HARRIS ASSOCIATES L.P.
Global Large Cap L.P.
September 2012

THE MARKET ENVIRONMENT

The world continues to experience a heavy dose of economic and market uncertainty. The eurozone is in recession and appears reluctant to fully embrace the reforms and fiscal consolidation likely needed to extinguish the crisis. Growth in Brazil, Russia, India, China and South Africa (the BRICS countries) has slowed considerably, and the Japanese economy is still struggling to find traction after the March 2011 earthquake and Thai floods later that year. Corporate profit margins that have been at record levels now may be at risk, given the slowdown around the world. Conditions in the Mideast remain unsettled. And issues in the U.S. – the election, the “fiscal cliff” – only add to the unsteady economic landscape.

In our long history of investing, we have found there is never a dull moment. Every few years, stormy market conditions appear that eventually end up leading to investment opportunities. The reason we believe we are successful at “harvesting fear” is that we stubbornly make decisions based on company fundamentals, rather than macroeconomic worries and market volatility. We do not try to predict the next move by the federal banking officials in the U.S., in Europe or elsewhere in order to make investment decisions. Instead, we believe that investment success comes from correctly assessing business value, not from correctly predicting macro trends. Our tenacity has paid off, as global equity markets, for the most part, have made excellent progress year to date, and many have attained double-digit returns. On the other hand, investors trying to find safety have become frozen with fear. The result is that a great deal of cash that could be invested in equities and earning very good returns remains on the sidelines.

The coming weeks and months will be filled with wide-ranging political speculation that will inevitably result in market fluctuations. However, we expect progress will be made on the many fiscal/structural issues, if only because such progress *must* happen to address today’s pressing policy and economic realities worldwide. Corporate resiliency and cheap valuations – even in the face of more macro turmoil – will continue to reward investors like us who are not paralyzed by the market’s current negativity. Our secret to success is simple: We apply a disciplined and objective approach in valuating companies, we buy low to enhance upside potential and manage downside risk, and we act confidently on our convictions.

THE PORTFOLIO

Top Performers: **BNP Paribas**’ second-quarter results were good, as the company continues to make progress in de-risking its business while maintaining strong levels of profitability. Total net profit was ahead of expectations due mainly to earnings in the retail segment that grew 3% year-over-year. Its Core Tier 1 capital ratio increased 50 basis points from the prior quarter and is now at 10.9%. More importantly, BNP’s fully phased-in Basel III ratio is currently 8.9%, well on track to meet the 9% requirement by year-end. In addition, Mario Draghi, president of the European Central Bank, revealed details of a new bond-buying strategy meant to ease the eurozone’s debt crisis during the quarter that helped share prices of European financials. In July, the Swiss National Bank (SNB) advised **Credit Suisse Group** to comply with recommendations cited in its annual Financial Stability report to raise additional capital. The company met this request by raising the necessary extra capital through a rights offering. As a result, Credit Suisse’s balance sheet is even stronger, eliminating concerns over its Tier 1 capital strength. This news, coupled with its recently released interim financial report that showed management has been successfully reducing costs while attracting new assets, has reinforced our belief that Credit Suisse is a high-quality investment for the long term. **National Oilwell Varco** reported a good quarter. Revenue rose 35%, operating income was up 24% and earnings per share increased 26%. The company’s equipment order backlog also grew by $1 billion to just over $11 billion. National Oilwell received its first floating platform storage equipment order (for $200 million), which is a new multi-billion dollar market for the company.

Bottom Performers: **Intel**’s stock price dropped after the company announced that third-quarter revenue would be below previous guidance due to weaker-than-expected demand in a more challenging macro environment. Intel’s customers are reducing inventory, which is a reversal of the ordinary seasonal third-quarter inventory growth pattern. Softness in the enterprise personal computer market and slowing emerging market demand also caused the earnings forecast reduction. Based on this new information we reworked our estimates and still find Intel very attractively valued. **Canon**’s shares reacted negatively to news that first-quarter group sales were down. This was mainly due to a 9% sales decrease in the Office segment, which also caused the company to reduce guidance. The strong yen also continues to negatively affect margins. However, Canon announced it will release its first mirrorless camera later this year. We expect this new product will finally allow Canon to compete successfully with other industry members that have already developed products in this category. The company continues to repurchase shares – it has bought back almost 13% of shares outstanding since 2005. We believe Canon is an attractive investment due to its formidable technological innovation and strength. The company holds several patents for the products it manufactures, giving the firm a measure of exclusivity. We believe Canon remains a good investment opportunity for our shareholders. **ROHM**’s share price fell the most during the second quarter of 2012 after it released fiscal year results that showed a year-over-year sales decline of approximately 11% and an operating profit decline of approximately 81%. Most of ROHM’s troubles revolve around its failure to expand its customer base outside of Japan. Historically, ROHM’s management focused on Japanese consumer electronics companies because of proximity and ease of communication. However, ROHM’s new president and previous head of overseas sales, Satoshi Sawaura, has prioritized overseas expansion. We think that investing in overseas offices to get closer to clients is a very positive step.

We initiated a new position in **Fiat Industrial** and did not eliminate any positions during the quarter.

PERFORMANCE

	QTR	YTD	1-YR	3-YR	5-YR	Since Inception (06/07)
Harris Associates Global Large Cap L.P. [Net]	6.1%	11.9%	19.6%	6.5%	0.4%	-0.1%
MSCI World Index	6.7%	13.0%	21.6%	7.5%	-2.1%	-1.6%

PORTFOLIO

Quarter-to-date

Top 5 Performers	Contribution to Return
BNP Paribas	0.59%
Credit Suisse Group	0.55%
National Oilwell Varco	0.52%
Publicis Groupe	0.51%
Akzo Nobel	0.48%

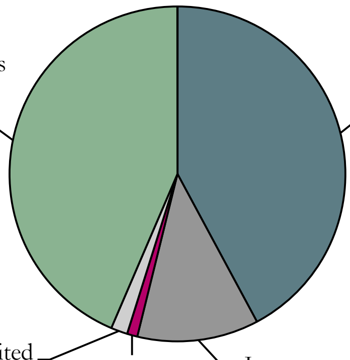
Bottom 5 Performers	Contribution to Return
Intel	-0.96%
Canon	-0.58%
ROHM	-0.34%
Boeing	-0.13%
Julius Baer Group	-0.10%

Year-to-date

Top 5 Performers	Contribution to Return
BNP Paribas	0.92%
Wells Fargo	0.90%
Visa Cl A	0.84%
Daiwa Securities Group	0.79%
Franklin Resources	0.75%

Bottom 5 Performers	Contribution to Return
Canon	-0.92%
ROHM	-0.87%
Ultra Petroleum	-0.32%
Intel	-0.24%
Julius Baer Group	-0.22%

REGIONAL ALLOCATION



REPRESENTATIVE PORTFOLIO HOLDINGS

Top 10 Holdings	% of Equity
Intel	5.6%
Wells Fargo	3.9%
Daiwa Securities Group	3.7%
Credit Suisse Group	3.6%
Daimler	3.5%
Carnival	3.3%
Franklin Resources	3.3%
Starwood Hotels & Resorts	3.2%
Applied Materials	3.0%
BNP Paribas	3.0%

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Holdings are representative of Harris Associates L.P.'s Global Large Cap Value L.P. portfolio as of 9/30/12. 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.

Pie chart weights may not add to 100% due to rounding.

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