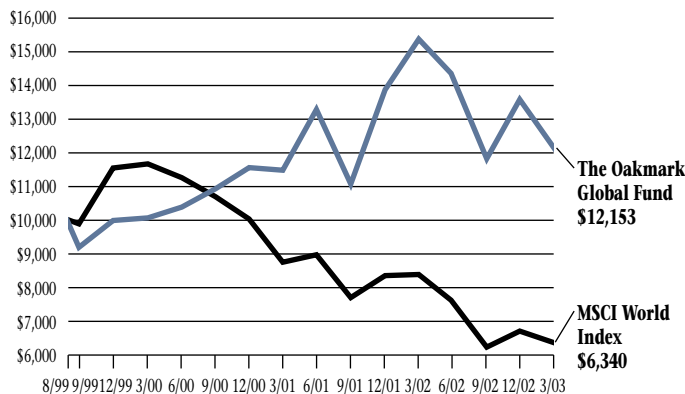
In past letters, we have written about the increasing volatility in the stock market—this quarter was by no means an exception to that trend. In fact, many international markets experienced one of the most volatile quarters in history. For example, through mid-March, the CAC<sup>24</sup> (French index) and FTSE<sup>25</sup> (UK index) declined 22% and 15% respectively, the DAX<sup>26</sup> (German index) declined 24% and the Amsterdam market<sup>27</sup> declined 32%. While here in the US, the S&P 500<sup>4</sup> and Dow Jones Industrial Average<sup>11</sup> both experienced declines of over 8% by mid-March. This extreme volatility was driven by concerns over the weak worldwide economy and fears of the ramifications of war with Iraq. Our hearts and prayers go out to the brave men and women serving our country and we wish them a quick and safe return home.

While we personally cannot have an impact on the worldwide economy or war with Iraq, we can do our best to be wise stewards of your capital and deploy your money when we believe the potential for reward far outweighs the potential risk involved. Oftentimes war engulfs people with genuine fear, due to the uncertainty of what may lie ahead. This fear leads many investors to panic, sell stocks and move their money into bonds or money market-type instruments. This causes markets to decline as we experienced this past quarter. However, times of fear and uncertainty can provide attractive purchase opportunities for long-term investors. In the book *Common Stocks and Uncommon Profits*, Phil Fisher discusses buying stocks on a war scare, which we think is worth sharing.

*“Common stocks are usually of greatest interest to people with imagination. Our imagination is staggered by the utter horror of modern war. The result is that every time the international stresses of our world produce either a war scare or an actual war, common stocks reflect it. This is a psychological phenomenon which makes little sense financially. ...*

*The results are always the same. Through the entire twentieth century, with a single exception, every time major war has broken out anywhere in the world or whenever American forces have become involved in any fighting whatever, the American stock market has always plunged sharply downward. This one exception was the outbreak of World War II in September of 1939. At that time, after an abortive rally on thoughts of fat war contracts to a neutral nation, the market soon was following the typical downward course, a course which some months later resembled panic as news of German*

## THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK GLOBAL FUND FROM ITS INCEPTION (8/4/99) TO PRESENT (3/31/03) AS COMPARED TO THE MSCI WORLD INDEX<sup>22</sup>



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

	(as of 3/31/03)			Since Inception (8/4/99)
Total Return Last 3 Months*	1-year	3-year		

<b>Oakmark Global Fund</b>	<b>-10.55%</b>	<b>-21.02%</b>	<b>6.50%</b>	<b>5.48%<sup>3</sup></b>
MSCI World	-5.06%	-24.20%	-18.38%	-11.68%
Lipper Global Fund Index <sup>23</sup>	-6.63%	-24.77%	-17.59%	-8.77%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

**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

victories began piling up. Nevertheless, at the conclusion of all actual fighting—regardless of whether it was World War I, World War II, or Korea—most stocks were selling at levels vastly higher than prevailed before there was any thought of war at all. Furthermore, at least ten times in the last twenty-two years, news has come of other international crises which gave threat of major war. In every instance, stocks dipped sharply on the fear of war and rebounded sharply as the war subsided.<sup>28</sup>

### Highlights

- Many international markets experienced one of the most volatile quarters in their history.
- Extreme volatility was driven by concerns over the weak worldwide economy and fear of the ramifications of war.
- Fear and uncertainty provide attractive purchase opportunities for long-term investors.

We spend very little time trying to predict economic variables or trying to ascertain the consequences of war; we leave those questions to the economists and world leaders. Rather, we spend our time trying to find attractively priced companies that have real long-term growth potential and are being run by management teams that think in the long-term interests of shareholders. During the quarter we were able to find a few companies that we believe fit the above criteria. Here is a brief description of each company:

#### AOL Time Warner

AOL Time Warner owns one of the highest quality selections of media and entertainment assets in the world. The company is one of the top three cable operators, owns and operates many cable television networks (TBS, TNT, CNN, etc.), film entertainment (Harry Potter, Lord of the Rings, etc.), music production, publishing (Time and Fortune magazines, etc.) and owns America Online, which is the #1 internet service provider in the United States. When AOL and Time Warner merged a few years ago, the company traded for over \$95 per share. During the past year, the company's stock price fell to below \$10. While the \$95 stock price tremendously overvalued the assets, we believe the current valuation is quite attractive, with asset values worth almost double the current stock price.

#### Concord EFS

Concord EFS is the #1 debit card processor in the United States via their ownership of the Star, MAC and Cash Station debit networks. The company is also the largest operator of outsourced ATM machines and a major credit card processor. Concord is a direct beneficiary of consumers migrating from paying for items via cash and checks to electronic means (debit cards, credit cards, stored value cards, etc.). Concord's

stock price had fallen from a high of over \$35 in 2002 to a recent price of under \$9 per share due to concerns about major contract renewals occurring over the next 18 months. On April 2, 2003, Concord EFS agreed to be acquired by First Data Corporation for approximately \$14 per share. Historically, we are not accustomed to seeing price and value converge so quickly in one of our investments, but we are not unhappy with the outcome.

#### Neopost

Neopost is the second largest supplier of mailroom equipment and services in the world. 70% of their sales are from franking machines and scales. 35% of sales are in the US, 35% in France, and the rest in the UK and other European markets. Sixty percent of their sales are recurring rental/lease income and support service revenue, with a more than 90% retention rate on their contracts.

Barriers to entry are huge, due to the highly regulated nature of franking machines. This business generates large amounts of free cash flow and has attractive secular growth (in Europe). Better yet, the Company is led by what we believe is one of the best management teams in Europe. Given their private equity backgrounds, management has an obsessive focus on returns and value per share growth. Their personal wealth is very much tied to the performance of the business and the share price. At current prices, Neopost trades at less than 8 times our estimate of this year's operating profit.

#### Akzo Nobel—based in the Netherlands

Akzo Nobel is a global conglomerate, with businesses in pharmaceuticals, coatings, chemicals, and fibers. We like some of their businesses and their increasing shareholder orientation. Akzo's pharmaceutical business is concentrated in ethical drugs and animal health. Their coatings business is the market leader in Europe, while the chemicals business is a mix of basics, industrial specialties, and specialties. EVA<sup>®</sup> (Economic Value Added)<sup>29</sup> analysis has recently been implemented throughout the organization. The top 750 managers can earn up to 100% of their salary as a bonus each year and they must exceed benchmark hurdles set against the top 3 players in each industry.

We believe Akzo is an extremely cheap stock. The Company trades at less than 6 times our estimate of this year's operating profit, less than 9 times this year's earnings, and yields over 5%. At the current share price the company trades at 50% of our appraisal of business value.

These new additions to the portfolio demonstrate our continued focus on buying and holding the most attractive companies at the best prices. We continue to welcome volatility in the stock markets around the world, as it affords us the opportunity to buy good businesses at very attractive prices.

Thank you for your continued confidence and support.



**Gregory L. Jackson**  
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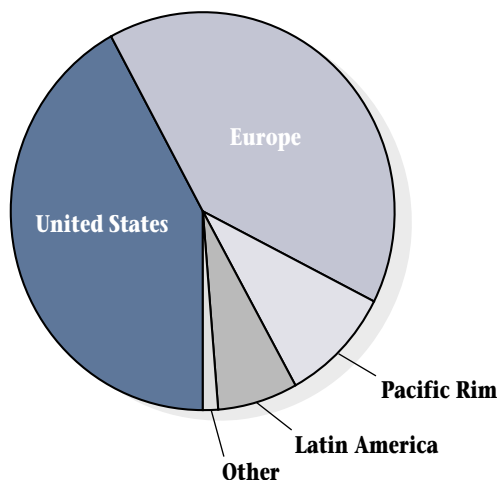




**Michael J. Welsh, CFA, CPA**  
Portfolio Manager  
mwelsh@oakmark.com




(a) The views expressed by Phil Fisher do not reflect the investments of the Funds, or the views of the portfolio managers or Harris Associates L.P., the Funds' investment adviser. Neither Harris Associates L.P. nor The Oakmark Funds can guarantee the accuracy or completeness of any information or numerical data included in a quoted statement.

# THE OAKMARK GLOBAL FUND

Global Diversification—March 31, 2003 (Unaudited)



	<u>% of Fund</u> <u>Equity Market Value</u>	
	<b>United States</b>	<b>42.1%</b>
	<b>Europe</b>	<b>40.4%</b>
	Great Britain	10.5%
	* France	8.0%
	* Italy	7.1%
	* Netherlands	5.5%
	* Germany	3.2%
	Switzerland	3.2%
	Sweden	2.9%

	<u>% of Fund</u> <u>Equity Market Value</u>	
	<b>Pacific Rim</b>	<b>9.5%</b>
	Japan	6.1%
	Korea	1.8%
	Australia	1.6%
	<b>Latin America</b>	<b>6.7%</b>
	Mexico	6.7%
	<b>Other</b>	<b>1.3%</b>
	Israel	1.3%

\* Euro currency countries comprise 23.8% of the Fund.

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2003 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.6%</b>			
<b>Food &amp; Beverage—4.9%</b>			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	655,700	\$ 6,713,609
Lotte Chilsung Beverage Co., Ltd. (Korea)	Soft Drinks, Juices & Sports Drinks Manufacturer	9,260	3,619,616
			<u>10,333,225</u>
<b>Household Products—3.1%</b>			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	116,500	\$ 6,361,948
<b>Automobiles—1.1%</b>			
Ducati Motor Holding S.p.A. (Italy) (a)	Motorcycle Manufacturer	1,933,500	\$ 2,360,417
<b>Broadcasting &amp; Programming—7.0%</b>			
Grupo Televisa S.A. (Mexico) (a)(b)	Television Production & Broadcasting	330,800	\$ 8,319,620
Liberty Media Corporation, Class A (United States) (a)	Broadcast Services & Programming	650,000	6,324,500
			<u>14,644,120</u>
<b>Broadcasting &amp; Publishing—0.9%</b>			
Gemstar-TV Guide International Inc. (United States) (a)	Electronic Program Guide Services	500,000	\$ 1,834,500
<b>Cable Systems &amp; Satellite TV—2.1%</b>			
AOL Time Warner Inc. (United States) (a)	Multimedia	400,000	\$ 4,344,000
<b>Home Furnishings—4.0%</b>			
Hunter Douglas N.V. (Netherlands)	Window Coverings Manufacturer	299,300	\$ 8,250,534
<b>Human Resources—3.2%</b>			
Michael Page International plc (Great Britain)	Recruitment Consultancy Services	4,815,400	\$ 6,652,445

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.6% (cont.)</b>			
<b>Information Services—10.6%</b>			
eFunds Corporation (United States) (a)	Electronic Debit Payment Services	1,770,300	\$ 12,161,961
Ceridian Corporation (United States) (a)	Data Management Services	700,000	9,786,000
			<u>21,947,961</u>
<b>Marketing Services—5.6%</b>			
The Interpublic Group of Companies, Inc. (United States)	Advertising & Marketing Services	1,250,000	\$ 11,625,000
<b>Retail—3.4%</b>			
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	1,692,600	\$ 7,010,749
<b>Bank &amp; Thrifts—3.4%</b>			
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Bank	440,100	\$ 4,988,974
Washington Mutual, Inc. (United States)	Thrift	60,000	2,116,200
			<u>7,105,174</u>
<b>Financial Services—3.1%</b>			
Julius Baer Holding Ltd., Zurich (Switzerland)	Asset Management	23,100	\$ 3,781,009
Credit Suisse Group (Switzerland) (a)	Investment Services & Insurance	158,100	2,745,501
			<u>6,526,510</u>
<b>Other Financial—2.3%</b>			
Daiwa Securities Group Inc. (Japan)	Stock Broker	1,147,000	\$ 4,732,401
<b>Managed Care Services—3.1%</b>			
First Health Group Corp. (United States) (a)	Health Benefits Company	250,000	\$ 6,360,000
<b>Medical Products—2.5%</b>			
Ansell Limited (Australia) (a)	Protective Rubber & Plastics Products	934,000	\$ 3,127,124
Techne Corporation (United States) (a)	Biological Products	100,000	2,067,000
			<u>5,194,124</u>

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.6% (cont.)</b>			
<b>Pharmaceuticals—5.3%</b>			
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	438,900	\$ 7,691,826
Aventis S.A. (France)	Pharmaceuticals	73,400	<u>3,218,641</u>
			10,910,467
<b>Telecommunications Equipment—2.8%</b>			
Telefonaktiebolaget LM Ericsson, Class B (Sweden) (a)	Mobile & Wired Telecommunications Products	9,400,000	\$ 5,881,520
<b>Computer Services—7.9%</b>			
Concord EFS, Inc. (United States) (a)	Electronic Processing Services	950,000	\$ 8,930,000
Meitec Corporation (Japan)	Software Engineering Services	309,900	<u>7,443,271</u>
			16,373,271
<b>Computer Software—9.1%</b>			
Synopsys, Inc. (United States) (a)	Electronic Design Automation	275,000	\$ 11,704,000
Novell, Inc. (United States) (a)	Network & Internet Integration Software	3,400,000	<u>7,310,000</u>
			19,014,000
<b>Office Equipment—1.9%</b>			
Neopost SA (France) (a)	Mailroom Equipment Supplier	139,000	\$ 3,893,807
<b>Airport Maintenance—2.5%</b>			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (b)	Airport Operator	463,000	\$ 5,162,450
<b>Diversified Conglomerates—4.3%</b>			
Vivendi Universal SA (France)	Multimedia	678,500	\$ 9,007,902
<b>Instruments—1.2%</b>			
Orbotech, Ltd. (Israel) (a)	Optical Inspection Systems	228,700	\$ 2,547,718
<b>Chemicals—1.3%</b>			
Akzo Nobel N.V. (Netherlands)	Chemical Producer	140,800	\$ 2,796,260
<b>Total Common Stocks (Cost: \$229,117,993)</b>			<b>200,870,503</b>

