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Brochure

(Form ADV Part 2A)

March 30, 2020

This Brochure provides information about the qualifications and business practices of Dodge & Cox, an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). If you have any questions about the contents of this Brochure, please contact us at (415) 981-1710. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply that an investment adviser has a certain level of skill or training.

Additional information about Dodge & Cox is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

This Brochure dated March 30, 2020, serves as an update to the Brochure dated March 29, 2019. While there have been no material changes to the Brochure, we have added to existing disclosure on p. 5 under **Other Fees and Expenses**, revised minimum initial account sizes for Private Client Accounts on p. 8 under **Types of Clients** and have updated **Principal Investment Risks** on p. 9 to enhance disclosure concerning specific asset exposure and market events.

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Advisory Business

Firm Description

Dodge & Cox provides investment management services to institutions, individuals, mutual funds and other pooled investment vehicles on a fully discretionary basis, subject to the investment objectives and investment guidelines of each client. Established in 1930, Dodge & Cox is an independent organization and manages investments from one office located in San Francisco. Ownership is limited to active employees of the firm. No one person is considered a principal owner of the firm.

Advisory Services

Investment management is our only business. Dodge & Cox provides equity, fixed income, and balanced account management services to our clients. In addition to separately managed accounts, Dodge & Cox manages Dodge & Cox Funds, an SEC-registered investment company consisting of the following six series: Dodge & Cox Stock Fund, Dodge & Cox Global Stock Fund, Dodge & Cox International Stock Fund, Dodge & Cox Balanced Fund, Dodge & Cox Income Fund, and Dodge & Cox Global Bond Fund. Dodge & Cox also serves as investment manager to Dodge & Cox Worldwide Funds plc, an investment company authorized and regulated by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, as amended. Dodge & Cox Worldwide Funds plc is an umbrella company offering three sub-funds (the "Dodge & Cox Worldwide Funds").

Our investment philosophy is built on traditional principles—we conduct our own research, employ a rigorous price discipline, and maintain a long-term investment horizon. Dodge & Cox follows a disciplined approach to investing in which investment ideas are considered by investment committees. Decisions are generally applied to all eligible fund and separate account clients after taking cash flows, investment guidelines and restrictions, and other account-specific circumstances into consideration. This process involves establishing target allocations that are applied across relevant client portfolios.

Please note that Dodge & Cox does not provide financial planning services. Accordingly, Dodge & Cox will provide investment management services only with respect to the securities, cash, and other investments held in a client's account and, in making recommendations with respect to the account, Dodge & Cox will not consider any other securities, cash, or other investments owned by the client. In addition, Dodge & Cox does not provide tax, accounting, or legal services or advice.

Activities Dodge & Cox Does Not Engage In

Dodge & Cox avoids or limits business practices that create conflicts of interest. For example, Dodge & Cox does not manage or offer hedge funds, trade with affiliated broker-dealers, use solicitors, pay to participate in wrap fee programs, or compensate employees on the basis of sales.

Securities Lending

We do not enter into securities lending arrangements with or on behalf of separately managed account clients. To the extent that a client chooses to enter into a securities lending agreement with a securities lending agent (which may be its custodian), the client should be aware that Dodge & Cox is not a party to the agreement and that securities lending presents certain risks, including, but not limited to, delayed settlement, failed delivery, and the inability to vote proxies or respond to corporate actions in a timely manner, which may hinder Dodge & Cox's ability to manage a client's portfolio effectively. We are not responsible for any losses or expenses caused directly or indirectly by a client's securities lending arrangements.

Legal Proceedings

We do not file claims or make decisions on a client's behalf in legal proceedings (including bankruptcies and class actions) relating to securities held or formerly held in a separately managed account, or notify clients of any such proceedings. Clients should instruct their custodians to forward applicable class action notifications to them. Clients can then elect to opt-in or opt-out of participating in the class action. Dodge & Cox will forward to the client, its custodian, or a designated recipient any applicable class action notification and proof-of-claim forms that we receive only if instructed to do so by the client. In the event a client instructs Dodge & Cox to forward such materials to the client's custodian, the client should (i) ensure that the custodian is capable of filing, and has the proper authorization to file, proofs of claim on the client's behalf and (ii) determine whether and how to file a request for exclusion from a particular class action settlement. Dodge & Cox does not give advice concerning participation in class actions.

