HARRIS ASSOCIATES L.P.
Global Large Cap L.P.
December 2011

THE MARKET ENVIRONMENT

2011 was not good for global equities, as natural disasters (first in Japan, later in Thailand) and Europe's sovereign debt crisis took a toll. **As value investors, we have found three good reasons to be confident**. The **first reason** is valuation. As of the end of November, according to MSCI, the EAFE Index traded at 1.3x book value, 6.7x cash flow and yielded 3.9%. Stocks in Japan are even cheaper, and manufacturers there are poised for growth as they continue to resume normal operations in the wake of the earthquake/tsunami in their home country and flooding in Thailand. In fact, global blue chips in general are selling at extremely attractive valuations, though investor interest remains soft. Investor fear is running highest with regard to European financials. It is widely believed that all banks and financial institutions in Europe are under duress, when in fact we are able to find healthy, well-capitalized, profitable companies in this sector. Our **second reason** is that these low valuations are especially meaningful given the fact that, despite the negative headlines, the world is still growing at an acceptable rate. We expect a recession in some parts of Europe, but the United States, the world's biggest economy, and Asia (including Japan) are growing meaningfully. Global economic growth is predicted to be 3-4% for 2012, which bodes well for increases in corporate profitability. When one combines low valuations with economic growth, it is generally positive for stock prices. **Reason three** is that, over the past few years, we have seen investors pour liquidity into "safe havens" – most notably, treasury securities of governments deemed "safe." However, the yields on these investments remain extremely low. While bonds have outperformed stocks recently, we believe this outperformance is unsustainable and that there will be some mean reversion, especially given the differential between the combined market earnings and dividend yields for stocks versus the yields on treasury securities.

The short-term challenges cannot be denied, but we remain very confident about the medium and long-term future. The biggest challenge to investors may still be the volatility of the global equity markets. As a result of mostly political and some macroeconomic instability, on any given day it seems a company can see wild intraday swings, and that makes it challenging to keep portfolios positioned correctly. Of course, on the flip side, volatility does present opportunity when the ups and downs in the market prices of businesses do not reflect changes in their intrinsic value. We think there are good opportunities for careful, long-term investors.

THE PORTFOLIO

Top Performers: **Intel**'s third-quarter results were unexpectedly good. The company set a new record for the number of microprocessor units shipped. Earnings and revenue, also at record levels, increased 33% and 29%, respectively, from the same period last year, and gross margins expanded as well. Intel generated over $6 billion in cash in the quarter and spent $4 billion to repurchase 186 million shares of stock (3.5% of the base). Though Intel is facing some temporary challenges due to hard-drive disk shortages associated with the Thailand floods, the company's fundamentals remain extremely solid. This short-term difficulty does not change our long-term view of Intel's quality and value. In the third quarter, **Givaudan** reported worse-than-expected earnings, mainly attributed to higher raw material costs, which were up 15%. Although this hurt Givaudan's bottom line, the company has made progress in mitigating these higher costs by negotiating price increases for its products. Shares rebounded in the fourth quarter as Givaudan's sales momentum remained strong, its orders remained solid, and its management continued to work on improving margins. Rising raw material prices, combined with a strong Swiss franc, could challenge the company's short-term results, but we continue to believe this company is a good long-term investment. **National Oilwell Varco**'s fundamentals continue to improve, as evidenced by its most recent quarterly results. Revenue increased 24% and earnings and EPS were both up 30% for the third quarter. New orders for rig technology were $4 billion in the quarter, and the backlog at quarter-end was just over $10 billion. We expect orders in the fourth quarter will also be strong, with the backlog at the end of the year reaching approximately $11 billion. This order backlog will take several years to complete even with an absence of any new orders.