# THE OAKMARK GLOBAL FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Description	Par Value	Market Value
<b>Short Term Investments—4.4%</b>			
<b>U.S. Government Bills—1.5%</b>			
	United States Treasury Bills, 1.155% due 4/3/2003	\$3,000,000	\$ 2,999,808
	<b>Total U.S. Government Bills (Cost: \$2,999,808)</b>		<b>2,999,808</b>
<b>Repurchase Agreements—2.9%</b>			
	IBT Repurchase Agreement, 1.25% due 4/1/2003, repurchase price \$5,000,174 collateralized by a U.S. Government Agency Security	\$5,000,000	\$ 5,000,000
	IBT Repurchase Agreement, 1.01% due 4/1/2003, repurchase price \$1,099,738 collateralized by a U.S. Government Agency Security	1,099,707	<u>1,099,707</u>
	<b>Total Repurchase Agreement (Cost: \$6,099,707)</b>		<b>6,099,707</b>
	<b>Total Short Term Investments (Cost: \$9,099,515)</b>		<b>9,099,515</b>
	Total Investments (Cost \$238,217,508)—101.0%		\$ 209,970,018
	Other Liabilities In Excess Of Other Assets—(1.0%)		<u>(1,983,601)</u>
	<b>Total Net Assets—100%</b>		<b><u>\$207,986,417</u></b>

- (a) Non-income producing security.  
 (b) Represents an American Depository Receipt.

# THE OAKMARK INTERNATIONAL AND OAKMARK INTERNATIONAL SMALL CAP FUNDS

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## Fellow Shareholders,

Foreign stocks sold off aggressively in the first quarter of 2003. In Europe, most of the major markets fell in excess of 15% in local currency terms, with some markets hitting six year lows. The Japanese market (Nikkei Index<sup>30</sup>), close to a 20-year low, had the best quarterly return of all major markets, declining 7%. Though we are disappointed with the Funds' respective 12% declines, the values we are currently finding make us extremely enthusiastic about future prospects.

## We are "Giddy"!

As value investors, nothing excites us more than irrational valuations. Recall how distraught we were in 1999 and early 2000 when T-M-T (technology, media, and telecom) stocks were unrealistically priced, and our "old economy" stocks were ignored. Major indices were selling at unrealistic valuations no matter what the metric. CNBC was on TV's everywhere—in diners, in barber shops and once, we kid you not, in the front seat of a cab. The major focus of any party or coffee conversation seemed to be which "hot" mutual fund or tech stock to buy. The aftermath of this speculative period has been painful for many investors. Equities have been out of favor for three plus years and other asset classes, such as bonds, have soared. Now, we hear talk of bond funds and why, at current levels, the bond markets are not overpriced. Sound familiar?

We believe stocks are excessively underpriced. The value of any stock, in our view, is the present value of its future free cash flows. The businesses we own continue to generate lots of free cash even as their prices continue to fall. This means value expansion. Though we cannot predict when the course of events will reverse itself, we believe the further the value gap widens, the more return there will be in the future. Clearly, the global political situation has been unstable, and military action in the Mideast is wearing on the markets. When there is certainty of outcome, we do believe that will mean relief to global equity markets.

Though we realize people are uncomfortable buying stocks after they have fallen, we argue that this is usually the time they should be bought. Fundamentals do assert themselves over time; that is why we focus so intently on them. Current valuations are being impacted by global politics, not company specific factors. We believe these impacts are not permanent. When the cloud of global political uncertainty lifts, the glow of reality will be clear. This "reality", in our opinion, is bargain basement equity prices.

## Highlights

- In the midst of significant global uncertainty, we remain focused on identifying the best *individual* investment opportunities around the world.
- Current valuations are being impacted by global politics, not company-specific factors, effects we believe are not permanent.
- We believe that the further the value gap widens, the greater the opportunity for future return.

## Word About Investing in France

We have received questions concerning our holdings of French stocks in light of France's actions in regards to Mideast politics. Though we understand why people could be upset with certain French political leaders, we feel, as bottom up value investors, our duty is to invest in the best investment opportunities no matter where they may be located. The companies we have invested in for the Funds are global enterprises, owned by global investors, and employ people in countries all over the world. We think our holdings of French stocks are exceptional companies selling at low prices, therefore fulfilling our value criteria. We will not divest any of the stock of French listed companies until the value proposition of these companies change.

## Going Forward

Throughout the recent turbulence in global equity markets we have remained focused on our task of identifying the best individual investment opportunities around the world. The companies we own in both The Oakmark International Fund and The Oakmark International Small Cap Fund are, in our opinion, not only significantly undervalued but, in aggregate, represent one of the highest quality collection of businesses these Funds have ever owned. We remain quite excited about the future prospects for both Funds.

Thank you for your continued confidence and support.



**David G. Herro, CFA**  
Portfolio Manager  
dherro@oakmark.com



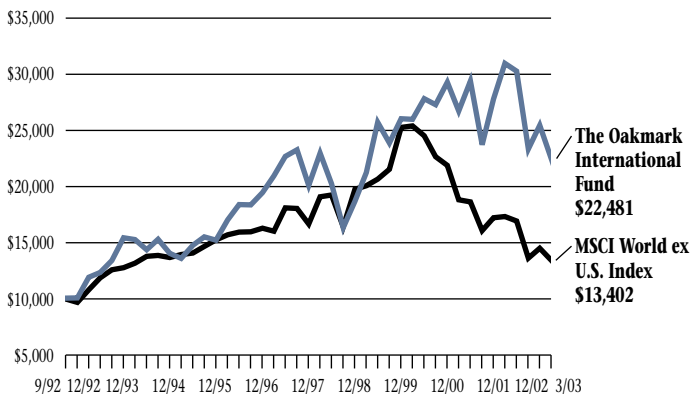
**Michael J. Welsh, CFA, CPA**  
Portfolio Manager  
mwelsh@oakmark.com

# 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 (3/31/03) COMPARED TO THE MSCI WORLD EX U.S. INDEX<sup>31</sup>



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

Total Return Last 3 Months*	(as of 3/31/03)				Since Inception (9/30/92)
	1-year	5-year	10-year		

#### Oakmark International

Fund	-11.72%	-27.50%	-0.45%	6.57%	8.02%
MSCI World ex. U.S.	-7.52%	-22.57%	-6.82%	2.21%	2.83%
MSCI EAFE <sup>32</sup>	-8.21%	-23.23%	-7.12%	1.95%	2.58%
Lipper International Fund Index <sup>33</sup>	-8.80%	-23.30%	-6.07%	3.73%	4.24%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

**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 International Fund declined 12% for the quarter, compared to the MSCI World ex-US Index which fell 8%. Since the onset of the bear market three years ago the Fund has held up exceptionally well relative to the overseas equity markets. The Oakmark International Fund declined 14% over the last three years, compared to the 47% drop in MSCI World ex-US Index.

Market jitters have resulted in significant price declines in some of our holdings for what we feel are short-term or (in some cases) illusory concerns. For The Oakmark International Fund, the individual securities which detracted significantly from this quarter's performance included Akzo Nobel, Aegis Group, and SK Telecom. Shares of Akzo Nobel N.V., a Dutch pharmaceutical and chemical manufacturer, were negatively impacted by market worries about the grim short-term outlook for their products as well as its exposure to the currently weak US dollar. We have continued to add to the position as the price has declined.

Alongside a weak advertising market, Aegis' stock price was hit this quarter, reflecting the market's concern that it may overpay for some of the market research assets of Interpublic Group. Based on our recent discussions with management we feel that if a deal is done, it will come at a price that will enhance value per share.

SK Telecom's stock price was hurt by accounting scandals at associated member, SK Global. Though part of the same chaebol group, these entities are separately managed and unrelated in any other significant manner. The stock price reaction had little to do with underlying fundamentals. In fact, we feel that these events may be positive, as it will force SK Global to divest their shares in SK Telecom. We believe a further long-term positive is that it will likely strengthen the shareholder movement for stronger corporate governance in Korea. SK Telecom remains the cheapest telecom company in our investment universe, trading at six times this year's operating profit and less than ten times earnings.

### Looking Forward

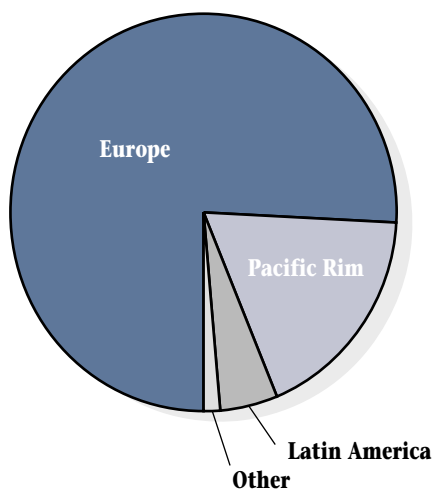
Given the quality of the holdings and the attractive valuation of the portfolio, we remain optimistic about potential price appreciation. Thank you for your continued confidence.

**David G. Herro, CFA**  
Portfolio Manager  
dherro@oakmark.com

**Michael J. Welsh, CFA, CPA**  
Portfolio Manager  
mwelsh@oakmark.com

# THE OAKMARK INTERNATIONAL FUND

International Diversification—March 31, 2003 (Unaudited)



	<b>% of Fund</b>
<b>Equity Market Value</b>	
<b>Europe</b>	<b>75.8%</b>
Great Britain	21.1%
* France	18.1%
* Netherlands	9.9%
Switzerland	7.6%
Sweden	6.5%
* Germany	5.2%
* Italy	4.9%
* Finland	2.5%

	<b>% of Fund</b>
<b>Equity Market Value</b>	
<b>Pacific Rim</b>	<b>18.0%</b>
Japan	8.9%
Korea	3.3%
Australia	3.2%
Hong Kong	1.6%
Singapore	1.0%
<b>Latin America</b>	<b>4.8%</b>
Mexico	4.7%
Brazil	0.1%
<b>Other</b>	<b>1.4%</b>
Israel	1.4%

\* Euro currency countries comprise 40.6% of the Fund.

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2003 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.3%</b>			
<b>Food &amp; Beverage—11.1%</b>			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	5,389,700	\$ 55,184,288
Cadbury Schweppes plc (Great Britain)	Beverage & Confectionary Manufacturer	7,657,700	40,804,964
Pernod-Ricard SA (France)	Manufactures Wines, Spirits, & Fruit Juices	404,125	34,402,757
Fomento Economico Mexicano S.A. de C.V. (Mexico) (b)	Soft Drink & Beer Manufacturer	788,700	26,240,049
Lotte Chilsung Beverage Co., Ltd. (Korea) (c)	Soft Drinks, Juices & Sports Drinks Manufacturer	66,140	25,853,285
			<u>182,485,343</u>
<b>Household Products—2.7%</b>			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	806,200	\$ 44,025,776
<b>Other Consumer Goods &amp; Services—2.9%</b>			
Swatch Group AG, Bearer Shares (Switzerland)	Watch Manufacturer	365,400	\$ 30,241,862
Nintendo Company, Ltd. (Japan)	Video Game Manufacturer	214,800	17,470,072
Swatch Group AG, Registered Shares (Switzerland)	Watch Manufacturer	24,700	420,717
			<u>48,132,651</u>
<b>Apparel—0.2%</b>			
Fila Holding S.p.A (Italy) (a)(b)	Athletic Footwear & Apparel	2,907,380	\$ 3,023,675
<b>Automobiles—2.3%</b>			
Bayerische Motoren Werke (BMW) AG (Germany)	Luxury Automobile Manufacturer	1,383,000	\$ 38,350,037

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.3% (cont.)</b>			
<b>Automotive—3.0%</b>			
Autoliv Inc (Sweden) (d)	Automotive Safety Systems Manufacturer	1,248,000	\$ 24,309,966
Compagnie Generale des Etablissements Michelin (France)	Tire Manufacturer	871,200	<u>23,930,122</u>
			48,240,088
<b>Broadcasting &amp; Programming—2.7%</b>			
Grupo Televisa S.A. (Mexico) (a)(b)	Television Production & Broadcasting	1,799,200	\$ 45,249,880
<b>Home Furnishings—2.8%</b>			
Hunter Douglas N.V. (Netherlands)	Window Coverings Manufacturer	1,662,037	\$ 45,815,878
<b>Human Resources—2.1%</b>			
Michael Page International plc (Great Britain) (c)	Recruitment Consultancy Services	24,736,600	\$ 34,173,458
<b>Marketing Services—4.6%</b>			
Publicis Groupe (France)	Advertising & Media Services	2,281,500	\$ 38,695,153
Aegis Group plc (Great Britain)	Media Services	44,496,200	<u>38,287,790</u>
			76,982,943
<b>Publishing—3.1%</b>			
John Fairfax Holdings Limited (Australia)	Newspaper Publisher	27,580,400	\$ 51,004,737
<b>Retail—4.6%</b>			
Signet Group plc (Great Britain)	Jewelry Retailer	28,446,100	\$ 33,796,374
Giordano International Limited (Hong Kong) (c)	Pacific Rim Clothing Retailer & Manufacturer	82,924,300	25,782,770
Somerfield plc (Great Britain)	Food Retailer	14,500,000	<u>15,681,928</u>
			75,261,072