Custodians and Broker-Dealers

We do not provide custody services and do not act as a broker-dealer in placing trades for a client's portfolio. Clients should obtain statements from their custodians on at least a quarterly basis showing all transactions in the client's custodial account during the period and listing assets held in each account as of the end of the period. We are not responsible for the acts or omissions of any custodian, broker-dealer, securities lending agent, or other third party.

Client Investment Guidelines and Restrictions

We manage portfolios subject to client-imposed investment guidelines and restrictions. Our investment management services can be tailored to a client's needs, provided they are clearly stated and not unduly burdensome or restrictive. See **Investment Discretion** on p. 36 for more information. Dodge & Cox Funds and other commingled vehicles we manage are not subject to an individual investor's investment restrictions, but are managed in accordance with the prospectus or similar governing documents.

ERISA Restrictions

To the extent a client account is subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), the client must inform us of any employer securities the client is not permitted to own under ERISA. In addition, in order to rely on the class exemption for qualified professional asset managers, the client must provide us with a list of any relevant "party in interest" as defined in Section 3(14) of ERISA and every party with the authority to appoint or terminate Dodge & Cox as investment adviser or to negotiate the terms of an investment management agreement with Dodge & Cox with respect to the account. If an ERISA client has identified a broker-dealer or other financial counterparty as a "party in interest," Dodge & Cox will be restricted from transacting with that broker-dealer or counterparty in its management of the client's account absent an exemption under ERISA. An account with a broker-dealer restriction will not be aggregated for execution purposes with orders for the same securities for other accounts managed by Dodge & Cox if the transaction is with the restricted broker-dealer. In addition, the account may be restricted from participating in new issues or tender offers depending on whether a broker-dealer affiliate plays a role in the transaction and how it is compensated. In the event that a purchase or sale order is placed for multiple client accounts, orders for accounts giving Dodge & Cox full brokerage discretion will generally be placed ahead of an account with a broker-dealer restriction. As a result, it is possible that an account with restricted broker-dealers or counterparties will be subject to higher commissions, less favorable net prices, and/or less favorable execution than would be the case if there were no broker-dealer or counterparty restrictions on the account. State laws similar to ERISA impose equivalent conditions on non-ERISA accounts in certain circumstances. See also Dodge & Cox **Brokerage Practices** on p. 26 of this Brochure.

Assets Under Management

As of December 31, 2019, we managed \$324,713,358,089 on a discretionary basis and \$1,947,007,077 on a non-discretionary basis.

Fees and Compensation

Compensation for Advisory Services

Dodge & Cox furnishes continuous investment management supervision to clients' securities portfolios. Such supervision, which is normally on a fully discretionary basis, is based on the investment objectives and investment guidelines of each client. Management fees for services are based on a percentage of assets under management. Current annual fees for separate accounts are listed below.

Institutional Separate Accounts

U.S. Equity and Balanced:

.60% on the first \$25 million

.40% thereafter

Core Fixed Income:

.35% on the first \$25 million

.25% on the next \$75 million

.15% on the next \$150 million

.12% thereafter

subject to a minimum quarterly fee of \$37,500

Long Duration and Sector-Specific Fixed Income:

.35% on the first \$25 million

.25% on the next \$75 million

.15% on the next \$150 million

.13% thereafter

subject to a minimum quarterly fee of \$37,500

Intermediate Fixed Income:

.30% on the first \$50 million

.25% on the next \$50 million

.14% on the next \$100 million

.11% thereafter

subject to a minimum quarterly fee of \$37,500

Private Client Accounts

U.S. Equity and Balanced:

.60% on the first \$25 million

.40% thereafter

subject to a minimum quarterly fee of \$10,000

Municipal Bond:

.35% on the first \$10 million

.25% on the next \$20 million

.20% on the next \$20 million

.15% thereafter

Dodge & Cox's established fee schedules are not negotiable. Different fee schedules may apply to accounts with special mandates or service needs or accounts that do not meet the minimum initial account size. A lower fee schedule applies to certain longstanding clients. In addition, Dodge & Cox makes charitable donations to some nonprofit organizations that are clients or are supported by or affiliated with clients. To focus on providing investment management services to existing clients, Dodge & Cox may from time to time decline to accept new clients.

