

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

THIRD QUARTER REPORT

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Advised by Harris Associates L.P.



THE OAKMARK FAMILY OF FUNDS

2003 Third Quarter Report

Presidents' Letter	1
Summary Information	2
Commentary on The Oakmark and Oakmark Select Funds	4
The Oakmark Fund	
Letter from the Portfolio Managers	6
Schedule of Investments	7
The Oakmark Select Fund	
Letter from the Portfolio Managers	11
Schedule of Investments	12
The Oakmark Small Cap Fund	
Letter from the Portfolio Managers	14
Schedule of Investments	16
The Oakmark Equity and Income Fund	
Letter from the Portfolio Managers	19
Schedule of Investments	21
The Oakmark Global Fund	
Letter from the Portfolio Managers	27
Global Diversification Chart	29
Schedule of Investments	30
Commentary on The International and International Small Cap Funds	34
The Oakmark International Fund	
Letter from the Portfolio Managers	35
International Diversification Chart	36
Schedule of Investments	37
The Oakmark International Small Cap Fund	
Letter from the Portfolio Managers	42
International Diversification Chart	43
Schedule of Investments	44
Oakmark Philosophy and Process	51
The Oakmark Glossary	52
Trustees and Officers	53

For More Information

Access our web site at www.oakmark.com to obtain a prospectus, an application or periodic reports, or call 1-800-OAKMARK (1-800-625-6275) or (617) 449-6274.

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

Dear Fellow Shareholders:

The second quarter of 2003 proved much stronger than the first as the market rebounded significantly and the major indices posted double-digit quarterly returns. Several developments seem to have caused the bounce: abatement of war fears, solid first-quarter corporate earnings, a healthier picture for the economy and corporate profits, continued interest rate reductions by the Fed, and a \$350 billion tax-cut package from the federal government.

Like you, we've read headlines such as "How Long Can the Rally Last?" These headlines frustrate us because we have never thought in terms of "catching a rally" or riding the tide of the next market wave. We do not encourage it for our investors, either. During the recent market rally—and the difficult time preceding it—we have continued to find attractive values across industries, both domestic and international. This is because we don't focus on where stocks have been, but on current valuation and the potential for growth in value over the long term. So while volatile markets tempt investors to engage in market timing, we encourage you to consider a company's fundamental long-term prospects in the context of an attractive valuation. Short-term market gains can be very enticing, but everyone's expectations should focus on the reality of long-term equity returns, which we believe likely to remain attractive.

Corporate Governance—Attending to Shareholder Capital

When identifying potential investments, we as value investors focus critically on a company's intrinsic business value. But an integral part of our approach also centers on corporate governance and managements' incentives to grow business value. For some investors in the wake of recent corporate scandals, identifying strong managements has become a new focus, but at Harris Associates it has been an essential aspect of our process for over a quarter century. We seek out managers who are good custodians of shareholder capital: those that have a track record of success, are economically aligned with outside shareholders, and have pay structures tied to actions that drive long-term equity values. We believe this focus is a critical way to preserve our—and, subsequently, your—interests as long-term shareholders. Few individuals would start up a small business with a partner they did not trust, and we believe that principle should be applied to all equity investments. A history of value creation, intelligent deployment of cash, and long-term strategic vision are important fundamentals for company managements—elements all investors should closely evaluate before buying a stock.



Considering Your Investment Alternatives

After three years of a rocky stock market, individual investors generally remain timid about equity investing. However, it is essential to maintain a thoughtful perspective on investment options and choose the highest return opportunities relative to the level of risk you are comfortable taking. As interest rates have reached historic low levels, money market investments now offer about a 1% annual return and 10-year treasuries yield slightly above 3%. On the other hand, the average stock offers a dividend yield of about 2% and potential earnings growth of 6-7%. This 8-9% projected value growth looks quite attractive to us compared to the alternatives. This value growth can be compounded by purchasing undervalued companies, which we seek to do.

In the following Oakmark portfolio manager letters you'll find out more about important issues related to corporate governance (Oakmark and Oakmark Select), and where our domestic and international teams are finding value.

Thank you for your continued investment and commitment to The Oakmark Family of Funds, especially during these extended periods of market uncertainty. We welcome your comments and questions; you can reach us via email at ContactOakmark@oakmark.com.

Robert M. Levy
President
of the Oakmark Funds

John R. Raitt
President and CEO
of Harris Associates L.P.

THE OAKMARK FAMILY OF FUNDS

Summary Information

<i>Performance for Period Ended June 30, 2003¹</i>	The Oakmark Fund (OAKMX)	The Oakmark Select Fund (OAKLX)	The Oakmark Small Cap Fund (OAKSX)
3 Months*	16.95%	16.20%	16.92%
6 Months*	12.17%	15.62%	8.05%
1 Year	0.57%	7.39%	-10.18%
<i>Average Annual Total Return for:</i>			
3 Year	10.78%	15.84%	8.05%
5 Year	1.96%	13.06%	-0.37%
10 Year	11.49%	N/A	N/A
Since inception	16.84% (8/5/91)	22.08% (11/1/96)	9.53% (11/1/95)
Value of \$10,000 from inception date	\$63,826	\$37,806	\$20,092
<i>Top Five Equity Holdings as of June 30, 2003²</i>	Washington Mutual, Inc. 3.6%	Washington Mutual, Inc. 17.9%	eFunds Corporation 4.5%
	H&R Block, Inc. 2.9%	H&R Block, Inc. 7.7%	Tupperware Corporation 4.2%
	Fannie Mae 2.5%	Yum! Brands, Inc. 5.5%	Ralcorp Holdings, Inc. 4.2%
	The Home Depot, Inc. 2.4%	The Kroger Company 4.2%	Checkpoint Systems, Inc. 4.0%
	Yum! Brands, Inc. 2.4%	First Data Corporation 4.2%	Insituform Technologies, Inc. Class A 3.8%
<i>Top Five Industries as of June 30, 2003</i>	Retail 9.9%	Banks & Thrifts 17.9%	Banks & Thrifts 7.8%
	Pharmaceuticals 8.9%	Other Consumer Goods & Services 11.4%	Computer Software 7.7%
	Food & Beverage 8.3%	Retail 10.8%	Food & Beverage 7.4%
	Banks & Thrifts 6.9%	Information Services 7.0%	Oil & Natural Gas 6.1%
	Other Consumer Goods & Services 6.3%	Pharmaceuticals 6.7%	Other Consumer Goods & Services 6.0%
<i>Industries and % of Total Net Assets</i>			

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)	
13.20%		33.51%		25.43%		29.18%	
10.62%		19.41%		10.73%		13.37%	
7.33%		12.89%		-6.98%		-4.77%	
13.69%		16.05%		0.41%		4.91%	
11.19%		N/A		6.84%		12.63%	
N/A		N/A		8.65%		N/A	
14.24% (11/1/95)		13.19% ³ (8/4/99)		10.12% (9/30/92)		7.91% (11/1/95)	
\$27,750		\$16,225		\$28,198		\$17,933	
Synopsys, Inc.	3.6%	The Interpublic Group of Companies, Inc.	4.7%	Daiwa Securities Group Inc.	3.9%	Neopost SA	4.6%
Burlington Resources, Inc.	2.9%	eFunds Corporation	4.6%	Vivendi Universal SA	3.4%	Bulgari S.p.A.	4.4%
Laboratory Corporation of America Holdings	2.8%	Grupo Televisa S.A.	4.6%	Akzo Nobel N.V.	3.3%	Grupo Aeroportuario del Sureste S.A. de C.V.	3.8%
Watson Pharmaceuticals, Inc.	2.8%	First Health Group Corporation	4.1%	Aventis S.A.	3.2%	Baycorp Advantage Ltd.	3.5%
Guidant Corporation	2.7%	Ceridian Corporation	4.0%	Diageo plc	3.1%	Van der Moolen Holding NV	3.3%
U.S. Government Notes	26.3%	Information Services	8.5%	Food & Beverage Banks & Thrifts	14.1% 10.4%	Retail Machinery & Industrial Processing	10.4% 7.7%
Oil & Natural Gas	6.6%	Food & Beverage	6.9%	Pharmaceuticals	9.8%	Airport Maintenance	7.1%
Medical Products	4.9%	Computer Software	6.7%	Other Financial	7.4%	Financial Services	6.4%
Computer Software	4.5%	Retail	6.3%	Chemicals	5.6%	Diversified Conglomerates	6.3%
Aerospace & Defense	4.2%	Broadcasting & Programming	6.2%				

THE OAKMARK AND OAKMARK SELECT FUNDS

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



It seems most mutual fund managers don't do much pleasure reading. I guess our jobs involve so much reading that when we encounter those precious hours of free time, reading usually finds itself far down the list of preferred activities. During the summer, playing softball on our in-house team, The Mighty Oaks, is always at the top of my list. Even CNBC knows not to ask for a Wednesday evening appointment! Last quarter a

book was published that vaulted pleasure reading way up on my list—*Moneyball* by Michael Lewis. A favorite author writing about two of my favorite topics: value buying and baseball. *Moneyball* tells how a small market team, the Oakland Athletics, consistently wins despite having one of Major League Baseball's smallest payrolls. They achieve that feat by valuing players using statistical analysis that is ignored by most other teams because it goes against conventional baseball wisdom. Paul DePodesta, assistant to the A's general manager said, "I get excited about a guy when he has something about him that causes everyone else to overlook him and I know that it is something that just doesn't matter." Speed: overrated. Homerun hitting: overvalued by the market. Get the players who avoid making outs. Walking and slapping groundballs to the opposite field is where the real value is. To those who know Oakmark, this should sound familiar! I'm not sure if I liked the book more because of its similarity to our investing style or because it valued the skills of an aging Mighty Oaks' first baseman!

Don't make outs—if you just get on base, scoring runs takes care of itself. With stocks, we defer thinking about the upside until after we evaluate the risks. If you avoid losing money, making money takes care of itself. Just like Warren Buffett's two rules of investing—"Rule No. 1: Never lose money. Rule No. 2: Never forget rule No. 1." Explaining his approach to acquiring players, DePodesta says, "We don't get the guys who are perfect. There has to be something wrong with them to get to us." That's why Michael Lewis calls the Oakland A's "baseball's answer to the Island of Misfit Toys." He'd probably say the same about our portfolios. Not much glamour. Something "wrong" with each of the stocks we have collected. Short term outlooks that are too cloudy. Businesses that are too cyclical. Industries that are too dull. Companies with no better use for cash than buying back stock. Pursuing stocks that meet our strict valuation criteria usually means

Highlights

- We buy stocks like the Oakland A's buy players—looking for flaws that don't matter.
- We will not compromise on management—management and shareholder goals must be identical.
- Our sole concern in proxy voting is maximizing the long-term value of our investment.

making compromises. But like DePodesta, we try to limit those compromises to "something that just doesn't matter" to a company's long-term business value. The one compromise we will not intentionally make is on the quality of management because that's a factor we consider too important to risk.

Because of recent scandals like Enron, Tyco, and WorldCom, quality of management and corporate governance have become stock market and regulatory hot-buttons. It's no surprise that in their annual letters to shareholders this year, most CEO's increased their focus on corporate governance. However, it seemed that the worse the results were, the more ink they dedicated to highlighting their good governance efforts! In a move designed to make mutual funds increase their focus on governance, funds will soon be required to report to shareholders their proxy voting policies and eventually their complete proxy voting records. At the risk of spoiling the suspense, here's what you'll find: we usually vote with management. Allow me to explain.

First, why is this whole governance topic so important? Unlike a single proprietorship, the management of a public company does not bear the economic costs of bad decisions, except to the extent they are also shareholders. We do. For that reason, shareholders elect a board of directors that is responsible for running the corporation. Law in Delaware (where most public companies are incorporated) states that directors owe the duties of care, loyalty, and good faith to the corporation and its shareholders. Unfortunately, this statement is not as precise as what Warren Buffett wrote in the Berkshire Hathaway Annual Report a decade ago: "I believe directors should behave as if there is a single absentee owner, whose long-term interest they should try to further in all proper ways." As usual, Buffett's common-sense language leaves less room for debate than does the legal language! In fact, some interpretation of the legalese gets to a position one

hundred and eighty degrees opposed to Mr. Buffett. The New York Times last quarter quoted directors of a public company as saying, "Corporate Directors have a fiduciary duty to act in the best interests of the corporation. Directors' duties toward the corporation, however, do not generally encompass a duty to the company's shareholders." Although this view is extreme, much of the literature on good corporate governance acknowledges that directors may consider constituencies other than shareholders when evaluating possible courses of action. To us, any agenda other than maximizing the long-term, per-share value of our shares constitutes mismanagement.

So, how should we protect our assets against mismanagement? Last June's quarterly letter explained our investment criterion of identifying managements that act in the interest of shareholders. When considering an investment, if we decide a company is mismanaged, we simply won't buy it. Our approach is similar to TV viewers who see an objectionable program. By simply switching the channel and refusing to watch, they increase the probability of the show's cancellation. By not buying the stock, we help increase their cost of capital and increase the probability that management will be changed. Some argue that to be responsible citizens, mutual funds should purchase poorly managed companies and then fight to reform them. We believe that the returns from that strategy are sub-par. It is just too easy to underestimate the damage that a bad management can inflict while the shareholders are attempting to replace them.

Sometimes our management judgments prove to be wrong. When we come to believe one of our holdings is being mismanaged, we usually sell the stock and invest the proceeds in a similarly undervalued company in which we have more confidence in management. In rare circumstances, we have believed that a company was so undervalued and of such high quality that change was worth seeking. At companies such as Saatchi & Saatchi and Dun & Bradstreet our firm was instrumental in changing top management, and Oakmark Family shareholders benefited from those actions. However, despite a couple great shots from the rough, our strong preference is still to drive onto the fairway!