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.3% (cont.)</b>			
<b>Bank &amp; Thrifts—9.9%</b>			
BNP Paribas SA (France)	Commercial Banking	1,156,000	\$ 46,243,468
Sanpaolo IMI S.p.A. (Italy)	Banking Services	6,195,000	42,068,387
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Banking	2,938,400	33,309,702
Svenska Handelsbanken AB (Sweden)	Commercial Banking	1,498,800	21,144,500
United Overseas Bank Limited, Foreign Shares (Singapore)	Commercial Banking	2,652,368	15,484,549
Kookmin Bank (Korea)	Commercial Banking	231,168	5,469,683
			<u>163,720,289</u>
<b>Financial Services—1.8%</b>			
Credit Suisse Group (Switzerland) (a)	Investment Services & Insurance	1,731,400	\$ 30,066,802
<b>Other Financial—6.0%</b>			
Euronext (Netherlands)	Stock Exchange	2,905,200	\$ 51,743,355
Daiwa Securities Group Inc. (Japan)	Stock Broker	11,616,000	47,926,395
			<u>99,669,750</u>
<b>Pharmaceuticals—9.3%</b>			
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	3,149,600	\$ 55,197,480
Aventis S.A. (France)	Pharmaceuticals	1,124,800	49,323,267
Takeda Chemical Industries, Ltd. (Japan)	Pharmaceuticals & Food Supplements	864,500	32,445,758
Novartis AG (Switzerland)	Pharmaceuticals	465,300	17,209,137
			<u>154,175,642</u>
<b>Telecommunications—1.4%</b>			
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	170,560	\$ 20,859,856
Telemig Celular Participacoes S.A. (Brazil)	Mobile Telecommunications	1,806,000,000	2,273,086
Telemig Celular Participacoes S.A. Rights (Brazil)	Mobile Telecommunications	33,530,791	2,256
			<u>23,135,198</u>

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—96.3% (cont.)</b>			
<b>Telecommunications Equipment—3.5%</b>			
Telefonaktiebolaget LM Ericsson, Class B (Sweden) (a)	Mobile & Wired Telecommunications Products	91,688,800	\$ 57,369,094
<b>Computer Services—2.6%</b>			
Meitec Corporation (Japan)	Software Engineering Services	1,787,200	\$ 42,925,505
<b>Airport Maintenance—0.2%</b>			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (b)	Airport Operator	242,000	\$ 2,698,300
<b>Diversified Conglomerates—4.1%</b>			
Vivendi Universal SA (France)	Multimedia	4,054,400	\$ 53,827,025
LVMH Moet Hennessy Louis Vuitton SA (France)	Diversified Luxury Goods	352,000	13,873,869
Haw Par Corporation Limited (Singapore)	Healthcare & Leisure Products	58,338	108,456
			<u>67,809,350</u>
<b>Instruments—1.4%</b>			
Orbotech, Ltd. (Israel) (a)(c)	Optical Inspection Systems	2,041,200	\$ 22,738,968
<b>Machinery &amp; Industrial Processing—2.4%</b>			
Metso Corporation (Finland)	Paper & Pulp Machinery	3,863,000	\$ 39,369,765
<b>Other Industrial Goods &amp; Services—3.2%</b>			
Chargeurs SA (France) (c)	Wool, Textile Production & Trading	1,050,201	\$ 26,328,539
Enodis plc (Great Britain) (a)(c)	Food Processing Equipment	33,585,320	17,498,640
FKI plc (Great Britain)	Industrial Manufacturing	8,000,000	7,767,942
			<u>51,595,121</u>
<b>Transportation Services—2.2%</b>			
Associated British Ports Holdings Plc (Great Britain)	Port Operator	5,698,099	\$ 35,805,846

# THE OAKMARK INTERNATIONAL FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Description	Shares Held/ Par Value	Market Value
<b>Common Stocks—96.3% (cont.)</b>			
<b>Chemicals—6.2%</b>			
Akzo Nobel N.V. (Netherlands)	Chemical Producer	3,029,200	\$ 60,159,306
Givaudan (Switzerland)	Fragrance & Flavor Compound Manufacturer	111,100	42,362,904
			<u>102,522,210</u>
<b>Total Common Stocks (Cost: \$1,878,829,368)</b>			<b>1,586,347,378</b>
<b>Short Term Investments—3.1%</b>			
<b>U.S. Government Bills—1.2%</b>			
United States Treasury Bills, 1.13% due 4/3/2003		\$20,000,000	\$ 19,998,744
<b>Total U.S. Government Bills (Cost: \$19,998,744)</b>			<b>19,998,744</b>
<b>Repurchase Agreements—1.9%</b>			
IBT Repurchase Agreement, 1.25% due 4/1/2003, repurchase price \$30,001,042 collateralized by U.S. Government Agency Securities		\$30,000,000	\$ 30,000,000
IBT Repurchase Agreement, 1.01% due 4/1/2003, repurchase price \$1,374,511 collateralized by a U.S. Government Agency Security		1,374,472	<u>1,374,472</u>
<b>Total Repurchase Agreement (Cost: \$31,374,472)</b>			<b>31,374,472</b>
<b>Total Short Term Investments (Cost: \$51,373,216)</b>			<b>51,373,216</b>
Total Investments (Cost \$1,930,202,584)—99.4%			\$ 1,637,720,594
Other Assets In Excess Of Other Liabilities—0.6%			<u>9,814,473</u>
<b>Total Net Assets—100%</b>			<b><u>\$1,647,535,067</u></b>

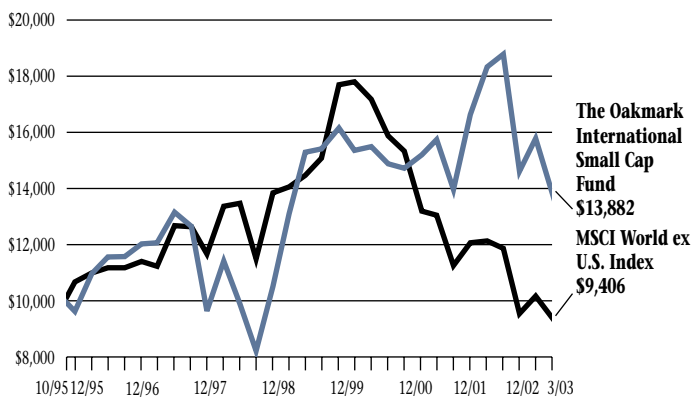
- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.
- (d) Represents a Swedish Depository Receipt.

# 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 (3/31/03) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX<sup>31</sup>



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

	(as of 3/31/03)			
	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)

<b>Oakmark International Small Cap Fund</b>	<b>-12.24%</b>	<b>-24.43%</b>	<b>3.96%</b>	<b>4.52%</b>
MSCI World ex. U.S.	-7.52%	-22.57%	-6.82%	-0.82%
Lipper International Small Cap Average <sup>34</sup>	-4.95%	-20.02%	-1.79%	5.21%

The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

**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 International Small Cap Fund had a poor quarter, declining 12%, and underperforming the relevant indices. Short-term performance was hurt by particularly poor stock performers in the Netherlands, Australia, and Switzerland.

Netherlands-based NYSE specialist Van der Moolen Holding, N.V. is experiencing a difficult period due to low volatility and low volume in the securities markets on top of depressed underlying security prices. The current poor operational performance masks what we believe is the company's significant earnings power, which we expect to see once a level of normalcy returns.

The market has reacted negatively to the current teething pains of Australian credit reference provider, Baycorp Advantage Limited, as they integrate a significant merger. This has resulted in slower than expected short-term growth. We think the market's overreaction has created a significant gap between price and business value.

Along with most of the European asset management industry, Swiss private bank Vontobel Holding AG is experiencing short-term declines in revenue due to the depressed market value of its asset base. Nevertheless, we feel it is an attractive franchise with good secular growth, high returns, and excess capital (not a bad thing in this environment).

For all of these stocks, we believe the long-term fundamentals of each business remain relatively unscathed by the presently adverse market conditions, and the gap between price and value expanded. We increased the Fund's ownership in both Van der Moolen and Baycorp during the period.

Positions sold during the quarter include Italian furniture retailer Natuzzi SpA, whose U.S. market share has been eroded by cheaper Mexican imports. Management's plan to combat this by putting significant capital behind a new brand-name (which is very similar to its existing brand) left us unconvinced of their competitive response. Also, New Zealand construction company Fletcher Building Ltd., a significant performer for us over the past few years, was sold during the period as it approached its target sell price.

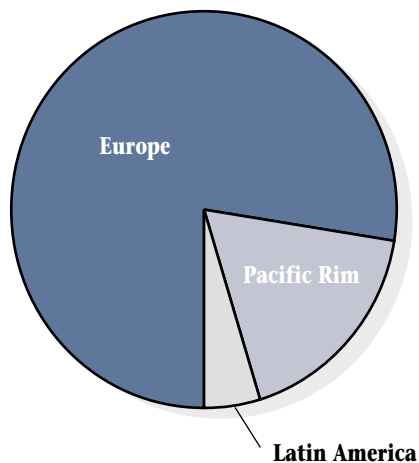
Given the quality of the holdings and the attractive valuation of the portfolio, we remain optimistic about potential price appreciation. Thank you for your continued confidence.

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# THE OAKMARK INTERNATIONAL SMALL CAP FUND

International Diversification—March 31, 2003 (Unaudited)



	<b>% of Fund Equity Market Value</b>
<b>Europe</b>	<b>77.7%</b>
Switzerland	20.6%
* France	12.7%
* Italy	11.1%
Great Britain	10.2%
Denmark	6.8%
* Germany	4.6%
Sweden	3.7%
* Netherlands	3.1%
* Spain	3.1%
* Finland	1.8%

	<b>% of Fund Equity Market Value</b>
<b>Pacific Rim</b>	<b>17.6%</b>
Australia	7.7%
Japan	3.9%
Korea	2.1%
New Zealand	1.7%
Thailand	1.0%
Philippines	0.7%
Hong Kong	0.5%
<b>Latin America</b>	<b>4.7%</b>
Mexico	4.7%

\* Euro currency countries comprise 36.4% of the Fund.

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2003 (Unaudited)

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.1%</b>			
<b>Food &amp; Beverage—6.2%</b>			
Campari Group (Italy) (a)	Soft Drinks, Wines, & Spirits Producer	226,800	\$ 7,342,196
Baron De Ley, S.A. (Spain) (a)	Wines & Spirits Manufacturer	150,985	4,558,690
Hite Brewery Co., Ltd. (Korea)	Brewer	68,000	3,125,500
Alaska Milk Corporation (Philippines) (b)	Milk Producer	49,394,000	2,122,488
Grupo Continental, S.A. (Mexico)	Soft Drink Manufacturer	1,302,100	1,727,756
			<u>18,876,630</u>
<b>Other Consumer Goods &amp; Services—0.4%</b>			
Royal Doulton plc (Great Britain) (a)(b)	Tableware & Giftware	22,373,000	\$ 1,148,018
<b>Apparel—0.3%</b>			
Kingmaker Footwear Holdings Limited (Hong Kong)	Athletic Footwear Manufacturer	4,365,000	\$ 1,040,958
<b>Automobiles—1.0%</b>			
Ducati Motor Holding S.p.A. (Italy) (a)	Motorcycle Manufacturer	2,604,562	\$ 3,179,649
<b>Broadcasting &amp; Publishing—2.3%</b>			
Tamedia AG (Switzerland)	TV Broadcasting & Publishing	184,151	\$ 7,082,992
<b>Human Resources—1.0%</b>			
DIS Deutscher Industrie Service AG (Germany)	Recruitment Consultancy Services	275,660	\$ 3,094,835
<b>Information Services—3.8%</b>			
Baycorp Advantage Limited (Australia) (b)	Credit Reference Services	15,618,000	\$ 11,515,261
<b>Marketing Services—2.2%</b>			
Asatsu-DK, Inc. (Japan)	Advertising Services Provider	397,700	\$ 6,661,184

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.1% (cont.)</b>			
<b>Publishing—4.2%</b>			
Recoletos Grupo de Comunicacion, S.A. (Spain)	Publisher	880,000	\$ 4,364,360
Edipresse S.A. (Switzerland)	Newspaper & Magazine Publisher	14,274	3,908,012
Matichon Public Company Limited, Foreign Shares (Thailand) (b)	Newspaper Publisher	2,039,500	2,998,215
VLT AB, Class B (Sweden)	Newspaper Publisher	164,750	1,361,474
			<u>12,632,061</u>
<b>Recreation &amp; Entertainment—0.1%</b>			
Konami Sports Corporation (Japan)	Fitness Centers	21,500	\$ 205,100
<b>Retail—10.7%</b>			
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	3,173,700	\$ 13,145,465
Carpetright plc (Great Britain)	Carpet Retailer	1,208,100	11,396,766
D.F.S. Furniture Company plc (Great Britain)	Furniture Retailer & Manufacturer	1,534,200	7,860,272
			<u>32,402,503</u>
<b>Bank &amp; Thrifts—5.8%</b>			
Jyske Bank A/S (Denmark) (a)	Commercial Banking	335,100	\$ 9,442,900
Vontobel Holding AG (Switzerland)	Commercial Banking	723,686	8,155,338
			<u>17,598,238</u>
<b>Financial Services—5.6%</b>			
Van der Moolen Holding N.V. (Netherlands)	International Trading Firm	883,200	\$ 8,856,730
Julius Baer Holding Ltd., Zurich (Switzerland)	Asset Management	49,790	8,149,629
			<u>17,006,359</u>
<b>Other Financial—1.5%</b>			
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	2,480,000	\$ 4,517,304