To the extent a separate account is invested in a Dodge & Cox-advised mutual fund (each a "Fund"), the account is not assessed a management fee on the portion of the separate account invested in the Fund. The Fund investment will, however, incur management and other fees imposed by the Fund. The Fund investment will also be applied toward any applicable breakpoint on the account's fee schedule. Certain clients holding shares of a Fund outside of a separate account may also be permitted to apply those Fund assets toward any applicable breakpoint on the account's fee schedule, provided that the client notifies Dodge & Cox of its existing Fund investments in advance and agrees to regularly provide updated account information to Dodge & Cox.

Payment of Fees

Management fees are generally billed and payable quarterly in arrears. Except when a minimum fee applies, fees are based on the market value of the account as stipulated in the investment management agreement and are normally adjusted for cash flows. When an account is opened or terminated, the fee is pro-rated to the opening or termination date. The investment management agreement between Dodge & Cox and the client, once executed, generally remains in effect until terminated by written notice from either party to the other. No such termination shall affect transactions or commitments entered into for the client by Dodge & Cox prior to termination.

Dodge & Cox does not deduct fees directly from client assets unless instructed to do so by the client; accordingly, clients are invoiced for management fees incurred for their accounts. Management fees paid to Dodge & Cox from a client account require written authorization by the client to the custodian. If authorized by a particular client, fees may be billed directly to the client's account by sending a bill to both the client and the client's custodian. In such cases, it is Dodge & Cox's understanding, as communicated to the client and its custodian, that the custodian sends at least quarterly statements directly to the client or its representative showing all assets and transactions in the account, including fees paid to Dodge & Cox. Dodge & Cox generally receives either paper or electronic copies of the custodian's statements.

Other Fees and Expenses

Clients will pay brokerage commissions, mark-ups, and mark-downs as well as spreads and/or transaction costs related to transactions effected for their accounts to executing broker-dealers. As described under **Brokerage Practices** on p. 26, we will effect these transactions subject to our obligation to seek best execution. The different types of transaction charges include:

- **Commissions:** the amount charged by a broker for purchasing or selling securities and other investments as an agent for the client, which is disclosed on the client's trade confirmations or otherwise.
- **Mark-ups:** the price charged to a client, less the prevailing market price, which is included in the price of the security.
- **Mark-downs:** the prevailing market price, less the amount a dealer pays to purchase the security from the client, which is included in the price of the security.
- **Spreads:** the difference between the current purchase or bid price (that is, the price someone is willing to pay) and the current ask or offer price (that is, the price at which someone is willing to sell), which is

reflected in the price of the security. The difference or spread narrows or widens in response to the supply and demand levels of the security.

Clients are responsible for selecting the custodian for their account(s) and compensating the custodian for its services. Each custodian has its own schedule of fees, which may include transaction costs and fees (such as overdraft fees) charged by the custodian that are not related to Dodge & Cox's management of a client's account. Some custodians offer different fee schedules to their customers depending on the investment manager for the account. While Dodge & Cox may negotiate trading costs with certain custodians on behalf of its clients, it is possible that Dodge & Cox's negotiated rates will differ from rates offered by the custodian to other investment managers or the rates available through another custodian. Clients are responsible for reviewing the schedule of fees associated with their accounts and evaluating the appropriateness of such fees when selecting a custodian. Dodge & Cox **Brokerage Practices** are discussed in detail beginning on p. 26 of this Brochure.

Cash balances in client separate accounts will generally be automatically "swept" or temporarily invested in one or more unaffiliated short-term investment funds ("STIFs") (which can include money market funds) offered by the client's custodian. Typically, sweep arrangements are made by the client and its custodian and the client selects the specific STIF. Dodge & Cox's sole responsibility in this regard is to issue standing instructions to the custodian to sweep excess cash in the client's account into the STIF. In circumstances where the client has not made arrangements with its custodian, the client may consult with Dodge & Cox regarding an appropriate STIF from those made available by the custodian, but the client retains discretion over the selection of the STIF. Since current information about STIF holdings is generally not available, Dodge & Cox does not attempt to assess the quality of the underlying assets of a STIF selected by a client or its custodian. Dodge & Cox does not provide any advisory fee credit for client assets invested in a STIF, which means that assets swept into the STIF will typically bear not only their proportionate share of any management fee and expenses of the STIF, but also management fees charged by Dodge & Cox.

Fees Paid in Advance

Dodge & Cox does not bill clients in advance for management fees. If a client chooses to make a fee payment in advance for tax planning or other reasons, Dodge & Cox will reconcile the fee invoice with any money that was paid in advance and bill for, or provide a refund of, the difference, as applicable.

