

Oakmark International Fund: Fourth Quarter 2020

December 31, 2020

The Oakmark International Fund had a strong fourth quarter of absolute and relative performance, returning 31.5% versus its benchmark, the MSCI World ex U.S. Index, which returned 15.9% for the same period. The Oakmark International Fund finished the calendar year with positive absolute performance of 4.9%, compared to the index's return of 7.6% during the same period. In addition, the Fund has returned an average of 9.2% per year since its inception in September 1992, outperforming the MSCI World ex U.S. Index, which has averaged 6.1% per year over the same period.

U.K.-based retail bank Lloyds Banking Group was a leading contributor for the fourth quarter, which marked a sharp reversal of the stock price decline realized in the third quarter. Positive Brexit deal developments helped boost the share prices of European-based companies, including Lloyds, in the fourth quarter and culminated in a late-period trade agreement between the U.K. and European Union that formalized a new economic and security partnership. Lloyds also released third-quarter earnings that we found to be reasonable considering present macroeconomic conditions. For the full fiscal nine-month period, total revenue fell 17% and underlying operating profit declined 85% from a year earlier. Results were significantly impacted by impairment charges that rose dramatically (+334%) for the full period. However, the vast majority of the impairment charge increase occurred in the first two quarters and eased in the third quarter, which helped drive strong sequential growth of underlying operating profit, totaling GBP 1.2 billion. Other important metrics showed evidence of improvement as well, including retail deposits that rose 7%, which resulted in a loan-to-deposit ratio of 98%, reflecting a healthy liquidity position. Importantly, Lloyds' balance sheet remains strong as its Tier-1 ratio reached 15.2% in the third quarter (up from 14.6% in the second quarter), which exceeded both management's target of

Oakmark International Fund – Investor Class

Average Annual Total Returns (12/31/20)

Since Inception (9/30/92) 9.24%

10–year 6.20%

5–year 6.92%

1–year 4.92%

3–month 31.48%

Gross Expense Ratio: 1.06%

Net Expense Ratio: 1.04%

Expense ratios are based on estimated amounts for the current fiscal year; actual expenses may vary.

The net expense ratio reflects a contractual advisory fee waiver agreement through January 27, 2022.

Past performance is no guarantee of future results.

The performance data quoted represents past performance. Current performance may be lower or higher than the performance data quoted. The investment return and principal value vary so that an investor's shares when redeemed may be worth more or less than the original cost. To obtain the most recent month-end performance data, visit Oakmark.com.

12.5% and regulatory requirements of roughly 11%. Management cited additional encouraging signs of a business recovery, including increased mortgage activity, which we think positions the company advantageously as the general economy normalizes. As we have expressed previously, we contend that Lloyds possesses a wide range of strengths to draw upon to reinforce its business during current, near-term challenges. Even including its strong fourth-quarter stock price performance, we believe the company's shares are still undervalued compared with our estimate of intrinsic value.

Alibaba Group, a China-based internet and direct marketing retailer, was a large detractor in the fourth quarter. The company faced regulatory headwinds during the quarter due to China's new anti-monopoly law as well as the suspension of the highly anticipated initial public offering (IPO) of Ant Group, wherein Alibaba holds an approximately one-third ownership stake. The increased regulations on both Alibaba and Ant are still in the consultation phase and have not yet been finalized. While we find it difficult to accurately quantify these risks, we believe it is likely Alibaba will face greater regulatory scrutiny and slower growth going forward. However, the company remains an important driver of innovation in China and even with its slower growth, we believe its valuation is compelling. In the meantime, we continue to monitor this fluid situation.

We completed the sale of Ferguson (U.K.) and Baidu (China) because overall results for both companies propelled the share prices higher during the quarter. We used the proceeds from these sales to purchase holdings that we believe have greater upside potential. We initiated a position in Roche Holding (Switzerland), a health care company focused on pharmaceuticals and diagnostics. We believe Roche is an industry leader in both facets with multiple options in the product pipeline and excellent innovation potential. We also initiated a position in Restaurant Brands International (Canada) during the quarter, which operates quick-service restaurants, including Tim Hortons, Burger King and Popeyes. We are excited to invest alongside this management team and we believe the quick-service restaurant industry is an attractive market that has historically demonstrated low cyclicity while steadily increasing share of global food consumption.

We continue to believe the Swiss franc is overvalued versus the U.S. dollar. As a result, we defensively hedged a portion of the Fund's exposure. Approximately 14% of the Swiss franc exposure was hedged at quarter end.

Geographically, we ended the quarter with approximately 83% of our holdings in Europe and the U.K., 7% in Asia, and 3% in Australasia. The remaining positions are 3% in South Africa, 3% in North America (Canada) and 1% in Latin America (Mexico).

We thank you for your continued support.



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The securities mentioned above comprise the following percentages of the Oakmark International Fund's total net assets as of 12/31/20: Alibaba Group 0.4%, Alibaba Group ADR 0.5%, Baidu 0%, Ferguson 0%, Lloyds Banking Group 4.3%, Restaurant Brands Int'l (US Shs) 0.4% and Roche Holding 0.8%. **Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.**

To obtain a full list of the most recent quarter-end holdings, please visit our website at www.oakmark.com or call 1-800-OAKMARK (625-6275).

The MSCI World ex U.S. Index (Net) is a free float-adjusted, market capitalization-weighted index that is designed to measure international developed market equity performance, excluding the U.S. The index covers approximately 85% of the free float-adjusted market capitalization in each country. This benchmark calculates reinvested dividends net of withholding taxes. This index is unmanaged and investors cannot invest directly in this index.

The Fund's portfolio tends to be invested in a relatively small number of stocks. As a result, the appreciation or depreciation of any one security held by the Fund will have a greater impact on the Fund's net asset value than it would if the Fund invested in a larger number of securities. Although that strategy has the potential to generate attractive returns over time, it also increases the Fund's volatility.

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

The percentages of hedge exposure for each foreign currency are calculated by dividing the market value of all same-currency forward contracts by the market value of the underlying equity exposure to that currency.

The information, data, analyses, and opinions presented herein (including current investment themes, the portfolio managers' research and investment process, and portfolio characteristics) are for informational purposes only and represent the investments and views of the portfolio managers and Harris Associates L.P. as of the date written and are subject to change and may change based on market and other conditions and without notice. This content is not a recommendation of or an offer to buy or sell a security and is not warranted to be correct, complete or accurate.

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All information provided is as of 12/31/2020 unless otherwise specified.

Before investing in any Oakmark Fund, you should carefully consider the Fund's investment objectives, risks, management fees and other expenses. This and other important information is contained in a Fund's prospectus and summary prospectus. Please read the prospectus and summary prospectus

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carefully before investing. For more information, please visit Oakmark.com or call 1-800-OAKMARK (1-800-625-6275).

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