Our process intends to identify and invest in companies in which management goals and shareholder goals are identical. When this happens, by definition, voting with management is voting to maximize the expected value of

our investment. Were a management to propose actions contrary to our interests, by definition, we made a mistake in evaluating them, and we would seek our profit-maximizing or loss-minimizing course of action. Usually that means selling the stock. Unfortunately, not everything in proxy voting is so black and white. For example, options are a useful part of a management incentive plan, but many companies have over-utilized options. Reasonable people disagree as to what level of options issuance crosses that line. We routinely vote against options plans when total options exceed fifteen percent of shares outstanding (and we vote in favor of expensing options). We also routinely vote against staggered boards, super-majority votes, and poison pills. Though we vote against management on these proposals, we do not consider them as evidence of mismanagement.

We expect to have a summary of our proxy voting policies posted to our Internet site (www.oakmark.com) later this quarter, and our annual proxy voting records will be available at the end of August 2004. Voting is a relatively small part of our process. Ensuring that management's goals are aligned with ours is a very large part. As both shareholders and fiduciaries, our sole goal is maximizing the long-term, after-tax return of our investments. So when you read our filings, don't think that a high percentage of pro-management votes means we don't care about corporate governance. Instead, it is confirmation that our process of investing with shareholder aligned management is working.



William C. Nygren, CFA
Portfolio Manager

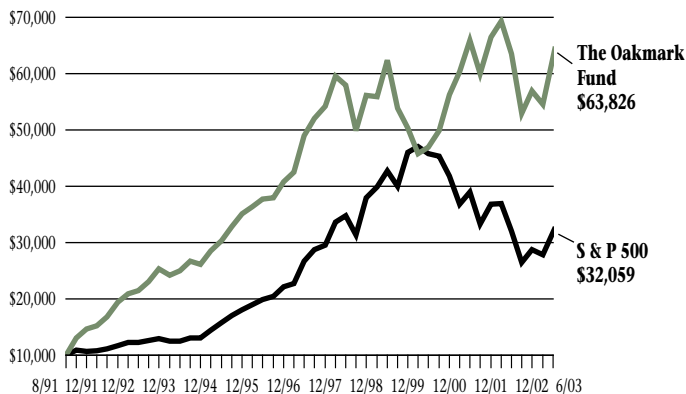
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THE OAKMARK FUND

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 (6/30/03) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX⁴



Average Annual Total Returns¹

	Total Return Last 3 Months*	(as of 6/30/03)			Since Inception (8/5/91)
		1-year	5-year	10-year	
Oakmark Fund	16.95%	0.57%	1.96%	11.49%	16.84%
S&P 500	15.39%	0.25%	-1.61%	10.04%	10.28%
Dow Jones Average ⁷	12.94%	-0.50%	1.89%	12.12%	12.03%
Lipper Large Cap Value Index ⁸	16.43%	-2.13%	-0.75%	9.15%	9.82%

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 increased in value by 17% last quarter, exceeding the 15% increase in the S&P 500 index. Those gains bring calendar year-to-date returns to 12% for both Oakmark and the S&P 500. This quarter was the market's strongest since 1998. Some have expressed surprise that a fund that underperformed in the last bull market has kept pace with this rebound. In the bull market year of 1998, the S&P 500 returned 29%. Since the market bottom on March 11, 2003, the S&P has increased a little less than in 1998, 22%. Despite the index being up less, the strength has been much broader. Five years ago, a small number of large-capitalization stocks that we felt were overvalued propelled the market higher, but 40% of the stocks in the S&P 500 actually declined in price. This year, most stocks are contributing to the increase as evidenced by over 95% of the S&P 500 stocks and 51 of our 55 holdings having increased in value since the bottom. During the quarter, we added two more stocks that have fallen sharply in response to short-term earnings misses. ADP is addressed below and Harley-Davidson is addressed on the website (www.oakmark.com).

Automatic Data Processing (ADP—\$34)

ADP is the largest payroll processing firm in the world. Growth in the number of people employed combined with the compelling economics of outsourcing has made payroll processing a great industry. Throw in ADP's economies of scale and one sees why they have achieved forty-one years of uninterrupted double-digit EPS⁵ growth. That track record made ADP a favorite stock for growth investors and pushed the stock to a high of \$70 near the end of 2000. In 2003, a weak economy and low interest rates (ADP earns interest income on its large cash and tax float balances) combined to produce expectations of a slight decline in earnings. The stock has now fallen by over 50% and is priced at an average P/E⁶ multiple. We believe ADP is still an excellent company deserving of a premium price and expect their business to benefit as the economy strengthens.

Best wishes,

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Kevin Grant, CFA
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THE OAKMARK FUND

Schedule of Investments—June 30, 2003 (Unaudited)

Name	Shares Held	Market Value
Common Stocks—92.0%		
Food & Beverage—8.3%		
Kraft Foods Inc.	2,705,000	\$ 88,047,750
General Mills, Inc.	1,805,000	85,575,050
H.J. Heinz Company	2,310,000	76,183,800
Anheuser-Busch Companies, Inc.	1,300,000	66,365,000
Diageo plc (b)	1,421,000	<u>62,182,960</u>
		378,354,560
Household Products—1.3%		
The Clorox Company	1,390,200	\$ 59,292,030
Other Consumer Goods & Services—6.3%		
H&R Block, Inc.	3,029,300	\$ 131,017,225
Fortune Brands, Inc.	1,745,600	91,120,320
Mattel, Inc.	3,444,800	<u>65,175,616</u>
		287,313,161
Broadcasting & Programming—2.3%		
Liberty Media Corporation, Class A (a)	6,499,400	\$ 75,133,064
The Walt Disney Company	1,500,000	<u>29,625,000</u>
		104,758,064
Building Materials & Construction—1.8%		
Masco Corporation	3,533,000	\$ 84,262,050
Cable Systems & Satellite TV—5.9%		
AOL Time Warner Inc. (a)	5,429,700	\$ 87,363,873
General Motors Corporation, Class H (Hughes Electronics Corporation) (a)	6,100,000	78,141,000
EchoStar Communications Corporation (a)	2,075,000	71,836,500
Comcast Corporation, Special Class A (a)	1,050,000	<u>30,271,500</u>
		267,612,873
Hardware—1.8%		
The Black & Decker Corporation	1,922,200	\$ 83,519,590
Motorcycles—1.3%		
Harley-Davidson, Inc.	1,455,000	\$ 57,996,300
Publishing—2.9%		
Gannett Co., Inc.	884,500	\$ 67,938,445
Knight-Ridder, Inc.	916,000	<u>63,139,880</u>
		131,078,325
Recreation & Entertainment—1.2%		
Carnival Corporation (c)	1,678,300	\$ 54,561,533

THE OAKMARK FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Shares Held	Market Value
Common Stocks—92.0% (cont.)		
Restaurants—4.7%		
Yum! Brands, Inc (a)	3,674,000	\$ 108,603,440
McDonald's Corporation	4,900,000	<u>108,094,000</u>
		216,697,440
Retail—9.9%		
The Home Depot, Inc.	3,281,500	\$ 108,683,280
The Kroger Co. (a)	5,790,000	96,577,200
J.C. Penney Company, Inc.	4,202,900	70,818,865
Safeway Inc. (a)	3,327,000	68,070,420
The Gap, Inc.	3,576,700	67,098,892
Toys 'Я' Us, Inc. (a)	3,125,000	<u>37,875,000</u>
		449,123,657
Bank & Thrifts—6.9%		
Washington Mutual, Inc.	3,937,300	\$ 162,610,490
U.S. Bancorp	3,700,000	90,650,000
The Bank of New York Company, Inc.	2,100,000	<u>60,375,000</u>
		313,635,490
Insurance—1.8%		
MGIC Investment Corporation	1,740,600	\$ 81,181,584
Other Financial—2.5%		
Fannie Mae	1,670,000	\$ 112,624,800
Health Care Services—1.4%		
AmerisourceBergen Corp	950,000	\$ 65,882,500
Medical Products—2.9%		
Baxter International Inc.	3,000,000	\$ 78,000,000
Guidant Corporation	1,231,700	<u>54,675,163</u>
		132,675,163
Pharmaceuticals—8.9%		
Bristol-Myers Squibb Company	3,750,000	\$ 101,812,500
Abbott Laboratories	2,050,000	89,708,000
Merck & Co., Inc.	1,350,000	81,742,500
Schering-Plough Corporation	4,125,000	76,725,000
Chiron Corporation (a)	1,299,000	<u>56,792,280</u>
		406,780,280
Telecommunications—1.8%		
Sprint Corporation	5,785,800	\$ 83,315,520

THE OAKMARK FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
Common Stocks—92.0% (cont.)		
Computer Services—4.7%		
First Data Corporation	2,165,000	\$ 89,717,600
SunGard Data Systems, Inc. (a)	3,203,700	83,007,867
Automatic Data Processing, Inc.	1,200,000	<u>40,632,000</u>
		213,357,467
Computer Systems—1.4%		
Sun Microsystems, Inc. (a)	13,450,000	\$ 61,870,000
Office Equipment—1.2%		
Xerox Corporation (a)	5,047,400	\$ 53,451,966
Aerospace & Defense—2.8%		
Honeywell International, Inc.	3,250,000	\$ 87,262,500
The Boeing Company	1,152,800	<u>39,564,096</u>
		126,826,596
Other Industrial Goods & Services—0.9%		
Illinois Tool Works Inc.	604,200	\$ 39,786,570
Waste Disposal—1.8%		
Waste Management, Inc.	3,474,300	\$ 83,695,887
Oil & Natural Gas—3.6%		
Burlington Resources, Inc.	1,571,100	\$ 84,949,377
ConocoPhillips	1,435,335	<u>78,656,358</u>
		163,605,735
Electric Utilities—1.7%		
Duke Energy Corporation	3,997,700	\$ 79,754,115
Total Common Stocks (Cost: \$3,664,053,149)		4,193,013,256
Short Term Investments—7.8%		
U.S. Government Bills—4.6%		
United States Treasury Bills, 1.01% - 1.155% due 7/3/2003 - 9/25/2003	\$210,000,000	\$ 209,785,050
Total U.S. Government Bills (Cost: \$209,728,334)		209,785,050

THE OAKMARK FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Par Value	Market Value
Short Term Investments—7.8% (cont.)		
Repurchase Agreements—3.2%		
IBT Repurchase Agreement, 1.00% due 7/1/2003, repurchase price \$142,003,944 collateralized by U.S. Government Agency Securities	\$142,000,000	\$ 142,000,000
IBT Repurchase Agreement, 0.75% due 7/1/2003, repurchase price \$2,787,809 collateralized by a U.S. Government Agency Security	2,787,751	<u>2,787,751</u>
Total Repurchase Agreement (Cost: \$144,787,751)		144,787,751
Total Short Term Investments (Cost: \$354,516,085)		354,572,801
Total Investments (Cost \$4,018,569,234)—99.8%		\$ 4,547,586,057
Other Assets In Excess Of Other Liabilities—0.2%		<u>7,149,649</u>
Total Net Assets—100%		<u><u>\$4,554,735,706</u></u>

- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) Represents a foreign domiciled corporation.

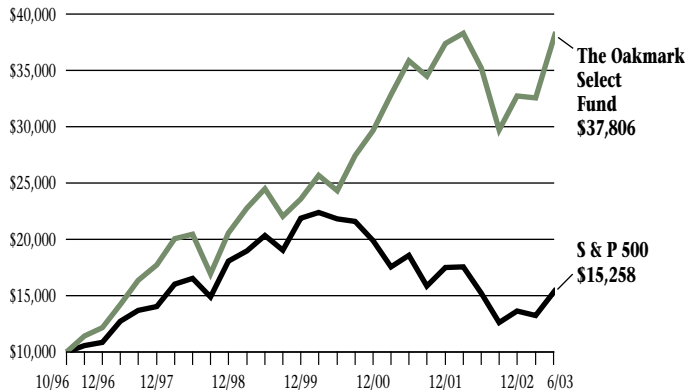
THE OAKMARK SELECT FUND

Report from Bill Nygren and Henry Berghoef, Portfolio Managers



The Oakmark Select Fund increased in value by 16% last quarter. That gain was slightly greater than the gain in the S&P 500. Calendar year-to-date, the Fund has increased in value by 16%, which also exceeds the S&P 500 return. We neither added any new stocks nor eliminated any existing positions last quarter. Strong performances by Xerox and AOL Time Warner allowed us to sell some shares and reduce them to normal weightings. We used the proceeds to increase our exposure to Mattel, Sprint, and Bristol Myers. The stock market is behaving as if it's a different world than we lived in back in March—and in some ways it is. The war ended faster than many expected. Tax rates are lower. Corporate earnings appear to be strengthening. Interest rates have continued to decline. But, perhaps most importantly, skeptics still hold unusually large cash balances. They argue that stocks are priced too steeply to produce the high returns that were enjoyed during the 1990's. We agree. But, with money funds yielding less than 1% and bonds yielding about 3%, equity returns—even if well below those of the 90's—could still far outdistance competing investments.

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SELECT FUND FROM ITS INCEPTION (11/1/96) TO PRESENT (6/30/03) AS COMPARED TO THE STANDARD & POOR'S 500 INDEX⁴



Average Annual Total Returns¹

	(as of 6/30/03)			Since Inception (11/1/96)
	Total Return Last 3 Months*	1-year	5-year	
Oakmark Select Fund	16.20%	7.39%	13.06%	22.08%
S&P 500	15.39%	0.25%	-1.61%	6.54%
S&P Mid Cap 400 ⁹	17.63%	-0.71%	7.14%	12.13%
Lipper Mid Cap Value Index ¹⁰	19.18%	0.42%	3.50%	7.74%

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

A brief comment about First Data Corp. (FDC) may help explain how we think about the current environment. We first bought FDC in July of 1998, when we thought the stock was selling at less than the value of its Western Union subsidiary—giving us the largest credit card processor and merchant processor for free. Our estimate of earnings this year is 113% higher than the earnings level five years ago. We continue to expect FDC to show significantly above-average growth and above-average consistency of that growth. For that reason, lower interest rates have increased our target P/E multiple for FDC more than for most stocks. FDC's stock price has increased by 185% since our first purchase but looks almost as undervalued today as when we first bought it. Dividend discount valuation models produce very large "fair value" P/E⁶ multiples for companies like FDC when discount rates are lowered to the levels current bond rates imply. We will continue to follow our disciplined sell process—increasing our sell targets to reflect both increasing earnings and lower required returns—to make sure we don't sell our highest quality stocks like FDC until the market more fully rewards their superiority.