Compensation for the Sale of Securities or Other Investment Products

Neither Dodge & Cox nor its employees receive commissions or service fees for the sale of securities or other investment products that are recommended or chosen for a client account. In some cases, Dodge & Cox may deem it appropriate to invest separate account assets in one or more Dodge & Cox-advised mutual funds. Please see **Recommendation of Dodge & Cox-Advised Funds** on p. 24 for more discussion of the potential conflicts of interest that exist when a separate account invests in a Fund. See also **Other Financial Industry Activities and Affiliations** on p.22.

Performance-Based Fees and Side-By-Side Management

Not applicable. Dodge & Cox does not charge performance-based fees for managing client accounts.

Types of Clients

Dodge & Cox provides investment management services to individuals and institutions. Institutional clients include banking or thrift institutions, investment companies, other pooled investment vehicles, pension and profit sharing plans, charitable organizations, state or municipal government entities, other investment advisers, insurance companies, corporations, and other entities not listed above.

The minimum initial account size is as follows:

Institutional Separate Accounts:

- U.S. Equity and Balanced: \$60 million
- Core Fixed Income: \$200 million
- Intermediate, Long-Duration, Sector-Specific, or Other Specialized Fixed Income: \$100 million

Private Client Accounts:

- U.S. Equity and Balanced: \$20 million
- Municipal Bond: \$20 million

Dodge & Cox will consider any departure from these minimums on a case by case basis.

Methods of Analysis, Investment Strategies, and Risk of Loss

General

Fundamental bottom-up research, a rigorous valuation discipline, and a long-term investment horizon are central to Dodge & Cox's investment philosophy. Investment decisions are made by a team of seasoned investment professionals based on key fundamental factors that we believe determine investment value over the long term. Our investment analysts operate from a single location to foster communication and collaboration, and each investment idea is subject to committee review for both its merits as a specific investment and its role in the overall portfolio. Our approach stresses an evaluation of risk relative to opportunity and we seek investments that we believe are undervalued by the market. This section discusses in more detail the methods of analysis and investment strategies that Dodge & Cox uses when making investments. We also describe some of the risks involved with investing in particular types of securities.

All investing involves risks, including the permanent loss of capital. **Dodge & Cox does not guarantee the future performance of a client's account, the success of any investment decision or strategy, or the success of the overall management of an account.** Clients should understand that investment decisions made for their accounts by Dodge & Cox are subject to various market, liquidity, commodity, currency, economic, political, and business risks, and that those investment decisions will not always be profitable. Clients should be prepared to bear the risk of loss that accompanies investing in securities, as well as other burdens and risks associated with ownership of securities, including tax reporting, litigation, and safekeeping.

Principal Investment Risks

A client can lose money on the investments held in its account, or the account can underperform the market, its benchmark, or other investments for many reasons, including those listed below. This is not a complete list of every risk involved in investing in an account managed by Dodge & Cox and not all risks described below will apply to every account. Furthermore, an account can have exposure to a risk factor indirectly. For example, investments in equity securities create indirect exposure to a variety of risks to which the issuers of those securities are exposed, which may include interest rate, credit, and currency risk. Debt or equity investments in commodity-related issuers create exposure to commodity risk. The risks below are organized alphabetically. The order in which a risk appears is not an indication that Dodge & Cox believes such risk is more or less significant than another. An account's investments and risks will also depend on the specific investment guidelines governing the account.

- **Asset Allocation Risk.** In an account holding both equity and debt securities, the account's ability to achieve the client's investment objective is affected by Dodge & Cox's determination of the account's broad asset allocation mix. It is possible that Dodge & Cox's evaluations and assumptions regarding asset classes will not successfully achieve a client's investment objective in view of actual market movements. The account's balance between equity and debt securities could limit its potential for capital appreciation relative to an all-equity account or contribute to greater volatility relative to an all-fixed income account.
- **Below Investment-Grade Securities Risk.** Debt securities rated below investment grade, also known as "high-yield" or "junk" bonds, have speculative characteristics. Below investment-grade securities are often issued by smaller, less creditworthy companies or by highly levered (indebted) companies, which are generally less able than more financially stable companies to make scheduled payments of interest and principal. These securities typically yield a higher level of current income than higher-rated securities, but generally have greater credit and call risk, more price volatility, and less liquidity than investment grade securities. An economic downturn, rising interest rates, or a negative development with respect to an issuer can affect the price and/or liquidity of a below investment-grade security more than an investment-

grade security, and can reduce an account's ability to sell these securities at an advantageous time or price. It is possible that a security downgraded to below investment grade will lose significant market value even if no default occurs.