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
<b>Common Stocks—95.1% (cont.)</b>			
<b>Medical Products—3.5%</b>			
Ansell Limited (Australia) (a)	Protective Rubber & Plastics Products	3,209,525	\$ 10,745,807
<b>Telecommunications—0.2%</b>			
Asia Satellite Telecommunications Holdings Limited (Hong Kong)	Satellite Operator	389,000	\$ 501,247
<b>Computer Services—4.2%</b>			
Morse Plc (Great Britain)	Business & Technology Solutions	5,652,500	9,147,561
Alten (France) (a)	Systems Consulting & Engineering	298,141	2,138,327
Sopra Group (France)	Computer Engineering	69,127	1,419,564
			<u>12,705,452</u>
<b>Computer Systems—2.4%</b>			
Lectra (France) (a)	Manufacturing Process Systems	1,668,500	\$ 7,438,340
<b>Office Equipment—4.1%</b>			
Neopost SA (France) (a)	Mailroom Equipment Supplier	449,500	\$ 12,591,844
<b>Airport Maintenance—7.2%</b>			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (c)	Airport Operator	1,064,000	\$ 11,863,600
Kobenhavns Lufthavne A/S (Copenhagen Airports A/S) (Denmark)	Airport Management & Operations	162,700	10,148,602
			<u>22,012,202</u>
<b>Diversified Conglomerates—5.6%</b>			
Pargesa Holding AG (Switzerland)	Diversified Operations	5,374	\$ 9,292,562
Financiere Marc de Lacharriere SA (Fimalac) (France)	Diversified Operations	252,166	4,645,150
Tae Young Corp. (Korea)	Heavy Construction	125,660	3,093,787
Financiere Marc de Lacharriere SA (Fimalac), Warrants (France)		31,866	26,398
			<u>17,057,897</u>

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Description	Shares Held/ Par Value	Market Value
<b>Common Stocks—95.1% (cont.)</b>			
<b>Instruments—1.7%</b>			
Vaisala Oyj, Class A (Finland)	Atmospheric Observation Equipment	244,650	\$ 5,066,702
<b>Machinery &amp; Industrial Processing—7.4%</b>			
Pfeiffer Vacuum Technology AG (Germany) (b)	Vacuum Pump Manufacturer	543,140	\$ 10,360,396
Alfa Laval (Sweden) (a)	Filtration & Separation Equipment	1,133,100	9,230,031
Carbone Lorraine SA (France)	Electrical Systems Manufacturer	181,182	3,061,070
			<u>22,651,497</u>
<b>Other Industrial Goods &amp; Services—4.8%</b>			
Schindler Holding AG (Switzerland)	Elevator & Escalator Manufacturer	64,800	\$ 10,438,869
LISI (France)	Industrial Fastener Manufacturer	241,813	4,322,649
			<u>14,761,518</u>
<b>Production Equipment—3.2%</b>			
Interpump Group S.p.A. (Italy)	Pump & Piston Manufacturer	2,330,200	\$ 8,381,729
NSC Groupe (France)	Textile Equipment Manufacturer	12,316	1,053,819
			<u>9,435,548</u>
<b>Transportation Services—1.6%</b>			
Mainfreight Limited (New Zealand) (b)	Logistics Services	7,765,726	\$ 4,903,637
<b>Chemicals—4.1%</b>			
Gurit-Heberlein AG (Switzerland)	Chemical Producer	27,134	\$ 12,531,868
<b>Total Common Stocks (Cost: \$363,429,847)</b>			<b>289,364,651</b>
<b>Short Term Investments—4.8%</b>			
<b>U.S. Government Bills—1.6%</b>			
United States Treasury Bills, 1.155% due 4/3/2003		\$5,000,000	\$ 4,999,679
<b>Total U.S. Government Bills (Cost: \$4,999,679)</b>			<b>4,999,679</b>

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Schedule of Investments—March 31, 2003 (Unaudited) cont.

Name	Description	Par Value	Market Value
<b>Short Term Investments—4.8% (cont.)</b>			
<b>Repurchase Agreements—3.2%</b>			
	IBT Repurchase Agreement, 1.25% due 4/1/2003, repurchase price \$9,000,313 collateralized by U.S. Government Agency Securities	\$9,000,000	\$ 9,000,000
	IBT Repurchase Agreement, 1.01% due 4/1/2003, repurchase price \$800,537 collateralized by a U.S. Government Agency Security	800,515	<u>800,515</u>
	<b>Total Repurchase Agreement (Cost: \$9,800,515)</b>		<b>9,800,515</b>
	<b>Total Short Term Investments (Cost: \$14,800,194)</b>		<b>14,800,194</b>
	Total Investments (Cost \$378,230,041)—99.9%		\$ 304,164,845
	Foreign Currencies (Cost \$503,937)—0.2%		\$ 512,956
	Other Liabilities In Excess Of Other Assets—(0.1%)		<u>(351,541)</u>
	<b>Total Net Assets—100%</b>		<b><u>\$304,326,260</u></b>

- (a) Non-income producing security.
- (b) See footnote number five in the Notes to Financial Statements regarding transactions in affiliated issuers.
- (c) Represents an American Depository Receipt.



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# THE OAKMARK FAMILY OF FUNDS

## Statements of Assets and Liabilities—March 31, 2003 (Unaudited)

		The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
<b>Assets</b>				
Investments in unaffiliated securities, at value	(a)	\$ 3,671,480,929	\$ 3,841,779,095	\$ 290,976,875
Investments in affiliated securities, at value	(b)	0	292,298,022	23,573,200
Foreign currency, at value	(c)	0	0	0
Receivable for:				
Securities sold		0	0	0
Fund shares sold		6,889,803	6,382,516	184,488
Dividends and interest		4,829,571	3,807,716	234,402
Tax reclaim		0	0	0
Total receivables		11,719,374	10,190,232	418,890
Other Assets		51,879	56,440	23,144
Total assets		\$ 3,683,252,182	\$ 4,144,323,789	\$ 314,992,109
<b>Liabilities and Net Assets</b>				
Options written, at value	(d)	\$ 0	\$ 0	\$ 188,750
Payable for:				
Securities purchased		0	0	567,092
Fund shares redeemed		2,735,560	3,046,736	204,749
Due to transfer agent		292,195	179,070	43,658
Trustees fees		544,105	410,030	186,614
Other		766,454	824,393	148,733
Total liabilities		4,338,314	4,460,229	1,339,596
Net assets applicable to fund shares outstanding		\$ 3,678,913,868	\$ 4,139,863,560	\$ 313,652,513
<b>Analysis of Net Assets</b>				
Paid in capital		\$ 4,116,946,922	\$ 3,750,546,439	\$ 377,796,681
Accumulated undistributed net realized loss of investments, forward contracts and foreign currency exchange transactions		(343,611,367)	(175,709,741)	(3,621,878)
Net unrealized appreciation (depreciation) of investments		(103,968,741)	561,352,384	(59,062,483)
Net unrealized appreciation (depreciation)—other		0	0	0
Accumulated undistributed net investment income (loss)		9,547,054	3,674,478	(1,459,807)
Net assets applicable to Fund shares outstanding		\$ 3,678,913,868	\$ 4,139,863,560	\$ 313,652,513
<b>Price of Shares</b>				
Net asset value per share: Class I		\$ 28.85	\$ 23.70	\$ 13.89
Class I - Net assets		3,664,953,769	4,068,730,733	313,088,816
Class I - Shares outstanding (Unlimited shares authorized)		127,055,042	171,662,860	22,541,807
Net asset value per share: Class II		\$ 28.77	\$ 23.58	\$ 13.85
Class II - Net assets		13,960,099	71,132,827	563,697
Class II - Shares outstanding (Unlimited shares authorized)		485,279	3,017,142	40,707
(a) Identified cost of investments in unaffiliated securities		\$ 3,775,449,670	\$ 3,286,345,860	\$ 338,612,236
(b) Identified cost of investments in affiliated securities		0	286,378,873	35,094,463
(c) Identified cost of foreign currency		0	0	0
(d) Premiums received on options written		0	0	282,891

The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 2,963,846,931	\$ 209,970,018	\$ 1,485,344,934	\$ 271,116,830
0	0	152,375,660	33,048,015
0	0	0	512,956
0	318,617	10,579,811	1,000,696
10,659,247	558,458	6,412,967	302,176
11,398,865	298,076	2,819,848	450,440
0	13,594	562,724	361,218
22,058,112	1,188,745	20,375,350	2,114,530
42,773	32,049	33,705	23,133
<u>\$ 2,985,947,816</u>	<u>\$ 211,190,812</u>	<u>\$ 1,658,129,649</u>	<u>\$ 306,815,464</u>
\$ 540,000	\$ 0	\$ 0	\$ 0
37,793,289	2,356,142	8,092,863	1,407,433
2,305,610	575,474	1,725,083	755,086
104,318	26,073	94,451	25,155
199,758	136,885	249,294	155,980
555,303	109,821	432,891	145,550
41,498,278	3,204,395	10,594,582	2,489,204
<u>\$ 2,944,449,538</u>	<u>\$ 207,986,417</u>	<u>\$ 1,647,535,067</u>	<u>\$ 304,326,260</u>
\$ 3,058,797,583	\$ 244,633,226	\$ 2,106,248,041	\$ 412,081,503
(135,882,003)	(7,402,800)	(163,821,806)	(33,081,153)
14,539,384	(28,234,143)	(292,445,318)	(74,056,520)
23,911	(14,005)	(8,299)	36,655
6,970,663	(995,861)	(2,437,551)	(654,225)
<u>\$ 2,944,449,538</u>	<u>\$ 207,986,417</u>	<u>\$ 1,647,535,067</u>	<u>\$ 304,326,260</u>
\$ 17.58	\$ 11.61	\$ 11.60	\$ 9.32
2,784,554,840	206,458,649	1,581,747,844	304,096,653
158,386,765	17,782,408	136,360,017	32,620,050
\$ 17.55	\$ 11.53	\$ 11.56	\$ 9.30
159,894,698	1,527,768	65,787,223	229,607
9,113,097	132,455	5,691,889	24,691
\$ 2,949,274,531	\$ 238,217,508	\$ 1,713,903,749	\$ 321,432,371
0	0	216,298,835	56,797,670
0	0	0	503,937
506,984	0	0	0

See accompanying notes to financial statements.

# THE OAKMARK FAMILY OF FUNDS

## Statements of Operations—March 31, 2003 (Unaudited)

	The Oakmark Fund	The Oakmark Select Fund	The Oakmark Small Cap Fund
<b>Investment Income:</b>			
Dividends from unaffiliated securities	\$ 29,402,127	\$ 22,711,323	\$ 1,018,273
Dividends from affiliated securities	0	0	0
Interest Income	2,064,289	2,343,497	73,233
Other Income	20,715	20,663	0
Foreign taxes withheld	(77,176)	0	0
Total investment income	31,409,955	25,075,483	1,091,506
<b>Expenses:</b>			
Investment advisory fee	17,218,257	18,112,243	1,778,703
Transfer and dividend disbursing agent fees	1,474,294	888,918	225,397
Other shareholder servicing fees	1,236,222	857,699	117,018
Service Fee—Class II	9,583	86,510	832
Reports to shareholders	925,520	570,798	144,341
Custody and accounting fees	202,024	220,448	24,976
Registration and blue sky expenses	34,473	10,032	16,297
Trustee fees	107,771	119,993	42,958
Legal fees	28,851	30,815	11,602
Audit fees	19,804	27,568	6,148
Other	130,993	138,401	33,016
Total expenses	21,387,792	21,063,425	2,401,288
Expense reimbursement	0	0	(475)
Expense offset arrangements	(170)	(51)	(9)
Net expenses	21,387,622	21,063,374	2,400,804
<b>Net Investment Income (loss):</b>	10,022,333	4,012,109	(1,309,298)
<b>Net realized and unrealized gain (loss) on investments and foreign currency transactions:</b>			
Net realized loss on unaffiliated securities	\$ (158,398,843)	\$ (103,658,999)	(3,189,059)
Net realized loss on affiliated securities	0	(1,399,096)	0
Net realized gain on options	10,094,602	5,971,860	64,199
Net realized gain on short sales	0	2,021	0
Net realized loss on foreign currency transactions	0	0	0
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	236,544,491	445,751,502	(578,144)
Net change in appreciation (depreciation)—other	0	0	0
Net realized and unrealized gain (loss) on investments and foreign currency transactions:	88,240,250	346,667,288	(3,703,004)
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>\$ 98,262,583</u>	<u>\$ 350,679,397</u>	<u>\$ (5,012,302)</u>

The Oakmark Equity and Income Fund	The Oakmark Global Fund	The Oakmark International Fund	The Oakmark International Small Cap Fund
\$ 9,427,893	\$ 615,801	\$ 8,633,793	\$ 2,222,558
0	0	185,667	277,524
19,580,713	73,281	394,754	66,476
0	0	0	0
0	(83,443)	(677,622)	(225,867)
<u>29,008,606</u>	<u>605,639</u>	<u>8,536,592</u>	<u>2,340,691</u>
9,994,881	1,051,379	8,191,669	2,211,123
565,574	132,983	479,360	121,190
1,299,541	24,451	687,784	149,366
174,507	1,157	87,685	332
378,155	76,181	294,737	77,386
146,974	82,140	818,286	187,752
35,822	19,266	36,058	14,951
91,487	40,589	70,013	43,932
24,081	10,560	18,740	11,428
9,598	6,705	8,881	7,290
96,120	24,264	65,026	28,792
<u>12,816,740</u>	<u>1,469,675</u>	<u>10,758,239</u>	<u>2,853,542</u>
0	0	0	0
(1)	(8)	(65)	(9)
<u>12,816,739</u>	<u>1,469,667</u>	<u>10,758,174</u>	<u>2,853,533</u>
16,191,867	(864,028)	(2,221,582)	(512,842)
(56,189,358)	(6,129,940)	\$ (146,437,612)	(31,623,151)
0	0	0	(999,473)
1,855,556	4,272	0	0
0	0	0	0
(13,544)	(16,037)	(445,623)	(75,580)
120,152,749	4,577,879	69,320,199	16,278,449
24,512	(32,299)	158,108	12,759
<u>65,829,915</u>	<u>(1,596,125)</u>	<u>(77,404,928)</u>	<u>(16,406,996)</u>
<u>\$ 82,021,782</u>	<u>\$ (2,460,153)</u>	<u>\$ (79,626,510)</u>	<u>\$ (16,919,838)</u>