Thank you for your continued support.

Bill Nygren

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THE OAKMARK SELECT FUND

Schedule of Investments—June 30, 2003 (Unaudited)

Name	Shares Held	Market Value
Common Stocks—91.1%		
Other Consumer Goods & Services—11.4%		
H&R Block, Inc.	8,859,800	\$ 383,186,350
Mattel, Inc.	9,804,500	<u>185,501,140</u>
		568,687,490
Cable Systems & Satellite TV—3.8%		
AOL Time Warner Inc. (a)	11,888,000	\$ 191,277,921
Hotels & Motels—2.2%		
Starwood Hotels & Resorts Worldwide, Inc.	3,880,000	\$ 110,929,200
Information Services—7.0%		
The Dun & Bradstreet Corporation (a)	4,534,900	\$ 186,384,390
Moody's Corporation	3,123,600	<u>164,644,956</u>
		351,029,346
Publishing—3.6%		
Knight-Ridder, Inc.	2,606,500	\$ 179,666,045
Restaurants—5.5%		
Yum! Brands, Inc (a)	9,307,000	\$ 275,114,920
Retail—10.8%		
The Kroger Co. (a)	12,675,700	\$ 211,430,676
Toys 'Я' Us, Inc. (a)	13,698,500	166,025,820
Office Depot, Inc. (a)	11,384,900	<u>165,194,899</u>
		542,651,395
Bank & Thrifts—17.9%		
Washington Mutual, Inc.	21,651,400	\$ 894,202,820
Investment Management—3.0%		
Janus Capital Group, Inc.	9,169,600	\$ 150,381,440
Health Care Services—3.7%		
IMS Health Incorporated	10,353,441	\$ 186,258,403
Pharmaceuticals—6.7%		
Chiron Corporation (a)	3,892,000	\$ 170,158,240
Bristol-Myers Squibb Company	5,990,200	<u>162,633,930</u>
		332,792,170
Telecommunications—4.1%		
Sprint Corporation	14,395,300	\$ 207,292,320
Computer Services—4.2%		
First Data Corporation	5,015,400	\$ 207,838,176

THE OAKMARK SELECT FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
Common Stocks—91.1% (cont.)		
Office Equipment—3.4%		
Xerox Corporation (a)	16,032,700	\$ 169,786,293
Oil & Natural Gas—3.8%		
Burlington Resources, Inc.	3,501,800	\$ 189,342,326
Total Common Stocks (Cost: \$3,314,229,823)		4,557,250,265
Short Term Investments—8.9%		
U.S. Government Bills—5.3%		
United States Treasury Bills, 0.77% - 1.155% due 7/3/2003 - 10/23/2003	\$265,000,000	\$ 264,637,951
Total U.S. Government Bills (Cost: \$264,576,284)		264,637,951
Repurchase Agreements—3.6%		
IBT Repurchase Agreement, 1.00% due 7/1/2003, repurchase price \$180,005,000 collateralized by U.S. Government Agency Securities	\$180,000,000	\$ 180,000,000
IBT Repurchase Agreement, 0.75% due 7/1/2003, repurchase price \$2,845,635 collateralized by a U.S. Government Agency Security	2,845,576	<u>2,845,576</u>
Total Repurchase Agreement (Cost: \$182,845,576)		182,845,576
Total Short Term Investments (Cost: \$447,421,860)		447,483,527
Total Investments (Cost \$3,761,651,683)—100.0%		\$ 5,004,733,792
Other Liabilities In Excess Of Other Assets—0.0%		<u>(682,667)</u>
Total Net Assets—100%		<u><u>\$5,004,051,125</u></u>

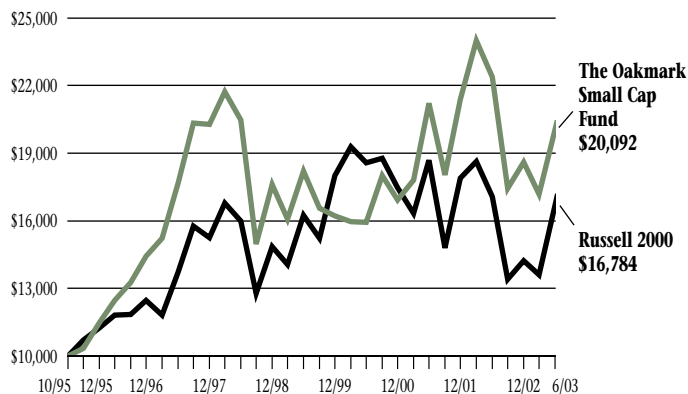
(a) Non-income producing security.

THE OAKMARK SMALL CAP FUND

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



THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (6/30/03) AS COMPARED TO THE RUSSELL 2000 INDEX¹¹



Average Annual Total Returns¹

(as of 6/30/03)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
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	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
Oakmark Small Cap Fund	16.92%	-10.18%	-0.37%	9.53%
Russell 2000 ¹¹	23.42%	-1.64%	0.96%	6.99%
S&P Small Cap 600 ¹²	19.87%	-3.58%	3.72%	9.82%
Lipper Small Cap Value Index ¹³	22.81%	-0.78%	4.99%	10.48%

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.

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* Not annualized

The second calendar quarter of 2003 was a period of generally rising stock prices and your Fund experienced its best absolute quarterly return since the fourth calendar quarter of 2001. Interestingly, both of these quarters followed major geopolitical events. In the fourth quarter of 2001, our country was recovering from the World Trade Center and Pentagon attacks while stock prices in the second quarter of 2003 were, we believe, positively impacted by the end of the war in Iraq and some favorable developments in the Mideast peace process. We hope the upcoming quarters provide less political and more economic reasons for stock prices to move higher. In summary, during the just concluded quarter the S&P 500 Index⁴ rose by 15% and the Russell 2000 Index climbed by 23%. Your Fund recorded a gain of 17% during the last three months, which places its performance above the S&P 500 Index, but below the Russell 2000 Index.

We Are Optimistic About The Future

Based upon the recently enacted Federal income tax cuts and interest rates that are hovering near forty-year lows, we believe stocks are an attractive investment class at this time. In cogitating about whether or not stocks are an attractive asset class in which to invest, we believe examining alternatives to stock ownership can give investors some insight as to which asset class is attractive. As an example, suppose a stock is selling for ten times cash flow and the company is expected to grow on average seven percent annually for the next five years. Under these assumptions, a dollar invested in this company would earn a theoretical cash yield over five years of approximately 57 cents. A dollar invested in a money market fund yielding 2% over the next five years (this is significantly above the 1% or lower rate on many money funds at present) compounds out to a return of about 10.4 cents. While we kept this example very simple by excluding many variables such as taxes, transaction costs and the time value of money, we believe this simple exercise illustrates that the projected returns from stocks are likely to exceed asset classes such as cash. Despite the likelihood of some future periods of stock market volatility that cause the investment returns from stocks to widen or narrow relative to cash, we believe over a period of several years stocks are likely to provide a superior return vis-à-vis cash.

Positioning Your Fund's Investments

In our last quarterly letter, we highlighted our investments in Checkpoint Systems and eFunds Corporation so our shareholders could more fully understand our investment thought process. This quarter we would like to repeat this exercise with two more of our larger investments, CIBER, Inc.

Highlights

- Recent Federal tax cuts and interest rates at 40-year lows make stocks an attractive investment class.
- When investing in smaller companies, we attempt to identify strengths or attributes not easily copied by other firms.
- Two companies we discuss—CIBER and Hanger Orthopedic—are examples of our optimism on the long-term future of small caps.

and Hanger Orthopedic Group Inc. In general, when thinking about investing in smaller companies we attempt to identify corporate strengths or attributes that are not easily copied by other firms. Examples of strengths we look for would include: patented or proprietary products, strong market shares, low costs and innovative management. As long-term investors, we want to generally avoid those companies with large unfunded liabilities (such as pensions), poor market positions, overly leveraged balance sheets and uncompetitive costs (this is why we own very few small, U. S. based manufacturers since manufacturers in Asia seem to have a significant cost advantage relative to domestic manufacturers in a wide array of industries).

CIBER is an example of a company that has developed strong practices in several information technology niches and delivers its services to its customers in a cost effective manner. CIBER provides information technology (IT) services such as systems integration and staffing in both custom and enterprise resource planning (ERP) package environments. CIBER experienced a steep decline in their business post-Y2K and they have been rebuilding the business for about three years. We became interested in CIBER a couple of years ago based upon our belief that the company possessed a solid balance sheet, a lower cost of delivery than many of their competitors and a fundamental expectation that spending on technology by their customers could not be deferred indefinitely. Over the past few years, we have been impressed with management's ability to control costs, make small acquisitions at prices we believe are accretive to shareholder value and allocate capital via share repurchases during periods when their stock appeared to be unduly depressed. The result of management's diligence in positioning CIBER as a cost effective provider of IT services is a company that not only remained consistently profitable during the past five years, but a company that we believe is well positioned to benefit when spending on IT services recovers.

Hanger Orthopedic is a good example of a small cap company with a strong number one market share in a business

that is essential to their patients. Hanger, founded by necessity during the Civil War, custom designs, fabricates and fits artificial limbs to its patients as well as providing custom fitted braces for those patients with musculoskeletal conditions. Hanger became the clear leader in the orthotics and prosthetics (O&P) business in 1999 via a merger with NovaCare. Conceptually, by combining the two largest O&P companies to form a dominant market share leader, we believe Hanger was positioning itself to be a strong, long-term player in healthcare. However, the merger integration was messier than expected and Hanger reported losses in 2000 and 2001 as they worked through the merger issues. The long-term promise of this company began to be realized as Hanger returned to profitability in 2002 and we believe this firm has a bright future. Hanger combines many of the attributes that we look for in a successful small company—a strong market position, high barriers to entry since their products and services cannot be easily moved offshore and good free cash flow generation. These two companies are examples of stocks we believe are trading at significant discounts to their private market values. As long as we can find values such as these, we believe the long-term future of small cap equities remains bright.

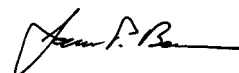
Portfolio Update

During the second quarter we sold five stocks from your Fund's portfolio. The companies we sold were Catellus Development Corp., DoubleClick Inc., MCSI Inc., Pharmaceutical Resources and Sybron Dental Specialties. Catellus had been a good performer for the Fund for a couple of years and we elected to liquidate this position principally due to the company's decision to become a real estate investment trust (REIT). DoubleClick, Pharmaceutical Resources and Sybron were shorter term holdings that we elected to sell as these stocks reached our estimation of their fair value. MCSI was sold due to deteriorating financial performance.

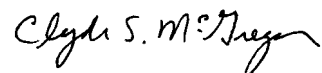
We did not purchase any new stocks in the just ended quarter and we finished the quarter with a cash balance equal to approximately 9% of the total portfolio. This cash level is about double the amount of cash we view as normal and we are working on several new stocks for your portfolio. We anticipate adding several new names to the portfolio over the next few months and we will discuss these investments in our next quarterly letter.

Finally

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



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THE OAKMARK SMALL CAP FUND

Schedule of Investments—June 30, 2003 (Unaudited)

Name	Shares Held	Market Value
Common Stocks—91.1%		
Food & Beverage—7.4%		
Ralcorp Holdings, Inc. (a)	575,000	\$ 14,352,000
Del Monte Foods Company (a)	1,230,000	10,873,200
		<u>25,225,200</u>
Household Products—4.2%		
Tupperware Corporation	1,000,000	\$ 14,360,000
Other Consumer Goods & Services—6.0%		
Department 56, Inc. (a)	760,000	\$ 11,650,800
Callaway Golf Company	475,000	6,279,500
Central Parking Corporation	215,000	2,657,400
		<u>20,587,700</u>
Security Systems—4.0%		
Checkpoint Systems, Inc. (a)	968,300	\$ 13,701,445
Apparel—3.5%		
Oakley, Inc. (a)	671,200	\$ 7,900,024
R.G. Barry Corporation (a)	900,000	4,140,000
		<u>12,040,024</u>
Automobile Rentals—2.0%		
Dollar Thrifty Automotive Group, Inc. (a)	375,000	\$ 6,956,250
Building Materials & Construction—3.8%		
Insituform Technologies, Inc., Class A (a)	738,500	\$ 13,056,680
Hotels & Motels—1.5%		
Prime Hospitality Corp. (a)	780,000	\$ 5,233,800
Information Services—4.5%		
eFunds Corporation (a)	1,327,600	\$ 15,307,228
Marketing Services—0.3%		
Grey Global Group, Inc.	1,500	\$ 1,158,765
Restaurants—2.2%		
Triarc Companies, Inc. (a)	250,000	\$ 7,497,500
Retail—2.8%		
ShopKo Stores, Inc. (a)	740,000	\$ 9,620,000
Bank & Thrifts—7.8%		
BankAtlantic Bancorp, Inc., Class A	1,000,000	\$ 11,890,000
People's Bank of Bridgeport, Connecticut	360,000	10,436,400
PennFed Financial Services, Inc.	150,000	4,162,500
		<u>26,488,900</u>