Bottom Performers: **Daiwa Securities Group** has been hurt by numerous factors, including a particularly weak Japanese stock market and decreased equity and capital-markets activity. New management is aggressively addressing losses in the wholesale business and has placed new priorities on other business lines. The company's focus will be on the retail banking and asset management divisions – the recently launched retail bank seems to be a game changer. On top of the seemingly relentless pressure resulting from the European sovereign debt issue, **Credit Suisse**'s stock price fell back during the quarter after the company released its third-quarter results. Credit Suisse reported an overall decline in net profit and a reduction of its return on equity. However, new money inflows in Wealth Management continue to be strong and gross margins in this unit have also increased. As we have recently stated, Credit Suisse has immaterial exposure to sovereign debt and maintains a healthy balance sheet. We believe this company has the wherewithal to withstand these short-term difficulties, and its stock price remains significantly undervalued. **ROHM**'s share price dropped during the quarter after the company lowered its fiscal full-year profit projections. The company now expects a loss for the year of approximately JPY 3 billion, caused by the extreme flooding in Thailand (causing operations to be suspended at two facilities there), continued economic weakness and yen appreciation. While two of these three factors are out of ROHM's control, the company took proactive measures to address the fallout from Thailand's flooding. Thai facilities account for approximately 31% of ROHM's shipments. Components that ROHM produces in large quantity in Thailand include transistors (50%), resistors (87%), tantalum capacitors (78%) and the LSI output of subsidiary Lapis Semiconductor (63%). To offset this manufacturing gap, production was shifted to other plants or outsourced to third parties. On the plus side, management expects its Thailand-based facilities to be operational early in 2012. We are pleased that management was able to counteract this temporary, though weighty, obstacle quickly.

We initiated a new position in **PPR** and eliminated our positions in **Reed Elsevier** and **Samsung Electronics** during the quarter.

PERFORMANCE

	QTR	YTD	1-YR	3-YR	Since Inception (06/07)
Harris Associates Global Large Cap L.P. [Net]	6.9%	-9.9%	-9.9%	17.4%	-2.6%
MSCI World Index	7.6%	-5.5%	-5.5%	11.1%	-4.5%

PORTFOLIO

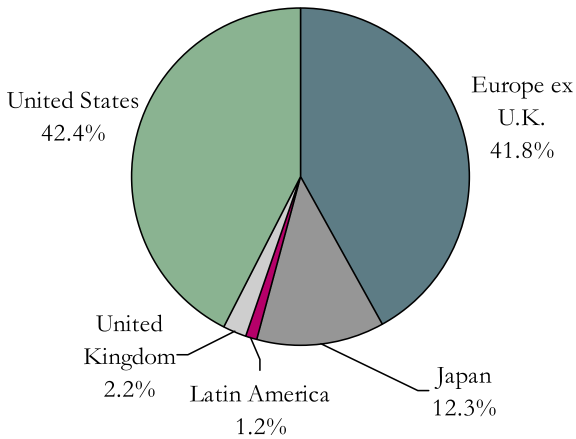
Quarter-to-date

Top 5 Performers	Contribution to Return	Bottom 5 Performers	Contribution to Return
Intel	0.87%	Daiwa Securities Group	-0.64%
Givaudan	0.61%	Credit Suisse Group	-0.45%
National Oilwell Varco	0.58%	ROHM	-0.38%
Julius Baer Group	0.52%	Baxter International	-0.21%
Boeing	0.51%	Toyota Motor	-0.16%

Year-to-date

Top 5 Performers	Contribution to Return	Bottom 5 Performers	Contribution to Return
Intel	1.05%	Daiwa Securities Group	-1.64%
MasterCard Cl A	0.82%	Credit Suisse Group	-1.46%
Visa Cl A	0.72%	Carnival	-1.01%
Diageo	0.44%	ROHM	-0.98%
Discover Financial	0.37%	Daimler	-0.96%

REGIONAL ALLOCATION



REPRESENTATIVE PORTFOLIO HOLDINGS

Top 10 Holdings	% of Portfolio
Intel	6.5%
Wells Fargo	3.5%
Julius Baer Group	3.4%
Toyota Motor	3.3%
Adecco	3.3%
Daimler	3.2%
Applied Materials	3.2%
Carnival	3.2%
Daiwa Securities Group	3.2%
Credit Suisse Group	3.2%

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Holdings are representative of Harris Associates L.P.'s Global Large Cap Value L.P. portfolio as of 12/31/11. The investment return and principal value of this portfolio and any particular holding may fluctuate. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.

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