# THE OAKMARK FAMILY OF FUNDS

## Statements of Changes in Net Assets—March 31, 2003

	The Oakmark Fund	
	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002
<b>From Operations:</b>		
Net investment income	\$ 10,022,333	\$ 14,076,323
Net realized loss on investments	(148,304,241)	(32,394,066)
Net change in unrealized appreciation (depreciation) of investments	<u>236,544,491</u>	<u>(498,006,779)</u>
<b>Net increase (decrease) in net assets from operations</b>	<b>98,262,583</b>	<b>(516,324,522)</b>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(13,880,449)	(19,630,178)
Net investment income—Class II	<u>(29,599)</u>	<u>(447)</u>
<b>Total distributions to shareholders</b>	<b>(13,910,048)</b>	<b>(19,630,625)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	732,840,115	1,648,934,264
Proceeds from shares sold—Class II	11,327,789	10,646,454
Reinvestment of distributions—Class I	13,078,574	19,105,784
Reinvestment of distributions—Class II	700	347
Payments for shares redeemed, net of fees—Class I	(466,509,485)	(942,439,538)
Payments for shares redeemed, net of fees—Class II	<u>(4,858,193)</u>	<u>(838,834)</u>
<b>Net increase in net assets from Fund share transactions</b>	<b>285,879,500</b>	<b>735,408,477</b>
<b>Total increase in net assets</b>	<b>370,232,035</b>	<b>199,453,330</b>
<b>Net assets:</b>		
Beginning of period	<u>3,308,681,833</u>	<u>3,109,228,503</u>
End of period	<u>\$ 3,678,913,868</u>	<u>\$ 3,308,681,833</u>
Undistributed net investment income	<u>\$ 9,547,054</u>	<u>\$ 13,434,769</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	25,119,760	48,113,112
Shares issued in reinvestment of dividends	425,458	562,595
Less shares redeemed	<u>(16,039,217)</u>	<u>(28,259,864)</u>
<b>Net increase in shares outstanding</b>	<b>9,506,001</b>	<b>20,415,843</b>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	377,621	298,334
Shares issued in reinvestment of dividends	23	10
Less shares redeemed	<u>(168,190)</u>	<u>(25,887)</u>
<b>Net increase in shares outstanding</b>	<b>209,454</b>	<b>272,457</b>

## The Oakmark Select Fund

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002
<b>From Operations:</b>		
Net investment income	\$ 4,012,109	\$ 4,018,416
Net realized loss on investments	(99,084,214)	(29,674,087)
Net change in unrealized appreciation (depreciation) of investments	<u>445,751,502</u>	<u>(635,685,201)</u>
<b>Net increase (decrease) in net assets from operations</b>	<u>350,679,397</u>	<u>(661,340,872)</u>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	<u>(3,934,083)</u>	<u>(8,379,997)</u>
<b>Total distributions to shareholders</b>	<u>(3,934,083)</u>	<u>(8,379,997)</u>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	382,218,467	1,260,687,129
Proceeds from shares sold—Class II	13,763,583	74,250,948
Reinvestment of distributions—Class I	3,705,037	7,956,922
Payments for shares redeemed, net of fees—Class I	(375,723,725)	(1,056,777,332)
Payments for shares redeemed, net of fees—Class II	<u>(12,897,447)</u>	<u>(31,085,298)</u>
<b>Net increase in net assets from Fund share transactions</b>	<u>11,065,915</u>	<u>255,032,369</u>
<b>Total increase (decrease) in net assets</b>	<u>357,811,229</u>	<u>(414,688,500)</u>
<b>Net assets:</b>		
Beginning of period	<u>3,782,052,331</u>	<u>4,196,740,831</u>
End of period	<u>\$ 4,139,863,560</u>	<u>\$ 3,782,052,331</u>
Undistributed net investment income	<u>\$ 3,674,478</u>	<u>\$ 3,596,452</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	16,186,589	47,211,312
Shares issued in reinvestment of dividends	150,611	299,856
Less shares redeemed	<u>(16,242,637)</u>	<u>(41,080,996)</u>
<b>Net increase in shares outstanding</b>	<u>94,563</u>	<u>6,430,172</u>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	587,838	2,801,878
Less shares redeemed	<u>(558,024)</u>	<u>(1,223,864)</u>
<b>Net increase in shares outstanding</b>	<u>29,814</u>	<u>1,578,014</u>

# THE OAKMARK FAMILY OF FUNDS

## Statements of Changes in Net Assets—March 31, 2003 (cont.)

	The Oakmark Small Cap Fund	
	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002
<b>From Operations:</b>		
Net investment loss	\$ (1,309,298)	\$ (2,748,950)
Net realized gain (loss) on investments	(3,124,860)	325,855
Net change in unrealized appreciation (depreciation) of investments	<u>(578,144)</u>	<u>(51,515,515)</u>
<b>Net decrease in net assets from operations</b>	<b>(5,012,302)</b>	<b>(53,938,610)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	26,636,066	326,865,529
Proceeds from shares sold—Class II	69,756	777,070
Payments for shares redeemed, net of fees—Class I	(65,405,259)	(180,818,640)
Payments for shares redeemed, net of fees—Class II	<u>(29,837)</u>	<u>(103,465)</u>
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<b>(38,729,274)</b>	<b>146,720,494</b>
<b>Total increase (decrease) in net assets</b>	<b>(43,741,576)</b>	<b>92,781,884</b>
<b>Net assets:</b>		
Beginning of period	<u>357,394,089</u>	<u>264,612,205</u>
End of period	<u>\$ 313,652,513</u>	<u>\$ 357,394,089</u>
Undistributed net investment loss	<u>\$ (1,459,807)</u>	<u>\$ (150,509)</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	1,792,990	17,912,470
Less shares redeemed	<u>(4,553,725)</u>	<u>(10,773,500)</u>
<b>Net increase (decrease) in shares outstanding</b>	<b><u>(2,760,735)</u></b>	<b><u>7,138,970</u></b>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	4,808	44,265
Less shares redeemed	<u>(2,075)</u>	<u>(6,291)</u>
<b>Net increase in shares outstanding</b>	<b><u>2,733</u></b>	<b><u>37,974</u></b>

## The Oakmark Equity and Income Fund

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002
<b>From Operations:</b>		
Net investment income	\$ 16,191,867	\$ 28,439,569
Net realized loss on investments	(54,333,802)	(81,982,611)
Net realized loss on foreign currency transactions	(13,544)	(2,938)
Net change in unrealized appreciation (depreciation) of investments	120,152,749	(107,419,745)
Net change in unrealized appreciation (depreciation)—other	<u>24,512</u>	<u>(601)</u>
<b>Net increase (decrease) in net assets from operations</b>	<b>82,021,782</b>	<b>(160,966,326)</b>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(33,616,009)	(6,931,173)
Net investment income—Class II	(1,569,428)	(90,128)
Net realized gain—Class I	0	(1,870,660)
Net realized gain—Class II	<u>0</u>	<u>(33,869)</u>
<b>Total distributions to shareholders</b>	<b>(35,185,437)</b>	<b>(8,925,830)</b>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	837,795,266	2,457,322,254
Proceeds from shares sold—Class II	57,222,008	146,887,453
Reinvestment of distributions—Class I	32,429,177	8,525,720
Reinvestment of distributions—Class II	321,834	85,801
Payments for shares redeemed, net of fees—Class I	(371,537,064)	(683,906,125)
Payments for shares redeemed, net of fees—Class II	<u>(19,205,031)</u>	<u>(21,792,340)</u>
<b>Net increase in net assets from Fund share transactions</b>	<b>537,026,190</b>	<b>1,907,122,763</b>
<b>Total increase in net assets</b>	<b>583,862,535</b>	<b>1,737,230,607</b>
<b>Net assets:</b>		
Beginning of period	2,360,587,003	623,356,396
End of period	<u>\$ 2,944,449,538</u>	<u>\$ 2,360,587,003</u>
Undistributed net investment income	<u>\$ 6,970,663</u>	<u>\$ 25,964,233</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	47,222,401	132,277,123
Shares issued in reinvestment of dividends	1,796,630	477,891
Less shares redeemed	<u>(21,140,125)</u>	<u>(37,783,411)</u>
<b>Net increase in shares outstanding</b>	<b>27,878,906</b>	<b>94,971,603</b>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	3,262,197	7,935,953
Shares issued in reinvestment of dividends	17,840	4,809
Less shares redeemed	<u>(1,091,224)</u>	<u>(1,205,519)</u>
<b>Net increase in shares outstanding</b>	<b>2,188,813</b>	<b>6,735,243</b>

# THE OAKMARK FAMILY OF FUNDS

## Statements of Changes in Net Assets—March 31, 2003 (cont.)

	The Oakmark Global Fund	
	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002
<b>From Operations:</b>		
Net investment loss	\$ (864,028)	\$ (18,547)
Net realized loss on investments	(6,125,668)	(1,261,095)
Net realized loss on foreign currency transactions	(16,037)	(37,184)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	4,577,879	(30,244,164)
Net change in unrealized appreciation (depreciation)—other	(32,299)	18,109
<b>Net decrease in net assets from operations</b>	<u>(2,460,153)</u>	<u>(31,542,881)</u>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	0	(11,774)
Net investment income—Class II	0	(61)
Net realized gain—Class I	0	(1,361,493)
Net realized gain—Class II	0	(7,099)
<b>Total distributions to shareholders</b>	<u>0</u>	<u>(1,380,427)</u>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	98,825,170	228,014,650
Proceeds from shares sold—Class II	2,092,945	754,996
Reinvestment of distributions—Class I	0	1,321,517
Payments for shares redeemed, net of fees—Class I	(65,567,941)	(69,082,440)
Payments for shares redeemed, net of fees—Class II	(1,117,405)	(75,625)
<b>Net increase in net assets from Fund share transactions</b>	<u>34,232,769</u>	<u>160,933,098</u>
<b>Total increase in net assets</b>	31,772,616	128,009,790
<b>Net assets:</b>		
Beginning of period	176,213,801	48,204,011
End of period	<u>\$ 207,986,417</u>	<u>\$ 176,213,801</u>
Undistributed net investment loss	<u>\$ (995,861)</u>	<u>\$ (131,833)</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	7,789,209	16,329,528
Shares issued in reinvestment of dividends	0	108,677
Less shares redeemed	(5,551,504)	(5,343,294)
<b>Net increase in shares outstanding</b>	<u>2,237,705</u>	<u>11,094,911</u>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	166,517	61,020
Less shares redeemed	(88,554)	(6,528)
<b>Net increase in shares outstanding</b>	<u>77,963</u>	<u>54,492</u>

## The Oakmark International Fund

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002
<b>From Operations:</b>		
Net investment income (loss)	\$ (2,221,582)	\$ 16,380,565
Net realized loss on investments	(146,437,612)	(2,111,019)
Net realized loss on foreign currency transactions	(445,623)	(744,096)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	69,320,199	(199,327,235)
Net change in unrealized appreciation (depreciation)—other	<u>158,108</u>	<u>(155,750)</u>
<b>Net decrease in net assets from operations</b>	<u>(79,626,510)</u>	<u>(185,957,535)</u>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(15,118,993)	(10,170,790)
Net investment income—Class II	(515,254)	(76,332)
<b>Total distributions to shareholders</b>	<u>(15,634,247)</u>	<u>(10,247,122)</u>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	571,365,016	1,172,930,611
Proceeds from shares sold—Class II	44,407,329	71,056,423
Reinvestment of distributions—Class I	13,994,141	9,816,822
Reinvestment of distributions—Class II	172,223	1,669
Payments for shares redeemed, net of fees—Class I	(306,394,119)	(339,595,271)
Payments for shares redeemed, net of fees—Class II	<u>(23,012,460)</u>	<u>(16,218,827)</u>
<b>Net increase in net assets from Fund share transactions</b>	<u>300,532,130</u>	<u>897,991,427</u>
<b>Total increase in net assets</b>	205,271,373	701,786,770
<b>Net assets:</b>		
Beginning of period	<u>1,442,263,694</u>	<u>740,476,924</u>
End of period	<u>\$ 1,647,535,067</u>	<u>\$ 1,442,263,694</u>
Undistributed net investment income (loss)	<u>\$ (2,437,551)</u>	<u>\$ 15,418,278</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	45,236,397	78,310,031
Shares issued in reinvestment of dividends	1,050,611	726,633
Less shares redeemed	<u>(24,465,210)</u>	<u>(23,511,785)</u>
<b>Net increase in shares outstanding</b>	<u>21,821,798</u>	<u>55,524,879</u>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	3,517,795	4,928,274
Shares issued in reinvestment of dividends	12,959	124
Less shares redeemed	<u>(1,833,975)</u>	<u>(1,088,826)</u>
<b>Net increase in shares outstanding</b>	<u>1,696,779</u>	<u>3,839,572</u>

# THE OAKMARK FAMILY OF FUNDS

## Statements of Changes in Net Assets—March 31, 2003 (cont.)

	The Oakmark International Small Cap Fund	
	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002
<b>From Operations:</b>		
Net investment income (loss)	\$ (512,842)	\$ 4,016,566
Net realized gain (loss) on investments	(32,622,624)	12,083,383
Net realized gain (loss) on foreign currency transactions	(75,580)	(31,834)
Net change in unrealized appreciation (depreciation) of investments and foreign currencies	16,278,449	(70,664,400)
Net change in unrealized appreciation (depreciation)—other	12,759	21,128
<b>Net decrease in net assets from operations</b>	<u>(16,919,838)</u>	<u>(54,575,157)</u>
<b>Distributions to shareholders from:</b>		
Net investment income—Class I	(3,076,327)	(2,120,585)
Net investment income—Class II	(1,637)	(921)
Net realized gain—Class I	(9,181,861)	(1,891,258)
Net realized gain—Class II	(6,548)	(1,136)
<b>Total distributions to shareholders</b>	<u>(12,266,373)</u>	<u>(4,013,900)</u>
<b>From Fund share transactions:</b>		
Proceeds from shares sold—Class I	56,643,845	428,499,905
Proceeds from shares sold—Class II	626,435	333,324
Reinvestment of distributions—Class I	11,533,652	3,875,545
Reinvestment of distributions—Class II	4,554	0
Payments for shares redeemed, net of fees—Class I	(92,630,672)	(134,986,731)
Payments for shares redeemed, net of fees—Class II	(671,511)	(34,570)
<b>Net increase (decrease) in net assets from Fund share transactions</b>	<u>(24,493,697)</u>	<u>297,687,473</u>
<b>Total increase (decrease) in net assets</b>	<u>(53,679,908)</u>	<u>239,098,416</u>
<b>Net assets:</b>		
Beginning of period	358,006,168	118,907,752
End of period	<u>\$ 304,326,260</u>	<u>\$ 358,006,168</u>
Undistributed net investment income (loss)	<u>\$ (654,225)</u>	<u>\$ 2,936,581</u>
<b>Fund Share Transactions—Class I:</b>		
Shares sold	5,509,406	34,412,757
Shares issued in reinvestment of dividends	1,095,314	375,172
Less shares redeemed	(9,157,971)	(11,505,764)
<b>Net increase (decrease) in shares outstanding</b>	<u>(2,553,251)</u>	<u>23,282,165</u>
<b>Fund Share Transactions—Class II:</b>		
Shares sold	58,755	27,354
Shares issued in reinvestment of dividends	433	0
Less shares redeemed	(62,773)	(2,766)
<b>Net increase (decrease) in shares outstanding</b>	<u>(3,585)</u>	<u>24,588</u>

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements (Unaudited)

### 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 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 Funds. 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.