THE OAKMARK SMALL CAP FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Shares Held	Market Value
Common Stocks—91.1% (cont.)		
Insurance—3.2%		
The PMI Group, Inc. (b)	400,000	\$ 10,736,000
Other Financial—2.8%		
NCO Group, Inc. (a)	530,000	\$ 9,492,300
Real Estate—1.5%		
Trammell Crow Company (a)	495,000	\$ 5,251,950
Medical Products—5.8%		
Hanger Orthopedic Group, Inc. (a)	950,000	\$ 10,877,500
CONMED Corporation (a)	400,000	7,304,000
Advanced Medical Optics, Inc. (a)	100,000	<u>1,705,000</u>
		19,886,500
Computer Services—4.0%		
CIBER, Inc. (a)	1,805,000	\$ 12,671,100
Interland, Inc. (a)	1,100,000	<u>1,078,000</u>
		13,749,100
Computer Software—7.7%		
Mentor Graphics Corporation (a)	650,000	\$ 9,412,000
MSC.Software Corp. (a)	1,350,000	9,099,000
Sybase Inc (a)	550,000	<u>7,650,500</u>
		26,161,500
Computer Systems—1.6%		
Optimal Robotics Corp., Class A (a)(c)	723,500	\$ 5,274,315
Data Storage—2.0%		
Imation Corp.	182,000	\$ 6,883,240
Office Equipment—0.5%		
InFocus Corporation (a)	362,000	\$ 1,708,640
Instruments—0.8%		
Measurement Specialties, Inc. (a)	500,000	\$ 2,625,000
Machinery & Industrial Processing—3.5%		
SureBeam Corporation, Class A (a)	4,250,000	\$ 11,262,500
Columbus McKinnon Corporation (a)	254,800	<u>591,136</u>
		11,853,636
Other Industrial Goods & Services—1.6%		
Integrated Electrical Services, Inc. (a)	750,000	\$ 5,437,500

THE OAKMARK SMALL CAP FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Shares Held/Par Value/ Shares Subject to Put	Market Value
Common Stocks—91.1% (cont.)		
Oil & Natural Gas—6.1%		
St. Mary Land & Exploration Company	350,000	\$ 9,555,000
Cabot Oil & Gas Corporation	250,000	6,902,500
Berry Petroleum Company	250,000	4,487,500
		20,945,000
Total Common Stocks (Cost: \$315,164,561)		311,238,173
Short Term Investments—8.7%		
U.S. Government Bills—4.4%		
United States Treasury Bills, 0.795% - 0.97% due 7/3/2003 - 7/17/2003	\$15,000,000	\$ 14,997,703
Total U.S. Government Bills (Cost: \$14,997,703)		14,997,703
Repurchase Agreements—4.3%		
IBT Repurchase Agreement, 1.00% due 7/1/2003, repurchase price \$12,000,333 collateralized by U.S. Government Agency Securities	\$12,000,000	\$ 12,000,000
IBT Repurchase Agreement, 0.75% due 7/1/2003, repurchase price \$2,707,862 collateralized by a U.S. Government Agency Security	2,707,806	2,707,806
Total Repurchase Agreement (Cost: \$14,707,806)		14,707,806
Total Short Term Investments (Cost: \$29,705,509)		29,705,509
Total Investments (Cost \$344,870,070)—99.8%		\$ 340,943,682
Put Options Written—0.0%		
Household Products—0.0%		
Tupperware Corporation, July 15 Puts	(50,000)	\$ (45,000)
Total Put Options Written (Premiums Received: \$(70,998))—0.0%		\$ (45,000)
Other Assets In Excess Of Other Liabilities—0.2%		800,374
Total Net Assets—100%		\$341,699,056

- (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 EQUITY AND INCOME FUND

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



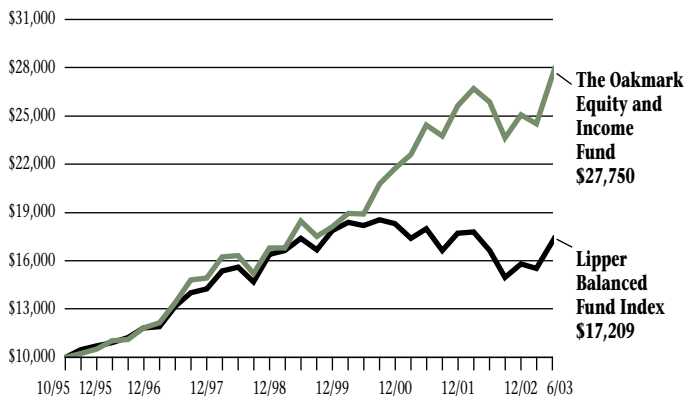
"Skepticism is the first step on the road to philosophy."

Diderot

Our Results

The Oakmark Equity and Income Fund increased 13% for the quarter ended June 30, bringing the calendar year gain to 11%. For the calendar year 2003, the Fund has lagged the stock market averages but has handily outperformed our primary benchmark, the Lipper Balanced Fund Index, which has gained 9% year to date. We are grudgingly pleased with this result. We are happy at the contribution these absolute positive returns make to the preservation and growth of your capital. We are also pleased with the composition of the portfolio at this point, much as we were pleased with it at the beginning of the quarter, which is most appropriately reflected in the turnover numbers. We are concerned however, that the market's recent outsized returns will be misinterpreted. It will appear to many people that the village idiot could have made money by investing during the quarter (and many did). Many individuals might again conclude that repeated success in investing can be achieved without study, discipline, and patience (as opposed to buying a lottery ticket). We believe that it is rather a matter of assessing the profitability and potential of an individual business and then putting together a portfolio composed of those individual businesses that sell at a discount to our estimate of their intrinsic value. It is for us at least, hard work that should sustain our investment performance through an investment cycle. It is not for us, a matter of logging on to a computer after a morning cup of coffee and throwing in a few day trades.

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK EQUITY AND INCOME FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (6/30/03) AS COMPARED TO THE LIPPER BALANCED FUND INDEX¹⁴



Average Annual Total Returns¹

(as of 6/30/03)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
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Oakmark Equity & Income Fund	13.20%	7.33%	11.19%	14.24%
S&P 500 ⁴	15.39%	0.25%	-1.61%	8.68%
Lehman Govt./Corp. Bond ¹⁵	3.53%	13.15%	7.83%	7.73%
Lipper Balanced Fund Index	10.91%	3.49%	1.98%	7.34%

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.

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* Not annualized

Bleak House Revisited

Charles Dickens' *Bleak House* is an interesting tale, which among other things highlights the tragedy that occurs when litigation becomes an end unto itself. As we have commented on in past letters, much time and effort has been and continues to be devoted to trying to find "someone" to blame for the investment debacles of the past few years. Many pieces of reform legislation and administrative rules have come into being, some well thought out and appropriate. Some will undoubtedly have unintended consequences. We have to wonder, if Sarbanes-Oxley is appropriate for the corporate world, why is it not also appropriate for the government? Should we not as taxpayer/shareholders be entitled to the same certifications with regard to the U.S. budget and financial statements? We have always thought that legislating morality and ethics is of questionable worth, for character is formed at a much earlier age. At the end of the day, standards have to

Highlights

- Our ideal holding period is forever if growth in intrinsic value outstrips a rise in share price.
- During the quarter, we initiated positions in Diageo, General Dynamics, Nestle, and Stanley Works.
- Our primary effort continues to focus on finding businesses that are trading at a margin-of-safety discount to intrinsic value.

come down from the top. We would agree with Charlie Munger of Wesco Financial that much of the problem in Wall Street comes from a deterioration in underwriting standards. Sometimes plain simple greed overcomes the rational. We suggest investors consider the language of U.S. District Court Judge Milton Pollack's opinion in dismissing a class action suit against Merrill Lynch, where he basically said investors could not be compensated for their own rash speculation in stocks when they disregarded widely known and disseminated information about conflicts of interest between Wall Street analysts and investment bankers. Investors need to appreciate the risks, but managements on Wall Street also have to take the view that there are just some things that they will not do, rather than rationalize that it is appropriate to do something for competitive reasons because everyone else is doing it. Until then, we should expect and be on guard against continuing ethical lapses. As with used cars, what emanates from Wall Street should always be viewed from a "buyer beware" perspective. And if something looks too good to be true, it usually is. At Oakmark, we have tended to be skeptical of what Wall Street is trying to peddle, whether it is a securities offering or a stock idea. We don't rely on others to do the work or the thinking for us.

Godot Stopped By—Things Are Still The Same

Did we do anything different this past quarter? Not really. At the beginning of the quarter, we were finding a number of interesting things to buy initially or in which to add to existing positions. By the end of the quarter, it was more common to find ourselves selling or beginning to sell stocks that had reached our assessment of intrinsic value. Remember, ideally we want to buy things at a 60% discount to intrinsic value and sell when they have appreciated to 90% of their intrinsic value. As we have said many times, our ideal holding period is forever—if we can find an undervalued company whose growth in intrinsic business value outstrips the increase in its price. Where that doesn't happen, our discipline leads us to sell a security. We will also sell a security when something changes in our original assessment of the business.

During the quarter, we initiated positions in Diageo PLC, General Dynamics, Nestle S.A., and Stanley Works. On the fixed income side, we increased slightly from a dollar

perspective our investment in short-term Canadian Government Treasury Bonds.

We would like to discuss briefly the sale of one investment, namely our holding in GATX Corporation. GATX Corporation is the expert in tank car leasing, and has built a substantial business in the leasing of transportation assets such as railcars and aircraft, as well as earning fees for managing those leased assets for other, primarily corporate, investors. Over the last several years, the company had divested itself of non-core businesses such as petroleum storage, pipelines, and logistics to concentrate on its transportation leasing business. It sold those non-core businesses for attractive prices. The proceeds were to be deployed (and in many instances were) in the higher ROE core transportation leasing businesses. From our perspective management has done and continues to do the right things. Unfortunately, recent events in the airline industry have impacted the company, both in the pricing on the renewal leases of its aircraft portfolio, as well as its ability to continue to fund itself through the commercial paper market. Funding is the key and often forgotten sine qua non for all finance companies. Having watched the experience of Household International, which almost overnight could no longer access funding and thus had to sell itself at what appears to have been a fire-sale price, we realized that we were no longer able to ascertain with confidence the business value of GATX and elected to liquidate the position.

The Future

At the moment, the great financial press debate centers on whether a new bull market has started, fueled by the return of the retail investor to the stock market. Much ado is being made of the fact that with the paucity of returns available in other asset classes such as bonds and money market instruments in an era of continued low interest rates, the investor has no place left to go but to the stock market. We don't know that our opinions about these and other "big picture" issues that tend to seize media attention add anything in the way of worth to our primary effort. That primary effort is our ongoing search for business values available in the market place at that margin of safety discount to intrinsic value that we like. Rest assured that still is the primary focus of our daily activities, as we assess both the potential return on as well as return of your investments. We are grateful to you, our shareholders and partners, for entrusting us with your capital.

Clyde S. McGregor *Edward A. Studzinski*

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THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—June 30, 2003 (Unaudited)

Name	Shares Held	Market Value
Equity and Equivalents—57.6%		
Common Stocks—57.2%		
Food & Beverage—0.8%		
Nestle SA (b)	400,000	\$ 20,640,000
Diageo plc (b)	205,900	9,010,184
		<u>29,650,184</u>
Cable Systems & Satellite TV—2.2%		
General Motors Corporation, Class H (Hughes Electronics Corporation) (a)	6,456,200	\$ 82,703,922
Hardware—0.6%		
The Stanley Works	861,300	\$ 23,771,880
Information Services—2.1%		
Ceridian Corporation (a)	4,600,000	\$ 78,062,000
Marketing Services—2.0%		
The Interpublic Group of Companies, Inc.	5,590,000	\$ 74,794,200
Recreation & Entertainment—0.4%		
International Game Technology (a)	165,000	\$ 16,884,450
Retail—3.2%		
J.C. Penney Company, Inc.	3,000,000	\$ 50,550,000
Office Depot, Inc. (a)	2,230,000	32,357,300
Costco Wholesale Corporation (a)	840,000	30,744,000
BJ's Wholesale Club, Inc. (a)	300,000	4,518,000
		<u>118,169,300</u>
Insurance—2.4%		
SAFECO Corporation	2,500,000	\$ 88,200,000
Real Estate—1.0%		
Catellus Development Corporation (a)	1,000,000	\$ 22,000,000
Hospitality Properties Trust	488,500	15,265,625
		<u>37,265,625</u>
Health Care Services—2.4%		
Caremark Rx, Inc. (a)	3,500,000	\$ 89,880,000
Managed Care Services—2.2%		
First Health Group Corp. (a)	3,000,000	\$ 82,800,000
Medical Centers—2.8%		
Laboratory Corporation of America Holdings (a)	3,500,000	\$ 105,525,000

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Shares Held	Market Value
Equity and Equivalents—57.6% (cont.)		
Medical Products—4.9%		
Guidant Corporation	2,265,000	\$ 100,543,350
Apogent Technologies, Inc. (a)	2,750,000	55,000,000
Techne Corporation (a)	750,000	22,755,000
Edwards Lifesciences Corporation (a)	125,000	4,017,500
		<u>182,315,850</u>
Pharmaceuticals—3.0%		
Watson Pharmaceuticals, Inc. (a)	2,550,000	\$ 102,943,500
Abbott Laboratories	200,000	8,752,000
		<u>111,695,500</u>
Computer Services—1.4%		
Concord EFS, Inc. (a)	3,500,000	\$ 51,520,000
Computer Software—4.5%		
Synopsys, Inc. (a)	2,150,000	\$ 132,977,500
Novell, Inc. (a)	8,000,000	24,640,000
Mentor Graphics Corporation (a)	800,000	11,584,000
		<u>169,201,500</u>
Computer Systems—0.9%		
The Reynolds and Reynolds Company, Class A	1,164,000	\$ 33,243,840
Aerospace & Defense—4.2%		
Rockwell Collins, Inc. (c)	3,107,900	\$ 76,547,577
Honeywell International, Inc.	1,889,500	50,733,075
General Dynamics Corporation	400,000	29,000,000
		<u>156,280,652</u>
Agricultural Equipment—0.0%		
Alamo Group, Inc.	141,900	\$ 1,734,018
Diversified Conglomerates—1.9%		
Textron, Inc.	1,800,100	\$ 70,239,902
Instruments—1.5%		
Varian, Inc. (a)	1,649,400	\$ 57,184,698
Machinery & Industrial Processing—2.4%		
Rockwell Automation International Corporation	2,075,000	\$ 49,468,000
Cooper Industries, Ltd.	1,000,000	41,300,000
		<u>90,768,000</u>
Agricultural Operations—2.0%		
Monsanto Company	3,500,000	\$ 75,740,000

