THE MARKET ENVIRONMENT

Central bank meetings dominated economic headlines during the reporting period. In the U.S., the possibility that the Federal Reserve would raise interest rates and the outcome of the upcoming presidential election provoked market worries. Despite these concerns, the real economy continued to make headway, as key indicators of economic improvement such as employment, consumer confidence and orders for capital goods strengthened. What’s more, the Census Bureau reported that median household income rose 5.2% in 2015 from the previous year, which was the largest increase since the start of data collection in the 1960s. Citing reluctance to disrupt mounting economic progress, the Federal Reserve ultimately left interest rates unchanged, which pleased the market.

Similarly, both the Bank of England and the European Central Bank left interest rates unchanged at their respective meetings in September. To the surprise of many investors, the FTSE 100 index in the U.K. produced its best performance in over three years. Meanwhile, concerns for the future of Deutsche Bank, Germany’s largest lender, prompted volatility in European markets.

At its own September policy meeting, the Bank of Japan decided against decreasing interest rates further. Instead, Governor Kuroda introduced a new monetary initiative designed to control the bond yield curve in an effort to raise inflation. The bank aims to maintain a near-zero yield on its 10-year government bonds and plans to buy as many bonds as necessary to ensure that end. Concurrently, the bank will reduce the amount of its long-term securities, which should work to lower longer-term bond prices and drive yields higher. These actions are intended to drive up prices for consumer goods and services. Policy makers are hopeful that the threat of impending price increases will prompt consumers to spend more right now and reverse the prevailing pattern of waiting to buy because products will be cheaper in the future.

Overall, the reporting period was marked by speculation surrounding central banks’ measures of stability in their respective economies. While most opted to stand pat on interest rates, we remain prepared for any investment opportunities that are unearthed as a result of the impulsive tendencies of investors. As always, our investment thesis endures no matter the operating environment.

PERFORMANCE

<table>
<thead>
<tr>
<th></th>
<th>QTR</th>
<th>YTD</th>
<th>1-YR</th>
<th>3-YR</th>
<th>5-YR</th>
<th>Since Inception</th>
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<tbody>
<tr>
<td>Harris Associates Global Large Cap L.P. [Net]</td>
<td>12.3%</td>
<td>4.7%</td>
<td>11.1%</td>
<td>2.1%</td>
<td>11.8%</td>
<td>4.1% (06/07)</td>
</tr>
<tr>
<td>MSCI World Index</td>
<td>4.9%</td>
<td>5.6%</td>
<td>11.4%</td>
<td>5.8%</td>
<td>11.6%</td>
<td>3.0%</td>
</tr>
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Past performance is no guarantee of future results. All returns reflect the reinvestment of dividends and capital gains and the deduction of transaction costs. The specific securities identified and described in this report do not represent all of the securities purchased, sold, or recommended for advisory clients. There is no assurance that any securities discussed herein will remain in an account’s portfolio at the time one receives this report or that securities sold have not been repurchased. It should not be assumed that any of the securities, transactions, or holdings discussed herein were or will prove to be profitable.
THE PORTFOLIO

Top Performers: Glencore’s continued efforts to sell its assets once again benefited the company in the second quarter and into the third quarter. Reports of an interested buyer for Glencore’s stake in the Vasilkovskoye gold mine in Kazakhstan boosted its share price in July. Later in the month, the company received several bids for its coal haulage operation in Australia. We met with CEO Ivan Glasenberg and other members of the management team who seemed pleased with the increase in demand and price of commodities, the company’s cost development and its resulting free cash flow, as well as the asset sale program. In addition, CEO Glasenberg believes that prices today should be higher based on inventories and that they will move higher over time. Subsequently, our thesis for Glencore and our confidence in its management team’s capabilities remain intact.

LafargeHolcim’s share price reacted positively to news that it had agreed to sell Lafarge India for approximately $1.4 billion, with proceeds going to pay down debt. We are impressed with the progress management has made on defining and implementing true synergies following the merger. We were pleased to see that second-quarter results exceeded the market’s expectations and illustrated Europe’s improving pricing environment, in our view. Additionally, management reaffirmed its 2016 outlook, as well as its commitment to targets set for 2018. Although Credit Suisse Group’s share price declined somewhat in September, this name still finished as a top contributor for the quarter. We attended two separate meetings with members of Credit Suisse’s management team in September. We first met with Jim Amine, CEO of the Investment Bank & Capital Markets, and reviewed the ongoing risk reduction in the global markets business. As we have noted previously, management has made progress de-risking this business, as market risk declined by 39% year to date and the expected quarterly pretax profit loss was reduced by 50% in an adverse stress scenario. In addition, management confirmed that restructing the global markets business is now complete, which should allow for improving profitability over the coming quarters. We then met with Brian Chin, Credit Suisse’s newly appointed CEO of Global Markets, and reviewed his short- to medium-term objectives. We came away impressed with Mr. Chin and believe that he is fully capable to achieve his strategic goals for the company.

Bottom Performers: Even though Wells Fargo released positive second-quarter financial results early in the quarter, news that the bank was fined $185 million for illegal sales practices and the opening of fraudulent accounts had a large negative impact on its share price at quarter-end. While we believe Wells Fargo should have implemented better safeguards to prevent such an occurrence, this incident does not impact our opinion of management’s capabilities as a whole, and we expect the company’s strong capital position will allow it to easily absorb this fine. Furthermore, given the small percentage of accounts affected since 2011, we do not anticipate changes in the company’s growth rate. In our estimation, Wells Fargo possesses a relatively simple balance sheet and operates with greater liquidity and better quality capital than its peers, which may provide advantages over its competitors in a more stringent regulatory environment. We also like that the bank achieved higher growth and returns versus its peers of late. While the recent news was disappointing, our investment thesis for Wells Fargo remains intact, and we feel confident that the company will reward shareholders over the long term. For its fiscal second quarter, CNH Industrial reported that revenue in its largest segment, Agriculture Equipment, declined 6% in local currencies from continued weakness in the NAFTA row crop sector, which was down 31% year-over-year, along with a sales decline for Brazilian tractors. However, profitability in the agriculture segment improved by 200 basis points in the quarter, as positive pricing, lower costs (both cost containment and material costs) and currency effects helped margins. Furthermore, CNH’s overall results were strong in our view, as performance improved in three of four segments. Both total revenues of $6.75 billion and earnings per share of $0.16 surpassed market forecasts by 3% and 60%, respectively. The Iveco segment had another solid quarter with revenue up 6% in local currencies and earnings rose more than 100% (after adjusting for Venezuelan re-measurement) owing to strong truck demand in the EMEA region that offset weakness in Latin America and special vehicles. It appears that a continuation of short-term movements in the machinery market have weighed on investors’ sentiment regarding CNH Industrial. While heavy equipment manufacturers continue to contend with an inventory surplus, we believe that CNH enjoys an advantage over its peers because the company had already right sized its inventory of agricultural equipment. In addition, CNH’s fundamentals are still solid, in our view, and our investment thesis for this holding remains intact.

During the quarter we initiated a position in HCA Holdings and eliminated Applied Materials from the portfolio.
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Harris Associates Global L.P.
as of September 30, 2016

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