#### Security valuation—

Investments are stated at 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. Effective April 14, 2003, securities traded on the NASDAQ National Market shall be valued at the NASDAQ Official Closing Price ("NOCP"), or if lacking a NOCP, at the most recent bid quotation on the NASDAQ National Market. 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, or securities which may have been affected by a significant event after the price was determined, 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 securities.

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 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, 2003, the Equity and Income, Global, International and Int'l Small Cap Funds had foreign currency transactions. Net unrealized appreciation (depreciation) - other includes the following components:

	Equity & Income	Global	International	Int'l Small Cap
Unrealized appreciation (depreciation) on dividends and dividend reclaims receivable	\$23,911	\$ 1,278	\$ 53,818	\$43,470
Unrealized appreciation (depreciation) on open securities purchases and sales	0	(15,283)	(62,117)	(6,815)
Net Unrealized appreciation (depreciation) - Other	<u>\$23,911</u>	<u>\$ (14,005)</u>	<u>\$ (8,299)</u>	<u>\$36,655</u>

#### Security transactions and investment income —

Security transactions are accounted for on the trade date (date the order to buy or sell is executed) and dividend income is recorded on the ex-dividend date. Interest income and expenses are recorded on an accrual basis. Bond discount is accreted and premium is amortized over the expected life of each applicable security.

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements (Unaudited) (cont.)

### Forward foreign currency contracts—

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. At March 31, 2003, the Funds had no forward foreign currency contracts outstanding.

### Distributions to shareholders—

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 accumulated undistributed net realized gain (loss). 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 \$350 million. Borrowings under this arrangement bear interest at .45% above the Federal Funds Effective Rate. For the period ended March 31, 2003, there were no outstanding borrowings.

### Accounting for Options—

When a 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, 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.

When a Fund purchases an option, the premium paid by the Fund is recorded as a deferred credit and is subsequently adjusted to the current market value of the option purchased. Purchasing call options tends to increase the Fund's exposure to the underlying instrument. Purchasing put options tends to decrease the Fund's exposure to the underlying instrument. Premiums paid for purchasing options which expire are treated as realized losses. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying security to determine the realized gain or loss. The risk associated with purchasing put and call options is potential loss of the premium paid.

For the period ended March 31, 2003, Oakmark, Select, Small Cap, Equity & Income, and Global wrote option contracts. At March 31, 2003, Small Cap and Equity & Income had outstanding option contracts. Portfolio securities valued at \$2,953,500 and \$8,760,000, respectively, were being held in escrow by the custodian as cover for options written by Small Cap and Equity & Income.

## 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. Each fee is calculated on the total net assets as determined at the end of each preceding calendar month. Annual fee rates are as follows:

Fund	Advisory Fees	Fund	Advisory Fees
Oakmark	1.00% up to \$2 billion; 0.90% on the next \$1 billion; 0.80% on the next \$2 billion; and 0.75% over \$5 billion	Equity and Income	0.75%
Select	1.00% up to \$1 billion; 0.95% on the next \$500 million; 0.90% on the next \$500 million; 0.85% on the next \$500 million; 0.80% on the next \$2.5 billion; and 0.75% over \$5 billion	Global	1.00%
Small Cap	1.00%	International	1.00% up to \$2 billion; 0.95% on the next \$1 billion; and 0.85% over \$3 billion
		Int'l Small Cap	1.25% up to \$500 million; and 1.10% over \$500 million

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements (Unaudited) (cont.)

The Adviser has voluntarily agreed to reimburse the Funds to the extent that annual expenses are greater than 1.0% for Class I shares of the Equity and Income Fund, and greater than 1.5% for Class I shares of all other domestic funds; are greater than 1.75% for Class I shares of the Global Fund, and greater than 2.0% for Class I shares of all other international funds; are greater than 1.25% for Class II shares of the Equity and Income Fund, and greater than 1.75% for Class II shares of all other domestic funds; are greater than 2.0% for Class II shares of the Global Fund, and greater than 2.25% for Class II shares of all other international funds.

For the period ended March 31, 2003, the Funds incurred brokerage commissions while paying affiliates of the Adviser the following:

<u>Fund</u>	<u>Total Commissions</u>	<u>Commissions Paid to Affiliates</u>
Oakmark	\$2,870,378	\$658,169
Select	2,184,237	300,906
Small Cap	220,251	42,539
Equity and Income	2,184,279	436,771
Global	497,540	60,114
International	2,430,111	0
Int'l Small Cap	509,184	0

CDC IXIS Asset Management Services Co., an affiliate of the adviser, provides transfer agent services to the Funds. For the period ended March 31, 2003, the Funds incurred transfer agent expenses of the following:

<u>Fund</u>	<u>Transfer Agent fees</u>
Oakmark	\$1,474,294
Select	888,918
Small Cap	225,397
Equity and Income	565,574
Global	132,983
International	479,360
Int'l Small Cap	121,190

The Funds' independent 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.

### 3. FEDERAL INCOME TAXES

It is the policy of each Fund to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its net taxable income, including any net realized gains on investments, to its shareholders. Therefore, no federal income tax provision is required.

<u>Fund</u>	<u>Cost of Investments for Federal Income Tax Purposes</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized (Depreciation)</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
Oakmark	\$3,775,449,670	\$362,704,241	\$(466,672,982)	\$(103,968,741)
Select	3,572,724,733	891,068,123	(329,715,739)	561,352,384
Small Cap	373,706,699	43,390,587	(102,547,211)	(59,156,624)
Equity and Income	2,949,274,531	190,373,001	(175,800,601)	14,572,400
Global	238,217,508	6,520,115	(34,767,605)	(28,247,490)
International	1,930,202,584	60,890,624	(353,372,614)	(292,481,990)
Int'l Small Cap	378,230,041	10,309,767	(84,374,963)	(74,065,196)

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements (Unaudited) (cont.)

### 4. INVESTMENT TRANSACTIONS

Transactions in investment securities (excluding short term and U.S. Government securities) were as follows (in thousands):

	Oakmark	Select	Small Cap	Equity & Income	Global	International	Int'l Small Cap
Purchases	\$766,470	\$595,410	\$15,476	\$708,563	\$112,341	\$595,319	\$55,221
Proceeds from sales	540,648	602,489	59,536	292,527	79,445	309,444	91,505

Purchases at cost and proceeds from sales of long-term U.S. Government securities for the period ended March 31, 2003 were \$561,195 and \$463,281, respectively for Equity and Income.

Transactions in options written during the period ended March 31, 2003 were as follows:

	Oakmark		Select		Small Cap	
	Number of Contracts	Premiums Received	Number of Contracts	Premiums Received	Number of Contracts	Premiums Received
Options outstanding at September 30, 2002	0	\$ 0	0	\$ 0	0	\$ 0
Options written	160,300	16,308,877	193,195	69,845,048	3,900	498,248
Options terminated in closing purchase transactions	(5,837)	(966,608)	(3,310)	(328,101)	0	0
Options expired	(95,418)	(9,248,448)	(63,673)	(5,731,954)	(400)	(64,198)
Options exercised	(59,045)	(6,093,821)	(126,212)	(63,784,993)	(1,000)	(151,159)
Options outstanding at March 31, 2003	0	\$ 0	0	\$ 0	2,500	\$ 282,891

	Equity & Income		Global	
	Number of Contracts	Premiums Received	Number of Contracts	Premiums Received
Options outstanding at September 30, 2002	10,190	\$ 638,100	0	\$ 0
Options written	15,500	2,904,921	4,223	868,556
Options terminated in closing purchase transactions	(1,500)	(545,488)	(2,100)	(303,317)
Options expired	(16,190)	(1,704,568)	(673)	(182,128)
Options exercised	(4,000)	(785,981)	(1,450)	(383,111)
Options outstanding at March 31, 2003	4,000	\$ 506,984	0	\$ 0

### 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 for the period ended March 31, 2003, 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, 2003
The Dun & Bradstreet Corporation	\$ 0	\$28,311,773	\$0	\$173,459,925
Toys 'R' Us, Inc.	20,391,707	6,542,802	0	118,838,097
TOTALS	\$20,391,707	\$34,854,575	\$0	\$292,298,022

# THE OAKMARK FAMILY OF FUNDS

## Notes to Financial Statements (Unaudited) (cont.)

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

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2003
Department 56, Inc.	\$ 0	\$0	\$0	\$ 7,463,200
R.G. Barry Corporation	0	0	0	2,070,000
SureBeam Corporation, Class A	1,497,000	0	0	14,040,000
TOTALS	\$1,497,000	\$0	\$0	\$23,573,200

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

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2003
Chargeurs SA	\$ 0	\$0	\$102,678	\$ 26,328,539
Enodis plc	0	0	0	17,498,640
Giordano International Limited	7,084,872	0	0	25,782,770
Lotte Chilsung Beverage Co., Ltd.	7,307,684	0	82,989	25,853,285
Michael Page International plc	5,519,118	0	0	34,173,458
Orbotech, Ltd.	2,161,360	0	0	22,738,968
TOTALS	\$22,073,034	\$0	\$185,667	\$152,375,660

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

Affiliates	Purchase (Cost)	Sales Proceeds	Dividend Income	Market Value March 31, 2003
Alaska Milk Corporation	\$ 0	\$ 0	\$139,468	\$ 2,122,488
Baycorp Advantage Limited	11,759,164	0	0	11,515,261
Mainfreight Limited	0	0	138,056	4,903,637
Matichon Public Company Limited, Foreign Shares	0	0	0	2,998,215
Pfeiffer Vacuum Technology AG	1,090,531	1,091,110	0	10,360,396
Royal Doulton plc	0	0	0	1,148,018
TOTALS	\$12,849,695	\$1,091,110	\$277,524	\$33,048,015

# THE OAKMARK FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999	Year Ended September 30, 1998
Net Asset Value, Beginning of Period	\$ 28.08	\$ 32.01	\$ 26.95	\$ 34.37	\$ 33.54	\$ 41.21
Income From Investment Operations:						
Net Investment Income	0.07	0.12	0.07	0.49	0.36	0.47
Net Gains or Losses on Securities (both realized and unrealized)	0.81	(3.85)	5.38	(2.91)	2.51	(1.73)
Total From Investment Operations:	0.88	(3.73)	5.45	(2.42)	2.87	(1.26)
Less Distributions:						
Dividends (from net investment income)	(0.11)	(0.20)	(0.39)	(0.26)	(0.44)	(0.40)
Distributions (from capital gains)	0.00	0.00	0.00	(4.74)	(1.60)	(6.01)
Total Distributions	(0.11)	(0.20)	(0.39)	(5.00)	(2.04)	(6.41)
Net Asset Value, End of Period	\$ 28.85	\$ 28.08	\$ 32.01	\$ 26.95	\$ 34.37	\$ 33.54
Total Return	3.12%	(11.77)%	20.42%	(7.55)%	7.98%	(4.06)%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$3,665.0	\$3,300.9	\$3,109.1	\$2,038.7	\$4,772.8	\$6,924.0
Ratio of Expenses to Average Net Assets	1.16%*	1.17%	1.15%	1.21%	1.11%	1.08%
Ratio of Net Investment Income to Average Net Assets	0.54%*	0.38%	0.73%	1.42%	1.02%	1.22%
Portfolio Turnover Rate	16%	44%	57%	50%	13%	43%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002	April 5, 2001 through September 30, 2001 (a)
Net Asset Value, Beginning of Period	\$28.04	\$ 31.97	\$32.09
Income From Investment Operations:			
Net Investment Income	0.05	0.16	0.05
Net Gains or Losses on Securities (both realized and unrealized)	0.78	(3.92)	(0.17)
Total From Investment Operations:	0.83	(3.76)	(0.12)
Less Distributions:			
Dividends (from net investment income)	(0.10)	(0.17)	0.00
Distributions (from capital gains)	0.00	0.00	0.00
Total Distributions	(0.10)	(0.17)	0.00
Net Asset Value, End of Period	\$28.77	\$ 28.04	\$31.97
Total Return	2.95%	(11.85)%	(0.37)%
Ratios/Supplemental Data:			
Net Assets, End of Period (\$million)	\$ 14.0	\$ 7.7	\$ 0.1
Ratio of Expenses to Average Net Assets	1.43%*	1.44%	1.32%*
Ratio of Net Investment Income to Average Net Assets	0.27%*	0.35%	0.46%*
Portfolio Turnover Rate	16%	44%	57%

\* Data has been annualized.