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Shares Held/ Par Value	Market Value
Equity and Equivalents—57.6% (cont.)		
Forestry Products—1.8%		
Plum Creek Timber Company, Inc.	2,657,044	\$ 68,950,292
Oil & Natural Gas—6.6%		
Burlington Resources, Inc.	2,000,000	\$ 108,140,000
XTO Energy, Inc.	3,912,933	78,689,082
St. Mary Land & Exploration Company	1,200,000	32,760,000
Cabot Oil & Gas Corporation	1,000,000	27,610,000
		247,199,082
Total Common Stocks (Cost: \$1,775,625,687)		2,143,779,895
Convertible Bonds—0.4%		
Cable Systems & Satellite TV—0.4%		
EchoStar Communications Corporation, 4.875% due 1/1/2007	\$ 15,000,000	\$ 14,887,500
Total Convertible Bonds (Cost: \$12,600,203)		14,887,500
Total Equity And Equivalents (Cost: \$1,788,225,890)		2,158,667,395
Fixed Income—32.2%		
Preferred Stocks—0.0%		
Bank & Thrifts—0.0%		
Fidelity Capital Trust I, Preferred, 8.375%	43,500	\$ 456,750
Telecommunications—0.0%		
MediaOne Finance Trust III, Preferred, 9.04%	20,000	\$ 503,000
Total Preferred Stocks (Cost: \$935,000)		959,750
Corporate Bonds—2.1%		
Broadcasting & Programming—0.4%		
Liberty Media Corporation, 8.25% due 2/1/2030, Debenture	\$ 12,900,000	\$ 14,889,541
Building Materials & Construction—0.0%		
Juno Lighting, Inc., 11.875% due 7/1/2009, Senior Subordinated Note	\$ 750,000	\$ 806,250
Cable Systems & Satellite TV—0.1%		
CSC Holdings Inc., 7.875% due 12/15/2007	\$ 3,000,000	\$ 3,067,500

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Par Value	Market Value
Fixed Income—32.2% (cont.)		
Hotels & Motels—0.2%		
HMH Properties, 7.875% due 8/1/2005, Senior Note Series A	\$ 3,450,000	\$ 3,510,375
Park Place Entertainment, 7.00% due 7/15/2004, Senior Notes	2,750,000	<u>2,791,250</u>
		6,301,625
Retail—0.6%		
The Gap, Inc., 6.90% due 9/15/2007	\$ 9,187,000	\$ 9,898,992
Toys ‘Я’ Us, Inc., 7.875% due 4/15/2013	5,000,000	5,378,575
Rite Aid Corporation, 7.625% due 4/15/2005, Senior Notes	4,900,000	4,863,250
Ugly Duckling Corporation, 12.00% due 10/23/2003, Subordinated Debenture	650,000	<u>606,125</u>
		20,746,942
Health Care Services—0.3%		
Omnicare, Inc., 6.125% due 6/1/2013	\$ 12,325,000	\$ 12,571,500
Medical Products—0.0%		
Apogent Technologies Inc., 144A, 6.50% due 5/15/2013	\$ 1,000,000	\$ 1,032,500
Office Equipment—0.3%		
Xerox Corporation, 7.125% due 6/15/2010	\$ 10,550,000	\$ 10,536,813
Machinery & Industrial Processing—0.1%		
Columbus McKinnon Corporation New York, 8.50% due 4/1/2008	\$ 3,000,000	\$ 2,235,000
Other Industrial Goods & Services—0.1%		
Sealed Air Corporation, 144A, 5.625% due 7/15/2013	\$ 3,000,000	\$ 3,030,780
Electric Utilities—0.0%		
Midland Funding Corporation, 11.75% due 7/23/2005	\$ 500,000	\$ 540,000
Total Corporate Bonds (Cost: \$70,580,092)		<u>75,758,451</u>
Government and Agency Securities—30.1%		
Canadian Government Bonds—3.0%		
Canada Government, 3.50% due 6/1/2004	\$100,000,000	\$ 74,158,672
Canada Government, 5.25% due 9/1/2003	50,000,000	<u>37,013,653</u>
		111,172,325

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Par Value	Market Value
Government and Agency Securities—30.1% (cont.)		
U.S. Government Notes—26.3%		
United States Treasury Notes, 3.375% due 1/15/2007, Inflation Indexed	\$247,118,340	\$ 271,366,827
United States Treasury Notes, 5.75% due 11/15/2005 (c)	200,000,000	220,117,200
United States Treasury Notes, 3.50% due 11/15/2006	200,000,000	210,820,400
United States Treasury Notes, 1.625% due 1/31/2005	150,000,000	151,031,250
United States Treasury Notes, 1.875% due 9/30/2004	125,000,000	126,230,500
United States Treasury Notes, 7.25% due 8/15/2004	5,000,000	5,344,725
		<u>984,910,902</u>
U.S. Government Agencies—0.8%		
Federal Home Loan Mortgage Corporation, 3.75% due 11/26/2007	\$ 10,000,000	\$ 10,090,520
Federal Home Loan Mortgage Corporation, 2.35% due 5/5/2008	7,100,000	7,165,171
Fannie Mae, 2.25% due 12/30/2008	6,975,000	6,991,559
Federal Home Loan Bank, 3.125% due 7/10/2009	4,000,000	3,990,960
Federal Home Loan Bank, 5.10% due 12/26/2006	2,035,000	2,070,285
Federal Home Loan Bank, 3.875% due 12/15/2004	1,000,000	1,038,216
		<u>31,346,711</u>
Total Government and Agency Securities (Cost: \$1,084,716,221)		1,127,429,938
Total Fixed Income (Cost: \$1,156,231,313)		1,204,148,139
Short Term Investments—10.4%		
U.S. Government Bills—6.4%		
United States Treasury Bills, 0.765% - 1.09% due 7/3/2003 - 10/16/2003	\$240,000,000	\$ 239,672,597
Total U.S. Government Bills (Cost: \$239,647,975)		239,672,597
Repurchase Agreements—4.0%		
IBT Repurchase Agreement, 1.00% due 7/1/2003, repurchase price \$145,004,028 collateralized by U.S. Government Agency Securities	\$145,000,000	\$ 145,000,000
IBT Repurchase Agreement, 0.75% due 7/1/2003, repurchase price \$4,633,086 collateralized by a U.S. Government Agency Security	4,632,989	4,632,989
Total Repurchase Agreement (Cost: \$149,632,989)		149,632,989
Total Short Term Investments (Cost: \$389,280,964)		389,305,586
Total Investments (Cost \$3,333,738,167)—100.2%		\$ 3,752,121,120

THE OAKMARK EQUITY AND INCOME FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Contracts Held/ Shares Subject to Call/ Shares Subject to Put	Market Value
Call Options Purchased—0.0%		
Retail—0.0%		
J.C. Penney Company, Inc., August 17.50 Calls	1,915	\$ 153,200
Bank & Thrifts—0.0%		
First Health Group Corp., January 30 Calls	420	\$ 77,700
First Health Group Corp., October 30 Calls	170	18,275
		95,975
Aerospace & Defense—0.0%		
General Dynamics Corporation, November 80 Calls	3,500	\$ 735,000
Total Call Options Purchased (Cost: \$812,314)		984,175
Call Options Written—0.0%		
Aerospace & Defense—0.0%		
Rockwell Collins, Inc., July 25 Calls	(50,000)	\$ (27,500)
Total Call Options Written (Premiums Received: \$(33,999))—0.0%		(27,500)
Put Options Written—0.0%		
Aerospace & Defense—0.0%		
Rockwell Collins, Inc., July 20 Puts	(200,000)	\$ (30,000)
Total Put Options Written (Premiums Received: \$(390,988))—0.0%		(30,000)
Other Liabilities In Excess Of Other Assets—(0.2%)		(9,136,154)
Total Net Assets—100%		<u><u>\$3,743,911,641</u></u>

- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) A portion of this security has been segregated to cover written option contracts.

THE OAKMARK GLOBAL FUND

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



Fellow Shareholders:

The Oakmark Global Fund was up 34% for the three-month period ending June 30, 2003. This compares to gains of 17% for the MSCI World Index and 17% for the Lipper Global Fund Index. For the current calendar year to date, The Oakmark Global Fund is up 19%, significantly better than the indices.

Most importantly, since inception, your Fund has generated a positive return of 13% versus declines of 7% for the MSCI World Index and 4% for the Lipper Global Fund Index.

It was an exceptionally good quarter for your Fund, with a number of our largest positions experiencing hefty price moves: EFunds Corp, Concord EFS, Interpublic Group, Synopsys, and L.M. Ericsson all made significant positive contributions to the Fund's NAV¹⁸ for the Quarter. It is interesting to note that each of these stocks, other than Concord EFS, had been among the worst performers for the Fund in the previous quarter. We think this illustrates the degree of fear that gripped equity investors worldwide during March, 2003.

Volatility in Markets

What was our response to the large equity price declines in March? We believed the market was providing us a very good short-term opportunity to beef up our favorite positions at attractive prices. Discipline is paramount. As business analysts our most important task is to stay focused on the underlying per-share value of our companies. We try to insulate ourselves to the extent possible from the short-term white noise constantly being generated in the markets. We concern ourselves only with information that is relevant to the long-term value of our businesses.

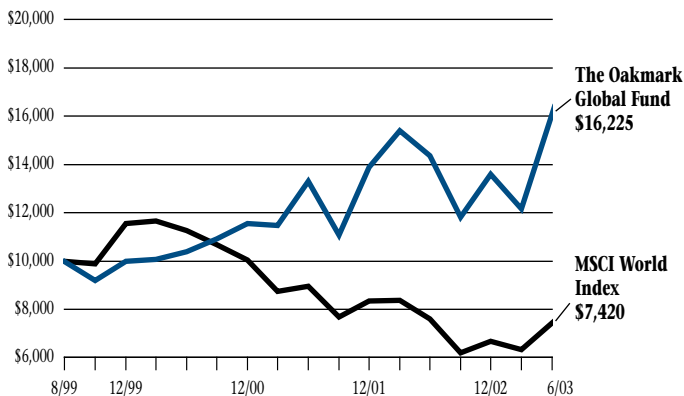
As portfolio managers, we must have the discipline to be buyers when we recognize a significant gap between value and current market prices. This often means buying in an overriding environment of fear and uncertainty. It also means buying individual companies when they are facing short-term problems or uncertainties.

We have made this basic statement many times in the past, but it bears repeating: Long-term investors should welcome volatility in equity markets because it creates opportunity.

Current Portfolio

As you are aware, the geographic or industry weightings in The Oakmark Global Fund are a

THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK GLOBAL FUND FROM ITS INCEPTION (8/4/99) TO PRESENT (6/30/03) AS COMPARED TO THE MSCI WORLD INDEX¹⁶



Average Annual Total Returns¹

(as of 6/30/03)

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

Oakmark Global Fund	33.51%	12.89%	16.05%	13.19%³
MSCI World	17.04%	-2.37%	-12.97%	-7.33%
Lipper Global Fund Index ¹⁷	17.49%	-4.05%	-11.80%	-4.38%

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

fall-out of stock selection. As portfolio managers we try to construct a portfolio of the most attractive absolute return opportunities we can find around the world, regardless of size, industry, or nationality. We do not attempt to make macroeconomic “calls” on particular countries, regions, or industries. As in all Oakmark Funds, we are bottom-up stock pickers.

Highlights

- As business analysts, our most important task is to stay focused on underlying per-share value.
- Approximately 40% of the portfolio is in the U.S., reflective of generally better investment opportunities overseas.
- Nestle, one of our newest additions, is an example of the quality of opportunity we see in the global equity markets.

It is interesting to note however that the geographic weightings of the Fund have remained fairly constant over the past few quarters, with the weighting in US companies around 40% of the portfolio since the beginning of 2003. This is low compared to one year ago when the US accounted for over 50% of the portfolio. It is reflective of the fact that we are finding, in general, what we believe to be better opportunities in overseas markets.

Many of our holdings overseas have not had the same-sized price moves as our US holdings. Over the past year a reasonable component of our return from these holdings has come from currency appreciation. Remember, a US dollar-based investor owning overseas companies (and holding these companies in the currency of the underlying country) benefits from a declining US dollar exchange rate.

Market worries about currencies helped us afford the newest addition to the portfolio, Switzerland-based Nestle. It is the quintessential multinational—you could say that Switzerland is just the company’s mailing address. It is one of the largest food companies in the world, also with leadership positions in pet food, coffee and bottled water. Nestle’s geographic spread is arguably one of the best of any major multinational. Perrier, Nestea, Carnation, Lean Cuisine, Purina, and Butterfinger are but a few of the names you will probably recognize.

It is an enviable mix and spread of businesses. Management is focused on improving profitability and returns. They have detailed concrete restructuring steps including rationalizing manufacturing, which should lift operating profit margins. We think they are in the process of making a very good economic enterprise even better.

We are able to purchase this company currently because of market fears of a prolonged global slowdown and worries of negative currency impacts on Nestle’s operating results. Because of these concerns the Company is trading just below 10x operating profit.

This brings home the comments we made in the first section of this letter about being disciplined buyers. Nestle is not a business you can buy when the market perceives smooth sailing—the share price is unlikely to trade at our required discount to value.

Nestle is a good example of the quality businesses at attractive prices we currently see in the global equity markets. Thank you for your continued confidence and support.



