



# Oakmark Global Select Fund: Q2 2022 Commentary

Jul. 12, 2022 5:37 AM ET | **Oakmark Global Select Fund Investor Class Inv (OAKWX)** | AMZN, GOOG, GOOGL... | 1 Like



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## Summary

- We are value investors. In constructing portfolios for our clients, we seek out companies that we believe are trading in the market at significant discounts to their underlying value. These businesses must offer significant profit potential and be run by managers who think and act as owners.
- The Oakmark Global Select Fund returned -16.7% for the quarter ending June 30, underperforming the MSCI World Index (Net).
- There is a growing narrative that the worst of the regulatory pressures on the Chinese internet are in the past.
- More recently, concerns about rising investment spending have weighed on the stock providing us another opportunity to purchase shares at a very attractive price.



## Oakmark Global Select Fund - Investor Class

**Average Annual Total Returns** 06/30/22

Since Inception 10/02/06 **6.87%**

10-year **8.57%**

5-year **2.85%**

1-year **-22.13%**

3-month **-16.66%**

Gross Expense Ratio: 1.12%

Net Expense Ratio: 1.10%

*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, 2023.*

**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, [view it here](#).*

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The Oakmark Global Select Fund returned -16.7% for the quarter ending June 30, underperforming the MSCI World Index (NET), which returned -16.2%. Year-to-date, the Fund returned -22.6% compared to the benchmark's return of -20.5%. Since its September 2006 inception, the Fund has earned an annualized return of 6.9% per year.

**Prosus** ([OTCPK:PROSY](#), Netherlands), a global internet and technology company, was a top contributor to the Fund's performance for the quarter. Prosus outperformed as a result of strong relative performance from its major holding, Tencent ([OTCPK:TCEHY](#)). Tencent, as well as other Chinese internet companies, performed well during the quarter as the Chinese government made several announcements supporting the internet sector. There is a growing narrative that the worst of the regulatory pressures on the Chinese internet are in the past and that, over time, the industry will grow at a more normal pace. In addition, at the end of the quarter, Prosus' share price increased, following the announcement that the company is planning to sell part of its \$134 billion stake in Tencent. Prosus will conduct an open-ended and unlimited program to sell its Tencent shares and use those proceeds to repurchase its own shares until the discount narrows to a level that is satisfactory to management. We welcome this change as it takes advantage of the massive discount in Prosus shares relative to its NAV.



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**Alphabet** ([GOOG](#), [GOOGL](#), U.S.), a global communication services provider, was a top detractor to the Fund's performance for the quarter. Investors were disappointed by the company's first-quarter earnings report, though its results were largely in line with analysts' expectations, including 23% revenue growth to \$68 billion and a total operating margin of 30%. Search revenue improved 28% in constant currency, led by retail and the ongoing recovery in travel. Although YouTube's brand advertising was strong, segment revenue decelerated due to difficult comparable sales and the adverse effects of the Russia/Ukraine war. However, share repurchases for the first quarter amounted to \$13.3 billion and were tracking in line with our full-year estimate, and the company authorized an additional \$70 billion for buybacks, adding to our confidence in management's commitment to adding value for its shareholders. While an industry-wide trend of slowing advertising revenues persisted in the second quarter, we believe Alphabet's total advertising business is still positioned to grow in the mid-teens in 2022 and that the stock remains an attractive holding.

We purchased a new position in **Amazon** ([AMZN](#), U.S.) during the second quarter. Amazon is the leading e-commerce and cloud-computing provider in the world. Two-thirds of U.S. households are Amazon Prime subscribers, and over half of all online product searches now start on Amazon. We believe the company's strong customer loyalty and massive infrastructure are significant barriers to entry in a growing e-commerce market. Separately, Amazon Web Services (AWS) controls nearly half of the market in cloud computing. We believe AWS has become utility-like in nature and scale and we expect healthy growth moving forward as IT workloads continue moving to the cloud. More recently, concerns about rising investment spending have weighed on the stock-as they have in times past-providing us another opportunity to purchase shares at a very attractive price. At our purchase price and valuing AWS like its peers, an investor isn't paying much of anything for the immensely valuable e-commerce franchise.

During the quarter, we also sold our position in **Humana** ([HUM](#), U.S.) in favor of names that, in our opinion, offer more potential upside.

Geographically, we ended the quarter with 53% of the portfolio in the U.S., 38% in the U.K. and Europe, and 9% in Asia.

We thank you for your continued support.

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**Original Post**

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**Editor's Note:** The summary bullets for this article were chosen by Seeking Alpha editors.

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This article was written by



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**Additional disclosure:** The securities mentioned above comprise the following preliminary percentages of the Oakmark Global Select Fund's total net assets as of 06/30/2022: Alphabet Cl A 12.0%, Amazon.com 3.8%, Humana 0%, Prosus 5.5% and Tencent 0%. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.

The MSCI World Index (Net) is a free float-adjusted, market capitalization-weighted index that is designed to measure the global equity market performance of developed markets. 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.

Because the Oakmark Global 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 returns more volatile than a more diversified fund.

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.

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