The below investment-grade securities in which an account invests may not be listed on any exchange and the secondary market (if any) for such securities may have lower overall liquidity than other securities, which may cause transactions in below investment-grade securities to be more costly. A lack of publicly available information, irregular trading activity, and wide bid-ask spreads, among other factors, can make these securities more difficult to sell at an advantageous time or price than other types of investments. These factors can affect the value an account may realize in selling below investment-grade securities, which could result in losses.

- **Call Risk.** Issuers of callable bonds are permitted to redeem them before their full maturities. Buying a callable bond exposes an account to economic risks similar to selling call options. Issuers may call outstanding securities before their maturity for a number of reasons, including decreases in prevailing interest rates or improvements to the issuer's credit profile. If an issuer calls a security in which an account is invested, that account could lose potential price appreciation and be forced to reinvest the proceeds in securities with a lower interest rate or more credit risk.
- **Credit Risk.** The value of a debt security may decline if the market believes it is less likely that the issuer will make all payments of interest and principal as required. This could occur because of actual or perceived deterioration (whether by market participants, rating agencies, pricing services, or otherwise) in the issuer's or a guarantor's financial condition or, in the case of asset-backed securities, the likelihood that the loans backing a security will be repaid in full. An account could lose money if the issuer or guarantor of a debt security becomes bankrupt or subject to a special resolution regime or is otherwise unable or unwilling to make timely principal and/or interest payments or to honor its obligations. Securities are subject to varying degrees of credit risk, which may be reflected by their ratings; however, such ratings may overestimate or underestimate the likelihood of default and may not accurately reflect the true credit risk of a security. The credit risk associated with corporate debt securities may change as the result of an event such as a large dividend payment, leveraged buyout, debt restructuring, merger, or recapitalization; such events are unpredictable and may benefit shareholders or new creditors at the expense of existing debt holders. Credit risk is likely to increase during periods of economic uncertainty or downturns. If a debt security owned by an account ceases to be rated or is downgraded below a permitted threshold, an account may be required by its guidelines to sell the security at a disadvantageous time.
- **Derivatives Risk.** Use of derivative instruments involves risks additional to, and possibly greater than, the risks associated with investing directly in securities and other more traditional investments. Dodge & Cox's use of derivatives is subject to a client's investment guidelines and to a client's completion of the necessary documentation with one or more futures commission merchants, executing brokers, and/or counterparties (to the extent relevant).

In accounts that have approved investments in U.S. Treasury futures contracts, Dodge & Cox may use Treasury futures for a variety of purposes in connection with the management of the interest rate exposure of client accounts. Dodge & Cox's use of such contracts for an account could include, but not be limited to, adjusting the overall interest rate exposure, or "duration," of the account portfolio; changing the exposure of the portfolio to different parts of the yield curve; offsetting the impact of special situations that affect specific securities (e.g., tender offers); and maintaining portfolio interest rate exposure as large portfolio contributions or withdrawals occur.

In accounts that have approved investments in a credit default swap index (CDX), Dodge & Cox may use CDX to create or hedge exposure to corporate bonds as an asset class.

While transactions involving derivatives may reduce certain risks, these transactions themselves entail certain other risks. The successful use of derivatives can depend on the ability to accurately forecast movements in the market relating to the underlying instrument. Unanticipated market movements or changes in interest rates, credit ratings, or securities prices, especially in unusual or extreme market conditions, can result in account performance that is worse than if the account had not entered into any derivative transactions. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument. In the event of adverse price movements or credit ratings, an account may be required to make daily cash payments to maintain its required margin. If the account has insufficient cash, it may have to sell portfolio securities to meet daily margin requirements at a time when Dodge & Cox would not otherwise elect to do so. In addition, an account may be required to deliver or take delivery of instruments underlying the Treasury futures it holds. An account can suffer losses if it is unable to close out its position because of an illiquid secondary market, and there is no assurance that an account will be able to close out its position when Dodge & Cox considers it appropriate or desirable to do so. Derivatives involve costs and can create economic leverage in an account portfolio that may result in significant volatility and cause the account to experience losses (as well as gains) that can be substantial and immediate, potentially in an amount that exceeds the initial investment. The use of swaps is subject to various types of risks, including, among others, market risk, liquidity risk, structuring risk, legal risk, tax risk, and the risk of non-performance by the counterparty. When a derivative is used for hedging, the change in value of the derivative may also not correlate specifically with the currency, security, interest rate, index, or other risk being hedged. There is also the risk, especially under extreme market conditions, that an instrument, which usually would operate as a hedge, provides no hedging benefits at all.