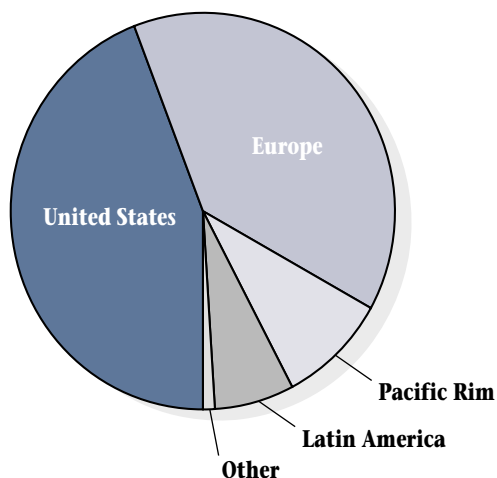
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THE OAKMARK GLOBAL FUND

Global Diversification—June 30, 2003 (Unaudited)



	% of Fund Equity Market Value
United States	44.2%
Europe	38.9%
* France	9.3%
Great Britain	8.6%
* Italy	6.4%
Switzerland	5.8%
* Germany	3.5%
* Netherlands	2.7%
Sweden	2.6%

	% of Fund Equity Market Value
Pacific Rim	9.2%
Japan	5.4%
Australia	2.3%
Korea	1.5%
Latin America	6.7%
Mexico	6.7%
Other	1.0%
Israel	1.0%

* Euro currency countries comprise 21.9% of the Fund.

THE OAKMARK GLOBAL FUND

Schedule of Investments—June 30, 2003 (Unaudited)

Name	Description	Shares Held	Market Value
Common Stocks—91.5%			
Food & Beverage—6.9%			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	1,262,900	\$ 13,507,827
Nestle SA (Switzerland)	Food & Beverage Manufacturer	49,000	10,130,182
Lotte Chilsung Beverage Co., Ltd. (Korea)	Soft Drinks, Juices & Sports Drinks Manufacturer	10,560	5,870,105
			<u>29,508,114</u>
Household Products—3.2%			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	245,100	\$ 13,900,778
Automobiles—0.7%			
Ducati Motor Holding S.p.A. (Italy) (a)	Motorcycle Manufacturer	1,933,500	\$ 2,913,831
Broadcasting & Programming—6.2%			
Grupo Televisa S.A. (Mexico) (b)	Television Production & Broadcasting	566,500	\$ 19,544,250
Liberty Media Corporation, Class A (United States) (a)	Broadcast Services & Programming	650,000	7,514,000
			<u>27,058,250</u>
Cable Systems & Satellite TV—1.5%			
AOL Time Warner Inc. (United States) (a)	Multimedia	400,000	\$ 6,436,000
Human Resources—2.0%			
Michael Page International plc (Great Britain)	Recruitment Consultancy Services	4,815,400	\$ 8,796,439
Information Services—8.5%			
eFunds Corporation (United States) (a)	Electronic Debit Payment Services	1,700,000	\$ 19,601,000
Ceridian Corporation (United States) (a)	Data Management Services	1,000,000	16,970,000
			<u>36,571,000</u>
Marketing Services—4.7%			
The Interpublic Group of Companies, Inc. (United States)	Advertising & Marketing Services	1,500,000	\$ 20,070,000

THE OAKMARK GLOBAL FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
Common Stocks—91.5% (cont.)			
Retail—6.3%			
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	2,890,100	\$ 16,125,140
The TJX Companies, Inc. (United States)	Discount Apparel & Home Fashion Retailer	575,000	10,833,000
			<u>26,958,140</u>
Bank & Thrifts—2.8%			
Washington Mutual, Inc. (United States)	Thrift	150,000	\$ 6,195,000
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Bank	440,100	6,024,863
			<u>12,219,863</u>
Financial Services—3.0%			
Julius Baer Holding Ltd., Zurich (Switzerland)	Asset Management	30,800	\$ 7,563,593
Credit Suisse Group (Switzerland)	Investment Services & Insurance	190,700	5,028,629
			<u>12,592,222</u>
Other Financial—6.0%			
Fannie Mae (United States)	Mortgage Provider	205,000	\$ 13,825,200
Daiwa Securities Group Inc. (Japan)	Stock Broker	2,062,000	11,867,378
			<u>25,692,578</u>
Managed Care Services—4.1%			
First Health Group Corp. (United States) (a)	Health Benefits Company	640,000	\$ 17,664,000
Medical Centers—2.5%			
Laboratory Corporation of America Holdings (United States) (a)	Medical Laboratory & Testing Services	350,000	\$ 10,552,500
Medical Products—3.5%			
Ansell Limited (Australia) (a)	Protective Rubber & Plastics Products	2,312,900	\$ 9,085,031
Techne Corporation (United States) (a)(c)	Biological Products	200,000	6,068,000
			<u>15,153,031</u>

THE OAKMARK GLOBAL FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
Common Stocks—91.5% (cont.)			
Pharmaceuticals—5.4%			
Aventis S.A. (France)	Pharmaceuticals	210,900	\$ 11,623,894
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	572,100	<u>11,491,070</u>
			23,114,964
Telecommunications Equipment—2.4%			
Telefonaktiebolaget LM Ericsson, Class B (Sweden) (a)	Mobile & Wired Telecommunications Products	9,400,000	\$ 10,113,723
Computer Services—4.4%			
Meitec Corporation (Japan)	Software Engineering Services	309,900	\$ 9,434,774
Concord EFS, Inc. (United States) (a)	Electronic Processing Services	635,000	<u>9,347,200</u>
			18,781,974
Computer Software—6.7%			
Novell, Inc. (United States) (a)	Network & Internet Integration Software	5,500,000	\$ 16,940,000
Synopsys, Inc. (United States) (a)	Electronic Design Automation	195,000	<u>12,060,750</u>
			29,000,750
Office Equipment—2.2%			
Neopost SA (France) (a)	Mailroom Equipment Supplier	225,400	\$ 9,594,106
Airport Maintenance—1.6%			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico) (b)	Airport Operator	463,000	\$ 6,773,690
Diversified Conglomerates—3.6%			
Vivendi Universal SA (France) (a)	Multimedia	843,300	\$ 15,376,597
Instruments—0.9%			
Orbotech, Ltd. (Israel) (a)	Optical Inspection Systems	228,700	\$ 3,803,281
Chemicals—2.4%			
Akzo Nobel N.V. (Netherlands)	Chemical Producer	395,000	\$ 10,487,737
Total Common Stocks (Cost: \$347,960,249)			393,133,568

THE OAKMARK GLOBAL FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Description	Par Value/ Shares Subject to Call	Market Value
Short Term Investments—8.8%			
U.S. Government Bills—4.7%			
	United States Treasury Bills, 0.79% - 1.07% due 7/3/2003 - 7/24/2003	\$20,000,000	\$ 19,994,873
	Total U.S. Government Bills (Cost: \$19,994,873)		19,994,873
Repurchase Agreements—4.1%			
	IBT Repurchase Agreement, 1.00% due 7/1/2003, repurchase price \$16,000,444 collateralized by U.S. Government Agency Securities	\$16,000,000	\$ 16,000,000
	IBT Repurchase Agreement, 0.75% due 7/1/2003, repurchase price \$1,889,501 collateralized by a U.S. Government Agency Security	1,889,462	<u>1,889,462</u>
	Total Repurchase Agreement (Cost: \$17,889,462)		17,889,462
	Total Short Term Investments (Cost: \$37,884,335)		37,884,335
	Total Investments (Cost \$385,844,584)—100.3%		\$431,017,903
Call Options Written—(0.1%)			
Medical Products—(0.1%)			
	Techne Corporation, October 30 Calls (United States) Biological Products	(200,000)	\$ (590,000)
	Total Call Options Written (Premiums Received: \$(393,981))—(0.1%)		\$ (590,000)
	Other Liabilities In Excess Of Other Assets—(0.2%)		<u>(822,053)</u>
	Total Net Assets—100%		<u>\$429,605,850</u>

- (a) Non-income producing security.
- (b) Represents an American Depository Receipt.
- (c) A portion of this security has been segregated to cover written option contracts.

THE OAKMARK INTERNATIONAL AND OAKMARK INTERNATIONAL SMALL CAP FUNDS

Fellow Shareholders:

In the recent quarter ending June 30, 2003, both The Oakmark International Fund and The Oakmark International Small Cap Fund achieved very strong returns, up 25% and 29% respectively, surpassing the relevant market indices and peer group indices.

The Funds' performance was aided by a rebound in equity markets around the world over the past few months, quite a contrast to the fear that drove markets lower in March. The large declines in equity prices in the first quarter of calendar year 2003 provided us the opportunity to add to our favorite holdings at very attractive prices.

Relief!

For months now we have been arguing that global stocks were significantly undervalued. We believed that depressed valuations did not mirror medium and long-term prospects for stocks. Though there has been a significant rebound as can be seen by the above numbers, we believe that this could be just the beginning of the equity recovery and that overseas stock markets are on firm footing for recovery from the 3 year bear market.

Our favorite indicator of opportunity is valuation. Even after a strong March, April and May, we believe that international stocks in general are still cheap. The MSCI World Index¹⁶ (as of May 31st, 2003) trades at a price to cash flow ratio of 10.5x. Europe trades at just 8.8x and Japan is at 7.3x. More compelling is the relationship with dividend yields and interest rates. Today, the 5 year US Treasury is around 2%, the number is 3% in Europe and below 1% in Japan. Yet, The MSCI World yields 2.2%, Europe yields 3.2% and Japan yields 1.2%. In a very unusual circumstance, stocks offer a higher yield than bonds! These valuation numbers are an indication that equities as an asset class are cheap, both relative to bonds and in an absolute sense.

Finally, opportunities going forward seem attractive. The war in the Middle East has ended and the SARS problem seems to be fading. This appears to be giving both consumers and businesses the confidence needed to help improve the growth rate of the global economy. East Asia, which has slowed because of SARS, seems to be picking up and has the potential to be a strong driver of global growth over the next 10 years. Continued reform and foreign direct investment should fuel growth in the region's most important economy, China. In North Asia, South Korea continues down the path of improved corporate governance.

The European economy remains fairly stagnant on the whole and faces some serious structural, pension and budgetary issues. But there are some positive developments.

Highlights

- From March lows, equity prices the world over experienced a significant rebound this quarter.
- Valuation numbers indicate that equities as an asset class are cheap, relative to bonds and on an absolute basis.
- We believe European share prices reflect most of the problems but very little of recent positive developments.

Corporate tax reform has been pervasive and positive, and now Germany looks to be on the verge of a major cut in personal income taxes. Labor reform—read flexibility to hire and fire—hopefully seems to be more of a foregone conclusion. The failure of the recent strike by East German metalworkers orchestrated by the powerful IG Metal Union was very encouraging. It took a week but workers soon recognized that striking for a 35-hour work-week in a region of 19% unemployment and uncompetitive wages did not make much sense. Public opinion was strongly against this strike. This very public defeat by Germany's highest profile union will hopefully fuel further labor flexibility reforms throughout the German economy.

Most positive has been the continued improvement in European corporate governance. Managements are working much harder for shareholders today than they were ten years ago. There is a recognition that the market for capital is global and competitive and managements need to do a better job of producing attractive returns. Currently, we think share prices in Europe reflect most of the problems but very little of the positive developments.

Looking Forward

Despite this quarter's strong return, we still remain optimistic about the quality and valuations of the businesses we own in both The Oakmark International Fund and The Oakmark International Small Cap Fund.



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THE OAKMARK INTERNATIONAL FUND

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



The Oakmark International Fund gained 25% for the quarter, comparing favorably to the Morgan Stanley World ex-US Index which gained 19%. Markets around the globe rebounded after a very rough first quarter of 2003.

The Fund's strong performance was driven by a widespread share recovery. Investments with the most substantial positive impact on NAV included Swedish telecom equipment manufacturer LM Ericsson, French advertising giant Publicis Groupe, and UK media buyer Aegis Group PLC. Each of these companies operate in sectors which have been extremely out of favor during the bear market.

Ericsson's continued cost-cutting, the installation of a new CEO, and better than expected cash generation have bolstered the market's confidence in the company's goal to return to profitability (pre-restructuring charges) in 2003. The share price of Publicis, which had been hurt by worries about a global advertising recession, rebounded strongly after the market started to recognize the substantial under-valuation. Aegis' stock performance was supported by the overall pick up in the US advertising market and strong pricing in up-front television advertising during the quarter. In addition, Aegis management demonstrated capital discipline by walking away from a bidding war for Interpublic's market research assets. Following the relatively good first quarter results for each of these companies, we are beginning to see this overriding pessimism give way to recognition of significant undervaluation.

Other stocks that were substantial positive contributors in the quarter include Euronext N.V., Akzo Nobel N.V., and Vivendi Universal.

The only substantial addition we made to the portfolio in the quarter was Swiss food giant Nestle S.A. This is the third time in the history of the Fund that we have owned this fine company. As in the past we are always happy to be buyers when short-term worries overwhelm the share price and provide us an opportunity. Please see the quarterly letter for The Oakmark Global Fund for more detail about Nestle.

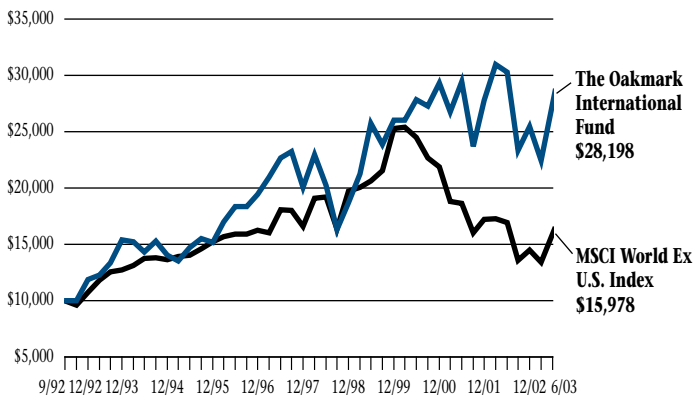
Looking Forward

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.