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

# THE OAKMARK SELECT FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999	Year Ended September 30, 1998
Net Asset Value, Beginning of Period	\$ 21.67	\$ 25.20	\$ 21.45	\$ 20.92	\$ 16.76	\$ 16.34
Income From Investment Operations:						
Net Investment Income	0.02	0.02	0.03	0.13	0.19	0.03
Net Gains or Losses on Securities (both realized and unrealized)	<u>2.03</u>	<u>(3.50)</u>	<u>5.17</u>	<u>4.32</u>	<u>4.73</u>	<u>0.56</u>
Total From Investment Operations:	2.05	(3.48)	5.20	4.45	4.92	0.59
Less Distributions:						
Dividends (from net investment income)	(0.02)	(0.05)	(0.09)	(0.20)	(0.05)	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>(1.36)</u>	<u>(3.72)</u>	<u>(0.71)</u>	<u>(0.17)</u>
Total Distributions	<u>(0.02)</u>	<u>(0.05)</u>	<u>(1.45)</u>	<u>(3.92)</u>	<u>(0.76)</u>	<u>(0.17)</u>
Net Asset Value, End of Period	<u>\$ 23.70</u>	<u>\$ 21.67</u>	<u>\$ 25.20</u>	<u>\$ 21.45</u>	<u>\$ 20.92</u>	<u>\$ 16.76</u>
Total Return	9.47%	(13.85)%	25.75%	24.53%	30.07%	3.64%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$4,068.7	\$3,717.6	\$4,161.4	\$1,772.0	\$1,638.9	\$1,227.9
Ratio of Expenses to Average Net Assets	1.03%*	1.07%	1.08%	1.17%	1.16%	1.22%
Ratio of Net Investment Income to Average Net Assets	0.20%*	0.09%	0.26%	0.76%	0.98%	0.17%
Portfolio Turnover Rate	16%	32%	21%	69%	67%	56%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002	Year Ended September 30, 2001	December 31, 1999 through September 30, 2000 (a)
Net Asset Value, Beginning of Period	\$21.56	\$ 25.10	\$21.40	\$18.42
Income From Investment Operations:				
Net Investment Income (Loss)	(0.01)	(0.04)	0.00	0.10
Net Gains or Losses on Securities (both realized and unrealized)	<u>2.03</u>	<u>(3.50)</u>	<u>5.10</u>	<u>2.88</u>
Total From Investment Operations:	2.02	(3.54)	5.10	2.98
Less Distributions:				
Dividends (from net investment income)	0.00	0.00	(0.06)	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>(1.34)</u>	<u>0.00</u>
Total Distributions	<u>0.00</u>	<u>0.00</u>	<u>(1.40)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$23.58</u>	<u>\$ 21.56</u>	<u>\$25.10</u>	<u>\$21.40</u>
Total Return	9.37%	(14.10)%	25.28%	16.18%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$million)	\$ 71.1	\$ 64.4	\$ 35.4	\$ 6.8
Ratio of Expenses to Average Net Assets	1.33%*	1.36%	1.40%	1.41%*
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.10)%*	(0.19)%	(0.08)%	0.59%*
Portfolio Turnover Rate	16%	32%	21%	69%

\* Data has been annualized.

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

# THE OAKMARK SMALL CAP FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999	Year Ended September 30, 1998
Net Asset Value, Beginning of Period	\$14.10	\$14.57	\$15.10	\$13.88	\$12.63	\$ 20.34
Income From Investment Operations:						
Net Investment Income (Loss)	(0.06)	(0.11)	0.00	0.00	0.14	(0.12)
Net Gains or Losses on Securities (both realized and unrealized)	<u>(0.15)</u>	<u>(0.36)</u>	<u>(0.02)</u>	<u>1.22</u>	<u>1.20</u>	<u>(4.73)</u>
Total From Investment Operations:	(0.21)	(0.47)	(0.02)	1.22	1.34	(4.85)
Less Distributions:						
Dividends (from net investment income)	0.00	0.00	0.00	0.00	0.00	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>(0.51)</u>	<u>0.00</u>	<u>(0.09)</u>	<u>(2.86)</u>
Total Distributions	0.00	0.00	(0.51)	0.00	(0.09)	(2.86)
Net Asset Value, End of Period	<u>\$13.89</u>	<u>\$14.10</u>	<u>\$14.57</u>	<u>\$15.10</u>	<u>\$13.88</u>	<u>\$ 12.63</u>
Total Return	(1.49)%	(3.23)%	0.07%	8.79%	10.56%	(26.37)%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$313.1	\$356.9	\$264.6	\$248.7	\$437.1	\$ 618.0
Ratio of Expenses to Average Net Assets	1.37%*	1.33%	1.27%	1.50%(a)	1.48%	1.45%
Ratio of Net Investment Loss to Average Net Assets	(0.75)%*	(0.67)%	(0.28)%	(0.41)% (a)	(0.44)%	(0.40)%
Portfolio Turnover Rate	5%	22%	47%	28%	68%	34%

\* Data has been annualized.

(a) If the Fund had paid all of its expenses and there had been no expense reimbursement by the Advisers, 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)%

# THE OAKMARK SMALL CAP FUND

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	April 10, 2002 through September 30, 2002 (a)
Net Asset Value, Beginning of Period	\$14.09	\$ 19.71
Income From Investment Operations:		
Net Investment Loss	(0.06)	(0.20)(b)
Net Gains or Losses on Securities (both realized and unrealized)	<u>(0.18)</u>	<u>(5.42)</u>
Total From Investment Operations:	<u>(0.24)</u>	<u>(5.62)</u>
Net Asset Value, End of Period	<u>\$13.85</u>	<u>\$ 14.09</u>
Total Return	(1.70)%	\$(28.51)%
Ratios/Supplemental Data:		
Net Assets, End of Period (\$million)	\$ 0.6	\$ 0.5
Ratio of Expenses to Average Net Assets	1.75%*(c)	1.48%*
Ratio of Net Investment Loss to Average Net Assets	(1.13)%*(c)	(0.85)%*
Portfolio Turnover Rate	5%	22%

\* Data has been annualized.

(a) The date which Class II shares were first sold to the public was April 10, 2002.

(b) Computed using average shares outstanding throughout the period.

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

	March 31, 2003
Ratio of Expenses to Average Net Assets	1.92%*
Ratio of Net Income (loss) to Average Net Assets	(1.30)%*

# THE OAKMARK EQUITY AND INCOME FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999	Year Ended September 30, 1998
Net Asset Value, Beginning of Period	\$ 17.18	\$ 17.45	\$16.50	\$15.68	\$13.99	\$14.49
Income From Investment Operations:						
Net Investment Income	0.09	0.33(a)	0.08	0.35	0.39	0.29
Net Gains or Losses on Securities (both realized and unrealized)	<u>0.55</u>	<u>(0.40)</u>	<u>2.11</u>	<u>2.28</u>	<u>1.72</u>	<u>0.04</u>
Total From Investment Operations:	0.64	(0.07)	2.19	2.63	2.11	0.33
Less Distributions:						
Dividends (from net investment income)	(0.24)	(0.16)	(0.24)	(0.45)	(0.21)	(0.24)
Distributions (from capital gains)	<u>0.00</u>	<u>(0.04)</u>	<u>(1.00)</u>	<u>(1.36)</u>	<u>(0.21)</u>	<u>(0.59)</u>
Total Distributions	<u>(0.24)</u>	<u>(0.20)</u>	<u>(1.24)</u>	<u>(1.81)</u>	<u>(0.42)</u>	<u>(0.83)</u>
Net Asset Value, End of Period	<u>\$ 17.58</u>	<u>\$ 17.18</u>	<u>\$17.45</u>	<u>\$16.50</u>	<u>\$15.68</u>	<u>\$13.99</u>
Total Return	3.70%	(0.47)%	14.40%	18.51%	15.32%	2.57%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$2,784.6	\$2,241.9	\$620.1	\$ 54.5	\$ 60.3	\$ 57.7
Ratio of Expenses to Average Net Assets	0.94%*	0.96%	0.98%	1.24%	1.18%	1.31%
Ratio of Net Investment Income to Average Net Assets	1.21%*	1.71%	2.07%	3.04%	2.65%	2.39%
Portfolio Turnover Rate	30%	73%	124%	87%	81%	46%

## Financial Highlights - Class II

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002	Year Ended September 30, 2001	July 13, 2000 through September 30, 2000 (b)
Net Asset Value, Beginning of Period	\$17.15	\$17.40	\$16.49	\$15.51
Income From Investment Operations:				
Net Investment Income	0.09	0.30(a)	0.07	0.30
Net Gains or Losses on Securities (both realized and unrealized)	<u>0.53</u>	<u>(0.40)</u>	<u>2.08</u>	<u>0.68</u>
Total From Investment Operations:	0.62	(0.10)	2.15	0.98
Less Distributions:				
Dividends (from net investment income)	(0.22)	(0.11)	(0.24)	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>(0.04)</u>	<u>(1.00)</u>	<u>0.00</u>
Total Distributions	<u>(0.22)</u>	<u>(0.15)</u>	<u>(1.24)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$17.55</u>	<u>\$17.15</u>	<u>\$17.40</u>	<u>\$16.49</u>
Total Return	3.58%	(0.60)%	14.07%	6.32%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$million)	\$159.9	\$118.7	\$ 3.3	\$ 0.4
Ratio of Expenses to Average Net Assets	1.18%*	1.20%	1.23%	1.32%*
Ratio of Net Investment Income to Average Net Assets	0.97%*	1.50%	1.95%	2.59%*
Portfolio Turnover Rate	30%	73%	124%	87%

\* Data has been annualized.

(a) Computed using average shares outstanding throughout the period.

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

# THE OAKMARK GLOBAL FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	August 4, 1999 through September 30, 1999 (a)
Net Asset Value, Beginning of Period	\$11.30	\$10.83	\$10.91	\$ 9.18	\$10.00
Income From Investment Operations:					
Net Investment Income (Loss)	(0.05)	0.00(b)(c)	0.03	0.11	0.01
Net Gains or Losses on Securities (both realized and unrealized)	<u>0.36(d)</u>	<u>0.76(d)</u>	<u>0.12</u>	<u>1.63</u>	<u>(0.83)</u>
Total From Investment Operations:	0.31	0.76	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>0.00</u>	<u>(0.29)</u>	<u>(0.06)</u>	<u>0.00</u>	<u>0.00</u>
Total Distributions	<u>0.00</u>	<u>(0.29)</u>	<u>(0.23)</u>	<u>(0.01)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$11.61</u>	<u>\$11.30</u>	<u>\$10.83</u>	<u>\$10.91</u>	<u>\$ 9.18</u>
Total Return	2.74%	6.84%	1.37%	18.97%	(8.20)%
Ratios/Supplemental Data:					
Net Assets, End of Period (\$million)	\$206.5	\$175.6	\$ 48.2	\$ 27.2	\$ 24.0
Ratio of Expenses to Average Net Assets	1.39%*	1.55%	1.75%(e)	1.75%(e)	1.75%*(e)
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.82)%*	(0.01)%	0.00(e)	0.54%(e)	0.98%*(e)
Portfolio Turnover Rate	40%	86%	114%	147%	7%

\* Data has been annualized.

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

(b) Amount rounds to less than \$(0.01) per share.

(c) Computed using average shares outstanding throughout the period.

(d) The amount shown for a share outstanding does not correspond with the aggregate net realized and unrealized gain/loss for the period due to the timing of purchases and redemptions of Fund shares in relation to the fluctuating market values of the Fund.

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

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

# THE OAKMARK GLOBAL FUND

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	October 10, 2001 through September 30, 2002 (a)
Net Asset Value, Beginning of Period	\$11.24	\$11.25
Income From Investment Operations:		
Net Investment Loss	(0.02)	(0.03)
Net Gains or Losses on Securities (both realized and unrealized)	<u>0.31(b)</u>	<u>0.31(b)</u>
Total From Investment Operations:	0.29	0.28
Less Distributions:		
Dividends (from net investment income)	0.00	0.00
Distributions (from capital gains)	<u>0.00</u>	<u>(0.29)</u>
Total Distributions	<u>0.00</u>	<u>(0.29)</u>
Net Asset Value, End of Period	<u>\$11.53</u>	<u>\$11.24</u>
Total Return	2.58%	2.31%
Ratios/Supplemental Data:		
Net Assets, End of Period (\$million)	\$ 1.5	\$ 0.6
Ratio of Expenses to Average Net Assets	1.58%*	1.86%*
Ratio of Net Investment Loss to Average Net Assets	(0.96)%*	(0.26)%*
Portfolio Turnover Rate	40%	86%

\* Data has been annualized.

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

(b) The amount shown for a share outstanding does not correspond with the aggregate net realized and unrealized gain/loss for the period due to the timing of purchases and redemptions of Fund shares in relation to the fluctuating market values of the Fund.