- **Emerging Markets Risk.** Non-U.S. Investment Risk (described below) may be particularly high to the extent an account invests in emerging market securities. Emerging market securities present issuer, market, currency, liquidity, volatility, valuation, legal, political, and other risks different from, and potentially greater than, the risks of investing in securities and instruments tied to U.S. or developed non-U.S. issuers. Emerging markets may have less established legal and accounting systems than those in more developed markets. Governments in emerging markets may be less stable and more likely to take extra-legal action with respect to companies, industries, assets, or foreign ownership than those in more developed markets. The economies of emerging markets may be dependent on relatively few industries and thus affected more severely by local or global changes. Emerging market securities may also be more volatile, more difficult to value and have lower overall liquidity than securities economically tied to U.S. or developed non-U.S. issuers.
- **Equity Risk.** Equity securities represent an ownership interest in an issuer rather than a right to receive a specified future payment. This makes equity securities more sensitive than debt securities to changes in an issuer's earnings and overall financial condition; as a result, equity securities are generally more volatile than debt securities. Equity securities can lose value as a result of changes relating to the issuers of those securities, such as management performance, financial leverage, changes in the actual or anticipated earnings of a company, or as a result of actual or perceived market conditions that are not specific to an issuer. Even when the securities markets are generally performing strongly, there can be no assurance that equity securities held by an account will increase in value. Because the rights of all of a company's creditors are senior to those of holders of equity securities, shareholders are least likely to receive any value if an issuer files for bankruptcy.

- **Exchange-Traded Funds.** In accounts that have approved investments in an exchange-traded fund (“ETF”), Dodge & Cox may use ETFs as a means to gain exposure to a particular asset class. An ETF is a fund that is comprised of a basket of securities that is traded on an exchange. Investing in an ETF is subject to the same primary risks as investing directly in the underlying securities in the basket. In addition, ETFs are subject to certain unique risks including, but not limited to, the risk that: (i) the market price of the ETF’s shares may trade at a discount or premium to their net asset value; (ii) an active trading market for an ETF’s shares may not develop or be maintained; and (iii) trading of an ETF’s shares may be halted by the listing exchange. An account that invests in an ETF bears a proportionate share of the ETF’s expenses, which include management and advisory fees and other expenses. In addition, an account pays brokerage commissions in connection with the purchase and sale of shares of ETFs.
- **General Risk Factors.** An account is subject to the risks associated with financial, economic and other global market developments and disruptions, including, but not limited to, those arising out of geopolitical events, public health emergencies, such as the spread of infectious illness or disease, natural disasters, terrorism, and governmental or quasi-governmental actions. These events may have an adverse effect on the value of an account’s investments, which may be particularly sensitive to these types of market risks given increased globalization and interconnectedness of markets, and on the ability of the investment manager to execute investment decisions for an account.
- **Hybrid Securities Risk.** Hybrid securities combine both debt and equity characteristics and include, without limitation, contingent convertible bonds, capital securities, convertible securities, preferred stock, and warrants. Hybrid securities are typically subordinated to an issuer’s senior debt instruments; therefore they are subject to greater credit risk than those senior debt instruments. Many hybrid securities are subject to provisions permitting their issuers to skip or defer distributions under specified circumstances. Hybrid securities may have limited or no voting rights and may have substantially lower overall liquidity than many other securities. Certain types of hybrid securities, such as non-cumulative perpetual preferred stock, are issued predominantly by companies in the financial services industry and present increased potential risk during times of financial upheaval, which may affect financial services companies more than other types of issuers.
- **Interest Rate Risk.** Debt securities that pay interest based on a fixed rate are subject to the risk that they will decline in value if interest rates rise. Changes in interest rates or yields can occur suddenly and unexpectedly, caused by a wide variety of factors including central bank monetary policies, changing inflation or real growth rates, general economic conditions, increased bond issuances, and reduced market demand for low yielding investments. An account may lose money as a result of such movements. The longer the remaining maturity of a debt security, the more its price is likely to be affected by changes in interest rates than the price of debt with shorter maturities. If an account uses derivatives to hedge against changes in interest rates, those hedges may not work as intended and may decrease in value if interest rates move differently than anticipated. Interest rates are currently at or near historically low levels in many developed countries, including the United States, which may create heightened risk for an account investing in fixed-income securities.