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THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL FUND FROM ITS INCEPTION (9/30/92) TO PRESENT (6/30/03) COMPARED TO THE MSCI WORLD EX U.S. INDEX¹⁹



Average Annual Total Returns¹

Total Return Last 3 Months*	(as of 6/30/03)			
	1-year	5-year	10-year	Since Inception (9/30/92)

Oakmark					
International Fund	25.43%	-6.98%	6.84%	8.65%	10.12%
MSCI World ex. U.S.	19.22%	-5.58%	-3.64%	3.05%	4.45%
MSCI EAFE ²⁰	19.27%	-6.46%	-4.00%	2.78%	4.21%
Lipper International Fund Index ²¹	19.72%	-6.40%	-2.79%	5.05%	5.90%

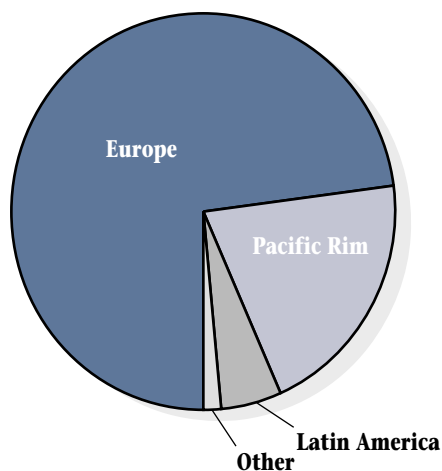
The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

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

International Diversification—June 30, 2003 (Unaudited)



	% of Fund
Equity Market Value	
Europe	72.9%
* France	19.6%
Great Britain	18.5%
Switzerland	11.2%
* Netherlands	6.6%
* Germany	6.5%
* Italy	4.8%
Sweden	4.1%
* Finland	1.6%

	% of Fund
Equity Market Value	
Pacific Rim	20.5%
Japan	10.0%
Korea	4.9%
Australia	2.4%
Singapore	2.0%
Hong Kong	1.2%
Latin America	5.1%
Mexico	5.0%
Brazil	0.1%
Other	1.5%
Israel	1.5%

* Euro currency countries comprise 39.1% of the Fund.

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2003 (Unaudited)

Name	Description	Shares Held	Market Value
Common Stocks—95.8%			
Food & Beverage—14.1%			
Diageo plc (Great Britain)	Beverages, Wines, & Spirits Manufacturer	6,673,800	\$ 71,382,167
Nestle SA (Switzerland)	Food & Beverage Manufacturer	338,600	70,001,627
Cadbury Schweppes plc (Great Britain)	Beverage & Confectionary Manufacturer	9,266,200	54,763,346
Lotte Chilsung Beverage Co., Ltd. (Korea)	Soft Drinks, Juices & Sports Drinks Manufacturer	83,400	46,360,486
Pernod-Ricard SA (France)	Manufactures Wines, Spirits, & Fruit Juices	447,425	39,993,567
Fomento Economico Mexicano S.A. de C.V. (Mexico), (b)	Soft Drink & Beer Manufacturer	925,200	38,118,240
			<u>320,619,433</u>
Household Products—3.0%			
Henkel KGaA (Germany)	Consumer Chemical Products Manufacturer	1,201,950	\$ 68,168,258
Other Consumer Goods & Services—2.1%			
Swatch Group AG, Bearer Shares (Switzerland)	Watch Manufacturer	526,100	\$ 47,767,133
Swatch Group AG, Registered Shares (Switzerland)	Watch Manufacturer	24,700	450,353
			<u>48,217,486</u>
Apparel—0.1%			
Fila Holding S.p.A (Italy), (a)(b)	Athletic Footwear & Apparel	2,833,480	\$ 3,116,828
Automobiles—2.7%			
Bayerische Motoren Werke (BMW) AG (Germany)	Luxury Automobile Manufacturer	1,620,100	\$ 62,436,062
Automotive—2.2%			
Compagnie Generale des Etablissements Michelin (France)	Tire Manufacturer	1,261,500	\$ 49,341,806
Broadcasting & Programming—3.0%			
Grupo Televisa S.A. (Mexico), (b)	Television Production & Broadcasting	1,977,200	\$ 68,213,400

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
Common Stocks—95.8% (cont.)			
Human Resources—2.0%			
Michael Page International plc (Great Britain)	Recruitment Consultancy Services	24,736,600	\$ 45,187,108
Marketing Services—5.3%			
Publicis Groupe (France)	Advertising & Media Services	2,534,000	\$ 68,126,205
Aegis Group plc (Great Britain)	Media Services	40,940,200	<u>53,636,631</u>
			121,762,836
Publishing—2.3%			
John Fairfax Holdings Limited (Australia)	Newspaper Publisher	27,580,400	\$ 53,334,316
Recreation & Entertainment—0.9%			
Nintendo Company, Ltd. (Japan)	Video Game Manufacturer	284,800	\$ 20,738,210
Retail—3.0%			
Signet Group plc (Great Britain)	Jewelry Retailer	28,446,100	\$ 42,440,668
Giordano International Limited (Hong Kong)	Pacific Rim Clothing Retailer & Manufacturer	82,924,300	<u>25,787,068</u>
			68,227,736
Bank & Thrifts—10.4%			
Sanpaolo IMI S.p.A. (Italy)	Banking Services	6,565,300	\$ 61,101,514
BNP Paribas SA (France)	Commercial Banking	1,156,000	58,846,411
United Overseas Bank Limited, Foreign Shares (Singapore)	Commercial Banking	6,178,368	43,515,812
Banco Popolare di Verona e Novara Scrl (Italy)	Commercial Banking	2,938,400	40,225,991
Svenska Handelsbanken AB (Sweden)	Commercial Banking	1,498,800	24,564,037
Kookmin Bank (Korea)	Commercial Banking	231,168	<u>6,966,972</u>
			235,220,737
Financial Services—2.2%			
Credit Suisse Group (Switzerland)	Investment Services & Insurance	1,890,300	\$ 49,845,923

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
Common Stocks—95.8% (cont.)			
Other Financial—7.4%			
Daiwa Securities Group Inc. (Japan)	Stock Broker	15,426,000	\$ 88,780,883
Euronext (Netherlands)	Stock Exchange	2,774,300	68,905,666
Deutsche Boerse AG (Germany)	Electronic Trading Systems	208,500	11,064,668
			<u>168,751,217</u>
Pharmaceuticals—9.8%			
Aventis S.A. (France)	Pharmaceuticals	1,338,600	\$ 73,777,828
GlaxoSmithKline plc (Great Britain)	Pharmaceuticals	3,450,300	69,301,941
Takeda Chemical Industries, Ltd. (Japan)	Pharmaceuticals & Food Supplements	1,610,500	59,508,841
Novartis AG (Switzerland)	Pharmaceuticals	590,300	23,403,292
			<u>225,991,902</u>
Telecommunications—2.5%			
SK Telecom Co., Ltd. (Korea)	Mobile Telecommunications	315,660	\$ 53,909,284
Telemig Celular Participacoes S.A. (Brazil)	Mobile Telecommunications	1,806,000,000	2,840,621
			<u>56,749,905</u>
Telecommunications Equipment—2.9%			
Telefonaktiebolaget LM Ericsson, Class B (Sweden), (a)	Mobile & Wired Telecommunications Products	61,556,000	\$ 66,229,823
Computer Services—2.1%			
Meitec Corporation (Japan)	Software Engineering Services	1,613,200	\$ 49,113,187
Airport Maintenance—0.2%			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico), (b)	Airport Operator	242,000	\$ 3,540,460

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
Common Stocks—95.8% (cont.)			
Diversified Conglomerates—4.9%			
Vivendi Universal SA (France), (a)	Multimedia	4,216,400	\$ 76,881,163
LVMH Moët Hennessy Louis Vuitton SA (France)	Diversified Luxury Goods	685,500	34,059,599
Haw Par Corporation Limited (Singapore)	Healthcare & Leisure Products	58,338	<u>143,811</u>
			111,084,573
Instruments—1.5%			
Orbotech, Ltd. (Israel), (a)	Optical Inspection Systems	2,041,200	\$ 33,945,155
Machinery & Industrial Processing—1.5%			
Metso Corporation (Finland)	Paper & Pulp Machinery	3,863,000	\$ 34,440,963
Other Industrial Goods & Services—2.1%			
Chargeurs SA (France)	Wool, Textile Production & Trading	1,050,201	\$ 27,304,218
Enodis plc (Great Britain), (a)	Food Processing Equipment	33,585,320	<u>21,653,413</u>
			48,957,631
Transportation Services—2.0%			
Associated British Ports Holdings Plc (Great Britain)	Port Operator	6,916,199	\$ 45,305,301
Chemicals—5.6%			
Akzo Nobel N.V. (Netherlands)	Chemical Producer	2,824,000	\$ 74,980,679
Givaudan (Switzerland)	Fragrance & Flavor Compound Manufacturer	126,900	<u>53,502,718</u>
			128,483,397
Total Common Stocks (Cost: \$2,064,368,590)			2,187,023,653

THE OAKMARK INTERNATIONAL FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Description	Par Value	Market Value
Short Term Investments—4.2%			
Repurchase Agreements—4.2%			
	IBT Repurchase Agreement, 1.00% due 7/1/2003, repurchase price \$95,002,639 collateralized by U.S. Government Agency Securities	\$95,000,000	\$ 95,000,000
	IBT Repurchase Agreement, 0.75% due 7/1/2003, repurchase price \$463,033 collateralized by a U.S. Government Agency Security	\$ 463,023	<u>463,023</u>
	Total Repurchase Agreement (Cost: \$95,463,023)		95,463,023
	Total Short Term Investments (Cost: \$95,463,023)		95,463,023
	Total Investments (Cost \$2,159,831,613)—100.0%		\$ 2,282,486,676
	Foreign Currencies (Cost \$2,271,113)—0.1%		\$ 2,269,856
	Other Liabilities In Excess Of Other Assets—(0.1%)		<u>(3,382,515)</u>
	Total Net Assets—100%		<u>\$2,281,374,017</u>

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

THE OAKMARK INTERNATIONAL SMALL CAP FUND

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



The Oakmark International Small Cap Fund had a strong quarter, gaining 29%, more than the relevant indices. Markets around the world rebounded from pervasive investor fear which drove prices to a short-term bottom in March.

Strong positive share price performance was widespread in the portfolio. It is a testament to the roller-coaster volatility we have experienced so far in 2003 that the three worst performers of last quarter—Van der Moolen Holding of the Netherlands, Baycorp Advantage in Australia, and Vontobel Holding in Switzerland—were among the best in this one.

As we mentioned last quarter, the long-term fundamentals of each of these businesses remained sound, the gap between price and business value expanded, and we viewed the price declines as an opportunity to increase our position sizes.

Other big positive contributors to the Fund's NAV for the quarter include: Neopost, the French mailing and shipping machinery manufacturer; Pfeiffer Vacuum Technology, the German-based engineering company; Italian luxury goods company Bulgari S.P.A.; and, Swiss private bank and asset manager Julius Baer Holding.

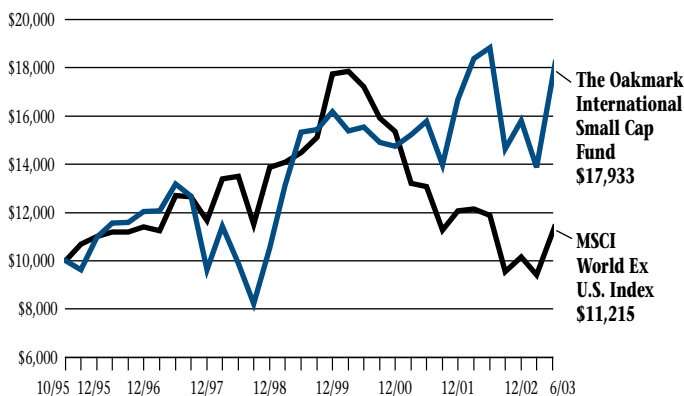
Even with the strong quarter we still feel excited by the values in the portfolio and the overall quality of the companies we own.

Thank you for your continued confidence.

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THE VALUE OF A \$10,000 INVESTMENT IN THE OAKMARK INTERNATIONAL SMALL CAP FUND FROM ITS INCEPTION (11/1/95) TO PRESENT (6/30/03) AS COMPARED TO THE MSCI WORLD EX U.S. INDEX¹⁹



Average Annual Total Returns¹

(as of 6/30/03)

	Total Return Last 3 Months*	1-year	5-year	Since Inception (11/1/95)
Oakmark International Small Cap Fund	29.18%	-4.77%	12.63%	7.91%
MSCI World ex. U.S.	19.22%	-5.58%	-3.64%	1.51%
Lipper International Small Cap Average ²²	22.65%	-1.82%	1.71%	7.84%

Oakmark International

Oakmark International Small Cap Fund	29.18%	-4.77%	12.63%	7.91%
MSCI World ex. U.S.	19.22%	-5.58%	-3.64%	1.51%
Lipper International Small Cap Average ²²	22.65%	-1.82%	1.71%	7.84%

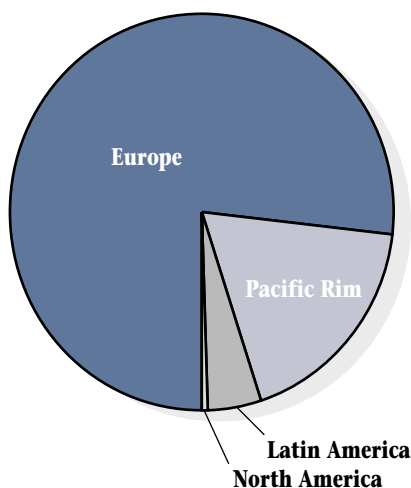
The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

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

International Diversification—June 30, 2003 (Unaudited)



	% of Fund Equity Market Value
Europe	76.8%
Switzerland	18.4%
* France	15.5%
* Italy	10.5%
Great Britain	9.7%
Denmark	6.9%
* Germany	5.1%
* Netherlands	3.5%
Sweden	2.8%
* Spain	2.7%
* Finland	1.7%

	% of Fund Equity Market Value
Pacific Rim	18.2%
Australia	7.1%
Japan	4.1%
Korea	2.8%
New Zealand	2.4%
Thailand	0.8%
Philippines	0.6%
Hong Kong	0.4%
Latin America	4.5%
Mexico	4.5%
North America	0.5%
Canada	0.5%

* Euro currency countries comprise 39.0% of the Fund.