# THE OAKMARK INTERNATIONAL FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999	Year Ended September 30, 1998
Net Asset Value, Beginning of Period	\$ 12.17	\$ 12.51	\$ 15.40	\$ 13.95	\$ 10.42	\$ 18.77
Income From Investment Operations:						
Net Investment Income (Loss)	(0.02)	0.14	0.20	1.02	(0.34)	0.41
Net Gains or Losses on Securities (both realized and unrealized)	<u>(0.42)</u>	<u>(0.31)</u>	<u>(2.07)</u>	<u>0.92</u>	<u>4.89</u>	<u>(5.32)</u>
Total From Investment Operations:	(0.44)	(0.17)	(1.87)	1.94	4.55	(4.91)
Less Distributions:						
Dividends (from net investment income)	(0.13)	(0.17)	(0.51)	(0.49)	(0.24)	(0.58)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>(0.51)</u>	<u>0.00</u>	<u>(0.78)</u>	<u>(2.86)</u>
Total Distributions	<u>(0.13)</u>	<u>(0.17)</u>	<u>(1.02)</u>	<u>(0.49)</u>	<u>(1.02)</u>	<u>(3.44)</u>
Net Asset Value, End of Period	<u>\$ 11.60</u>	<u>\$ 12.17</u>	<u>\$ 12.51</u>	<u>\$ 15.40</u>	<u>\$ 13.95</u>	<u>\$ 10.42</u>
Total Return	(3.78)%	(1.53)%	(13.10)%	14.27%	46.41%	(29.90)%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$1,581.7	\$1,393.8	\$ 738.5	\$782.4	\$811.1	\$ 756.1
Ratio of Expenses to Average Net Assets	1.29%*	1.31%	1.30%	1.30%	1.29%	1.32%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.25)%*	1.34%	1.40%	1.87%	1.94%	1.95%
Portfolio Turnover Rate	20%	24%	58%	64%	54%	43%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002	Year Ended September 30, 2001	November 4, 1999 through September 30, 2000 (a)
Net Asset Value, Beginning of Period	\$12.13	\$12.47	\$ 15.37	\$14.36
Income From Investment Operations:				
Net Investment Income (Loss)	(0.04)	0.15	0.17	0.96
Net Gains or Losses on Securities (both realized and unrealized)	<u>(0.42)</u>	<u>(0.37)</u>	<u>(2.10)</u>	<u>0.54</u>
Total From Investment Operations:	(0.46)	(0.22)	(1.93)	1.50
Less Distributions:				
Dividends (from net investment income)	(0.11)	(0.12)	(0.49)	(0.49)
Distributions (from capital gains)	<u>0.00</u>	<u>0.00</u>	<u>(0.48)</u>	<u>0.00</u>
Total Distributions	<u>(0.11)</u>	<u>(0.12)</u>	<u>(0.97)</u>	<u>(0.49)</u>
Net Asset Value, End of Period	<u>\$11.56</u>	<u>\$12.13</u>	<u>\$ 12.47</u>	<u>\$15.37</u>
Total Return	(3.98)%	(1.76)%	(13.44)%	10.79%
Ratios/Supplemental Data:				
Net Assets, End of Period (\$million)	\$ 65.8	\$ 48.5	\$ 1.9	\$ 0.1
Ratio of Expenses to Average Net Assets	1.75%*	1.58%	1.64%	1.50%*
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.70)%*	1.33%	0.62%	1.98%*
Portfolio Turnover Rate	20%	24%	58%	64%

\* Data has been annualized.

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

# THE OAKMARK INTERNATIONAL SMALL CAP FUND

## Financial Highlights—Class I

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002	Year Ended September 30, 2001	Year Ended September 30, 2000	Year Ended September 30, 1999	Year Ended September 30, 1998
Net Asset Value, Beginning of Period	\$10.17	\$10.00	\$11.51	\$12.64	\$ 6.89	\$ 12.20
Income From Investment Operations:						
Net Investment Income (Loss)	(0.01)	0.11	0.13	0.23	0.24	0.18
Net Gains or Losses on Securities (both realized and unrealized)	<u>(0.48)</u>	<u>0.36(a)</u>	<u>(0.81)</u>	<u>(0.66)</u>	<u>5.71</u>	<u>(4.09)</u>
Total From Investment Operations:	(0.49)	0.47	(0.68)	(0.43)	5.95	(3.91)
Less Distributions:						
Dividends (from net investment income)	(0.09)	(0.16)	(0.34)	(0.11)	(0.20)	(0.06)
Distributions (from capital gains)	<u>(0.27)</u>	<u>(0.14)</u>	<u>(0.49)</u>	<u>(0.59)</u>	<u>0.00</u>	<u>(1.34)</u>
Total Distributions	<u>(0.36)</u>	<u>(0.30)</u>	<u>(0.83)</u>	<u>(0.70)</u>	<u>(0.20)</u>	<u>(1.40)</u>
Net Asset Value, End of Period	<u>\$ 9.32</u>	<u>\$10.17</u>	<u>\$10.00</u>	<u>\$11.51</u>	<u>\$12.64</u>	<u>\$ 6.89</u>
Total Return	(5.19)%	4.68%	(6.18)%	(3.44)%	88.02%	(35.20)%
Ratios/Supplemental Data:						
Net Assets, End of Period (\$million)	\$304.1	\$357.7	\$118.9	\$ 90.3	\$155.4	\$ 51.8
Ratio of Expenses to Average Net Assets	1.64%*	1.64%	1.74%	1.77%	1.79%	1.96%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.29)%*	1.28%	1.83%	1.99%	2.31%	2.17%
Portfolio Turnover Rate	17%	42%	49%	40%	126%	69%

## Financial Highlights—Class II

For a share outstanding throughout each period

	Period Ended March 31, 2003 (Unaudited)	Year Ended September 30, 2002	January 8, 2001 through September 30, 2001 (b)
Net Asset Value, Beginning of Period	\$10.14	\$9.97	\$10.73
Income From Investment Operations:			
Net Investment Income (Loss)	(0.02)	0.13(c)	0.15
Net Gains or Losses on Securities (both realized and unrealized)	<u>(0.48)</u>	<u>0.30(a)(c)</u>	<u>(0.91)</u>
Total From Investment Operations:	(0.50)	0.43	(0.76)
Less Distributions:			
Dividends (from net investment income)	(0.07)	(0.12)	0.00
Distributions (from capital gains)	<u>(0.27)</u>	<u>(0.14)</u>	<u>0.00</u>
Total Distributions	<u>(0.34)</u>	<u>(0.26)</u>	<u>0.00</u>
Net Asset Value, End of Period	<u>\$ 9.30</u>	<u>\$10.14</u>	<u>\$ 9.97</u>
Total Return	(5.31)%	4.25%	(7.08)%
Ratios/Supplemental Data:			
Net Assets, End of Period (\$million)	\$ 0.2	\$ 0.3	\$ 0.0
Ratio of Expenses to Average Net Assets	1.86%*	1.87%	1.97%*
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.52)%*	1.06%	1.76%*
Portfolio Turnover Rate	17%	42%	49%

\* Data has been annualized.

- (a) The amount shown for a share outstanding does not correspond with the aggregate net realized and unrealized gain/loss for the period due to the timing of purchases and redemption of Fund shares in relation to the fluctuating market values of the Fund.
- (b) The date which Class II shares were first sold to the public was January 8, 2001.
- (c) Computed using average shares outstanding throughout the period.

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.**

**The Oakmark Select Fund closed to new investors as of 5/4/01.**

**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.**

**The Oakmark International Small Cap Fund closed to new investors as of 5/10/02.**

**Investing in foreign securities represents risks which in some way may be greater than in U.S. investments. Those risks include: currency fluctuation; different regulation, accounting standards, trading practices and levels of available information; generally higher transaction costs; and political risks.**

**The stocks of smaller companies often involve more risk than the stocks of larger companies. Stocks of small companies tend to be more volatile and have a smaller public market than stocks of larger companies. Small companies may have a shorter history of operations than larger companies, may not have as great an ability to raise additional capital and may have a less diversified product line, making them more susceptible to market pressure.**

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

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

The performance information for The Oakmark Select Fund, The Oakmark Small Cap Fund, The Oakmark Global Fund, The Oakmark International Fund and The Oakmark International Small Cap Fund does not reflect the imposition of a 2% redemption fee on shares held by an investor less than 90 days. The purpose of this redemption fee is to deter market timers.

2. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.
3. During the period since inception (8/4/99 - 3/31/03), IPOs contributed an annualized 2.33% to the performance of The Oakmark Global Fund. As the IPO environment changes and the total net assets of the Fund grow, the impact of IPOs on performance is expected to diminish. "IPO" stands for Initial Public Offering, which is the first sale of stock by a company to the public.
4. The S&P 500 Index is a broad market-weighted average of U.S. blue-chip companies. This index is unmanaged and investors cannot actually make investments in this index.
5. The quotes from Warren Buffet are taken from page 15 of The Berkshire Hathaway 2002 Annual Report.
6. The quote from Peter Bernstein is taken from "Throw Out The Rulebook", a Q&A by Kathryn M. Welling posted February 28, 2003 on [Welling@Weedon](mailto:Welling@Weedon), a website publication available at [www.weedenco.com](http://www.weedenco.com).
7. The quote from Bill Miller is taken from The Legg Mason Value Trust Report to Shareholders dated January 20th 2003.
8. The Price-Earnings Ratio ("P/E") is 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.

9. The quote from John Bogle is an excerpt from his speech "After the Fall: What Lies Ahead for Capitalism and the Financial Markets?" dated October 22, 2002.
10. The excerpts by Stephen Royce are from page 68 of "The Craft of Investing", written by John Train and published by Harper Business, copyright 1994.
11. The Dow Jones Industrial Average is an unmanaged index that includes only 30 big companies. This index is unmanaged and investors cannot actually make investments in this index.
12. The Lipper Large Cap Value Fund Index measures the performance of the thirty largest U.S. large-cap value funds tracked by Lipper. This index is unmanaged and investors cannot actually make investments in this index.
13. EPS refers to Earnings Per Share and is calculated by dividing total earnings by the number of shares outstanding.
14. The S&P MidCap 400 is an unmanaged broad market-weighted index of 400 stocks that are in the next tier down from the S&P 500 and that are chosen for market size, liquidity, and industry group representation. This index is unmanaged and investors cannot actually make investments in this index.
15. The Lipper Mid Cap Value Fund Index measures the performance of the thirty largest U.S. mid-cap value funds tracked by Lipper. This index is unmanaged and investors cannot actually make investments in this index.
16. 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. This index is unmanaged and investors cannot actually make investments in this index.
17. The S&P Small Cap 600 Index measures the performance of selected U.S. stocks with small market capitalizations. This index is unmanaged and investors cannot actually make investments in this index.
18. The Lipper Small Cap Value Fund Index measures the performance of the thirty largest U.S. small-cap value funds tracked by Lipper. This index is unmanaged and investors cannot actually make investments in this index.
19. The Lipper Balanced Fund Index measures the performance of the thirty largest U.S. balanced funds tracked by Lipper. This index is unmanaged and investors cannot actually make investments in this index.
20. The Lehman Govt./Corp. Bond Index is an unmanaged index that includes the Lehman Government and Lehman Corporate indices. This index is unmanaged and investors cannot actually make investments in this index.
21. The NASDAQ Composite Index is a market value weighted index of all common stocks listed on NASDAQ. This index is unmanaged and investors cannot actually make investments in this index.
22. 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.
23. The Lipper Global Fund Index measures the performance of the 30 largest mutual funds that invest in securities throughout the world. This index is unmanaged and investors cannot actually make investments in this index.
24. The CAC 40 Index is a narrow-based, capitalization-weighted index of 40 companies listed on the Paris Bourse. This index is unmanaged and investors cannot actually make investments in this index.
25. The Financial Times Stock Exchange 100 stock index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. This index is unmanaged and investors cannot actually make investments in this index.
26. The DAX 100 Index is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. This index is unmanaged and investors cannot actually make investments in this index.
27. The AEX Index is a weighted index of 25 leading companies listed on Euronext Amsterdam. This index is unmanaged and investors cannot actually make investments in this index.
28. The quoted passage is taken from pages 118-119 of "Common Stocks and Uncommon Profits", written by Phil Fisher and published in 1996 by John Wiley & Sons, Inc.

29. The term “EVA” is a registered trademark of Stern-Stewart & Co., which initially introduced the EVA formula.
30. The Nikkei Index is an Index of 225 leading stocks traded on the Tokyo Stock Exchange. This index is unmanaged and investors cannot actually make investments in this index.
31. The Morgan Stanley World Ex U.S. Index is made up of 19 country sub-indexes, excluding the U.S. This index is unmanaged and investors cannot actually make investments in this index.
32. Morgan Stanley Capital International Europe, Australasia and Far East Index (“EAFE”) is an unmanaged index of companies throughout the world in proportion to world stock market capitalizations, excluding the U.S. and Canada. This index is unmanaged and investors cannot actually make investments in this index.
33. The Lipper International Fund Index reflects the net asset value weighted total return of the 30 largest international equity funds. This index is unmanaged and investors cannot actually make investments in this index.
34. The Lipper International Small Cap Average includes 100 mutual funds that invest in securities whose primary markets are outside of the U.S. This index is unmanaged and investors cannot actually make investments in this index.

# 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.”

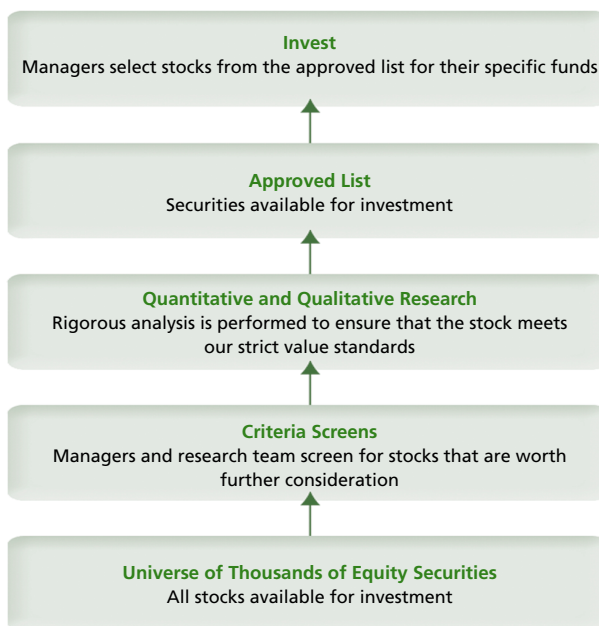
**The Result:** a unified effort aimed at identifying the best values in the marketplace. From the list of approved stocks, each fund manager constructs a relatively focused portfolio, built on a stock-by-stock basis from the bottom up.

## 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

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**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.



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# THE OAKMARK FAMILY OF FUNDS

## *Trustees and Officers*

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### *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  
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James P. Benson—*Vice President*  
Henry R. Berghoef—*Vice President*  
Kevin G. Grant—*Vice President*  
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*Shareholder Operations and Assistant Secretary*  
Edward A. Studzinski—*Vice President*  
Michael J. Welsh—*Vice President*  
Kristi L. Rowsell—*Treasurer*  
John J. Kane—*Assistant Treasurer*

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#### *Transfer Agent*

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Boston, Massachusetts

#### *Legal Counsel*

Bell, Boyd & Lloyd LLC  
Chicago, Illinois

#### *Independent Auditors*

Deloitte & Touche LLP  
Chicago, Illinois

#### *For More Information:*

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(1-800-625-6275)  
or 617-449-6274

#### *Website*

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

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