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2003 (Unaudited)

Name	Description	Shares Held	Market Value
Common Stocks—96.2%			
Food & Beverage—5.9%			
Campari Group (Italy)	Soft Drinks, Wines, & Spirits Producer	232,200	\$ 8,908,548
Baron De Ley, S.A. (Spain), (a)	Wines & Spirits Manufacturer	150,985	5,365,381
Hite Brewery Co., Ltd. (Korea)	Brewer	68,000	3,649,058
Alaska Milk Corporation (Philippines)	Milk Producer	49,394,000	2,494,413
Grupo Continental, S.A. (Mexico)	Soft Drink Manufacturer	1,302,100	2,036,575
Kook Soon Dang Brewery Co., Ltd. (Korea)	Wine & Spirits Manufacturer	61,400	1,629,452
			<u>24,083,427</u>
Household Products—0.6%			
Societe BIC SA (France)	Consumer & Office Supplies	64,800	\$ 2,527,107
Other Consumer Goods & Services—0.3%			
Royal Doulton plc (Great Britain), (a)	Tableware & Giftware	22,373,000	\$ 1,155,810
Automobiles—0.9%			
Ducati Motor Holding S.p.A. (Italy), (a)	Motorcycle Manufacturer	2,452,900	\$ 3,696,579
Broadcasting & Publishing—2.7%			
Tamedia AG (Switzerland)	TV Broadcasting & Publishing	184,151	\$ 11,169,335
Building Materials & Construction—0.8%			
Fletcher Building Limited (New Zealand)	Building Materials Manufacturer	1,489,800	\$ 3,207,821
Human Resources—1.6%			
DIS Deutscher Industrie Service AG (Germany)	Recruitment Consultancy Services	368,972	\$ 6,366,981
Information Services—3.5%			
Baycorp Advantage Limited (Australia)	Credit Reference Services	15,140,800	\$ 14,436,132
Marketing Services—1.9%			
Asatsu-DK, Inc. (Japan)	Advertising Services Provider	426,700	\$ 7,652,056

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
Common Stocks—96.2% (cont.)			
Publishing—2.1%			
Recoletos Grupo de Comunicacion, S.A. (Spain)	Publisher	880,000	\$ 5,365,466
Matichon Public Company Limited, Foreign Shares (Thailand)	Newspaper Publisher	2,039,500	<u>3,296,553</u>
			8,662,019
Recreation & Entertainment—0.2%			
Square Enix Co., Ltd. (Japan)	Entertainment Software	30,400	\$ 518,542
Konami Sports Corporation (Japan)	Fitness Centers	21,500	<u>313,291</u>
			831,833
Retail—10.4%			
Bulgari S.p.A. (Italy)	Jewelry Manufacturer & Retailer	3,173,700	\$ 17,707,469
Carpetright plc (Great Britain)	Carpet Retailer	1,261,500	12,669,101
D.F.S. Furniture Company plc (Great Britain)	Furniture Retailer & Manufacturer	1,743,600	<u>11,890,033</u>
			42,266,603
Bank & Thrifts—5.7%			
Jyske Bank A/S (Denmark), (a)	Commercial Banking	293,700	\$ 11,872,088
Vontobel Holding AG (Switzerland)	Commercial Banking	713,224	<u>11,579,768</u>
			23,451,856
Financial Services—6.4%			
Van der Moolen Holding N.V. (Netherlands)	International Trading Firm	974,500	\$ 13,598,516
Julius Baer Holding Ltd., Zurich (Switzerland)	Asset Management	50,990	<u>12,521,676</u>
			26,120,192
Other Financial—2.4%			
Ichiyoshi Securities Co., Ltd. (Japan)	Stock Broker	2,480,000	\$ 7,529,569
TSX Group Inc. (Canada)	Stock Exchanges	101,500	<u>2,059,963</u>
			9,589,532

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
Common Stocks—96.2% (cont.)			
Medical Products—3.7%			
Ansell Limited (Australia), (a)	Protective Rubber & Plastics Products	3,407,850	\$ 13,385,975
Coloplast A/S, Class B (Denmark)	Healthcare Products & Services Provider	23,100	<u>1,788,812</u>
			15,174,787
Telecommunications—0.4%			
Asia Satellite Telecommunications Holdings Limited (Hong Kong)	Satellite Operator	1,066,000	\$ 1,756,583
Computer Services—4.7%			
Morse Plc (Great Britain)	Business & Technology Solutions	5,734,300	\$ 12,370,954
Sopra Group (France)	Computer Engineering	128,430	3,900,491
Alten (France), (a)	Systems Consulting & Engineering	298,141	<u>2,623,808</u>
			18,895,253
Computer Systems—2.4%			
Lectra (France), (a)	Manufacturing Process Systems	1,718,500	\$ 9,687,116
Office Equipment—4.6%			
Neopost SA (France), (a)	Mailroom Equipment Supplier	435,600	\$ 18,541,227
Airport Maintenance—7.1%			
Grupo Aeroportuario del Sureste S.A. de C.V. (Mexico), (b)	Airport Operator	1,064,000	\$ 15,566,320
Kobenhavns Lufthavne A/S (Copenhagen Airports A/S) (Denmark)	Airport Management & Operations	162,700	<u>13,229,076</u>
			28,795,396

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Description	Shares Held	Market Value
Common Stocks—96.2% (cont.)			
Diversified Conglomerates—6.3%			
Pargesa Holding AG (Switzerland)	Diversified Operations	5,374	\$ 10,974,973
Financiere Marc de Lacharriere SA (Fimalac) (France)	Diversified Operations	318,270	8,787,307
Tae Young Corp. (Korea)	Heavy Construction	169,500	5,832,106
Financiere Marc de Lacharriere SA (Fimalac), Warrants (France)	Diversified Operations	31,866	77,350
			<u>25,671,736</u>
Instruments—1.6%			
Vaisala Oyj, Class A (Finland)	Atmospheric Observation Equipment	329,700	\$ 6,675,449
Machinery & Industrial Processing—7.7%			
Pfeiffer Vacuum Technology AG (Germany)	Vacuum Pump Manufacturer	498,140	\$ 13,466,916
Alfa Laval (Sweden)	Filtration & Separation Equipment	1,133,100	10,844,622
Carbone Lorraine SA (France)	Electrical Systems Manufacturer	258,582	7,035,230
			<u>31,346,768</u>
Other Industrial Goods & Services—4.7%			
Schindler Holding AG (Switzerland), (a)	Elevator & Escalator Manufacturer	71,900	\$ 12,657,421
LISI (France)	Industrial Fastener Manufacturer	241,813	6,487,197
			<u>19,144,618</u>
Production Equipment—2.9%			
Interpump Group S.p.A. (Italy)	Pump & Piston Manufacturer	2,688,500	\$ 10,917,762
NSC Groupe (France)	Textile Equipment Manufacturer	12,316	970,530
			<u>11,888,292</u>
Transportation Services—1.5%			
Mainfreight Limited (New Zealand)	Logistics Services	7,765,726	\$ 6,105,243

THE OAKMARK INTERNATIONAL SMALL CAP FUND

Schedule of Investments—June 30, 2003 (Unaudited) cont.

Name	Description	Shares Held/ Par Value	Market Value
Common Stocks—96.2% (cont.)			
Chemicals—3.2%			
Gurit-Heberlein AG (Switzerland)	Chemical Producer	26,404	\$ 13,085,306
Total Common Stocks (Cost: \$380,434,570)			391,985,057
Short Term Investments—3.8%			
U.S. Government Bills—1.2%			
United States Treasury Bills, 0.95% due 7/3/2003		\$5,000,000	\$ 4,999,736
Total U.S. Government Bills (Cost: \$4,999,736)			4,999,736
Repurchase Agreements—2.6%			
IBT Repurchase Agreement, 1.00% due 7/1/2003, repurchase price \$9,000,250 collateralized by U.S. Government Agency Securities		\$9,000,000	\$ 9,000,000
IBT Repurchase Agreement, 0.75% due 7/1/2003, repurchase price \$1,427,427 collateralized by a U.S. Government Agency Security		1,427,397	<u>1,427,397</u>
Total Repurchase Agreement (Cost: \$10,427,397)			10,427,397
Total Short Term Investments (Cost: \$15,427,133)			15,427,133
Total Investments (Cost \$395,861,703)—100.0%			\$ 407,412,190
Foreign Currencies (Cost \$231,440)—0.1%			\$ 232,517
Other Liabilities In Excess Of Other Assets—(0.1%)			<u>(263,871)</u>
Total Net Assets—100%			<u>\$407,380,836</u>

(a) Non-income producing security.

(b) Represents an American Depository Receipt.

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

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

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

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

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 - 6/30/03), IPOs contributed an annualized 2.18% 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. EPS refers to Earnings Per Share and is calculated by dividing total earnings by the number of shares outstanding.
6. The Price-Earnings Ratio ("P/E") is the most common measure of how expensive a stock is.
7. 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.
8. 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.

9. 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.
10. 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.
11. The Russell 2000 Index is an unmanaged, market-weighted index, with dividends reinvested, of 2,000 small companies, formed by taking the largest 3,000 small companies and eliminating the largest 1,000 of those companies. This index is unmanaged and investors cannot actually make investments in this index.
12. 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.
13. 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.
14. 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.
15. 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.
16. The MSCI World Index is made up of 20 country sub-indexes, including the stock exchanges of the U.S., Europe, Canada, Australia and New Zealand, and the Far East. This index is unmanaged and investors cannot actually make investments in this index.
17. The Lipper Global Fund Index 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.
18. NAV stands for Net Asset Value. NAV is the dollar value of a single mutual fund share, based on the value of the underlying assets of the fund minus its liabilities divided by the number of shares outstanding.
19. 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.
20. 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.
21. 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.
22. 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.”

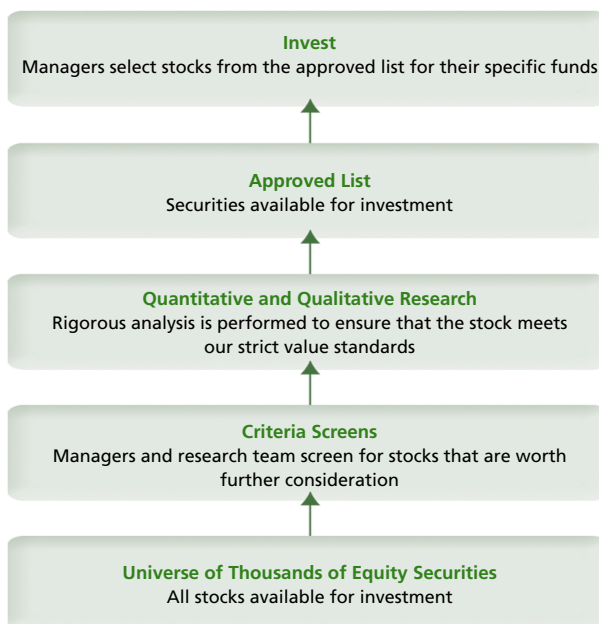
The Result: a unified effort aimed at identifying the best values in the marketplace. From the list of approved stocks, each fund manager constructs a relatively focused portfolio, built on a stock-by-stock basis from the bottom up.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE OAKMARK FAMILY OF FUNDS

Trustees and Officers

Trustees

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

Officers

Robert M. Levy—*President*
James P. Benson—*Vice President*
Henry R. Berghoef—*Vice President*
Kevin G. Grant—*Vice President*
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Gregory L. Jackson—*Vice President*
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John R. Raitt—*Executive Vice President*
Janet L. Reali—*Vice President and Secretary*
Ann W. Regan—*Vice President—*
Shareholder Operations and Assistant Secretary
Edward A. Studzinski—*Vice President*
Michael J. Welsh—*Vice President*
Kristi L. Rowsell—*Treasurer*
John J. Kane—*Assistant Treasurer*

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FORWARD-LOOKING STATEMENT DISCLOSURE

One of our most important responsibilities as mutual fund managers is to communicate with shareholders in an open and direct manner. We believe that well-informed shareholders are more likely to be patient shareholders. Our preference to share our thoughts and opinions also recognizes your right to understand our investment process. Some of our comments in our letters to shareholders are based on current management expectations and are considered “forward-looking statements”. Actual future results, however, may prove to be different from our expectations. You can identify forward-looking statements by words such as “estimate”, “may”, “will”, “expect”, “believe”, “plan” and other similar terms. We cannot promise future returns and our opinions are a reflection of our best judgment at the time this report is compiled.

The “forward looking statements” speak only as of the date of this report and we disclaim any obligation to update or alter forward-looking statements as a result of new information, future events, or otherwise. This report must be preceded or accompanied by a Prospectus. Please read the Prospectus carefully for a discussion of fees, expenses and risks. You may obtain a copy of the Prospectus by calling 1-800-625-6275 or by visiting our website (www.oakmark.com).

This report is submitted for the general information of the shareholders of the Funds. The report is not authorized for distribution to prospective investors in the Funds unless it is accompanied or preceded by a currently effective prospectus of the Funds.

No sales charge to the shareholder or to the new investor is made in offering the shares of the Funds.

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