Non-fixed rate instruments (i.e., variable and floating rate securities) generally are less sensitive to interest rate changes but can decline in value if their interest rates do not rise as much or as quickly as interest rates in general. Conversely, non-fixed rate instruments will not generally increase in value if interest rates decline. If an account holds variable or floating rate securities, a decrease in market interest rates can adversely affect the income received from such securities.

- **LIBOR Risk.** The London Inter-bank Offered Rate (“LIBOR”) is an average interest rate determined by ICE Benchmark Administration that banks charge one another for the use of short-term money. The terms of many investments, financings, and other transactions in the United States and globally have been historically tied to LIBOR, which functions as a reference rate or benchmark for various commercial and financial contracts. The United Kingdom’s Financial Conduct Authority has announced plans to discontinue supporting LIBOR and transition away from LIBOR by the end of 2021. Until then, accounts may continue to hold or invest in instruments that reference LIBOR due to favorable liquidity or pricing. There remains uncertainty regarding the future use of LIBOR and the nature of any replacement or alternative rate, and any potential effects of the phasing out of LIBOR on an account or on certain instruments in which an account invests can be difficult to ascertain. Some bonds and other instruments that reference LIBOR contain fallback provisions that could result in their reference rate becoming fixed at the last published LIBOR rate (effectively transforming to a fixed rate), which could negatively impact their value given the low interest rate environment. Various financial industry groups have begun planning for the transition away from LIBOR, and certain regulators have taken actions to establish alternative reference rates (e.g., the Secured Overnight Financing Rate, which measures the cost of overnight borrowings through repurchase agreement transactions collateralized with U.S. Treasury securities and is intended to replace U.S. dollar LIBOR with certain adjustments). The transition process may involve, among other things, an increase in price volatility or illiquidity of instruments that currently rely on LIBOR and a reduction in the value of certain instruments held by an account. Any such effects, as well as other unforeseen effects, could have an adverse impact on an account’s performance.
- **Liquidity Risk.** Liquidity risk exists when particular investments are difficult to purchase or sell, which could result in an account being unable to buy or sell an investment at an advantageous time or price. As a result, an account could be forced to hold a security that is declining in value or to forego other investment opportunities. An illiquid instrument is harder to value because there may be little or no market data available based on purchases or sales of the instrument. Liquidity risk can result from the lack of an active market or a reduced number and capacity of traditional market participants to make a market in fixed income securities. An account can also experience liquidity risk to the extent it invests in private placement securities, securities of issuers with smaller market capitalizations, or securities with substantial market and/or credit risk.

The liquidity of an issuer’s securities can decrease if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the issuer. Liquidity risk is greater for below investment-grade securities and restricted securities, especially in difficult market conditions. Over the past three decades, the size of bond markets has grown more quickly than dealer capacity to trade debt securities. In addition, recent regulatory changes applicable to financial intermediaries that make markets in debt securities have restricted or made it less desirable for those financial intermediaries to hold large inventories of debt securities with lower overall liquidity. Because market makers provide stability to a market through their intermediary services, a reduction in dealer inventory can lead to decreased liquidity and increased volatility in the fixed income markets. Additional legislative or regulatory actions to address perceived liquidity or other issues in the debt securities markets could alter or impair the ability to pursue an account’s investment objectives or use certain investment strategies and techniques. Liquidity risk may intensify during periods of economic uncertainty. Debt securities with longer durations may face heightened liquidity risk.

- **Manager Risk.** Dodge & Cox's opinion about the intrinsic worth or creditworthiness of a company, security, or other investment may be incorrect. Dodge & Cox may not make timely purchases or sales of securities for an account, the account's investment objective may not be achieved, and/or the market may continue to undervalue the account's securities. Dodge & Cox applies investment ideas, including target allocations and securities position limits, to all eligible client portfolios within a particular strategy, including mutual funds and separate accounts. This means we may seek to purchase or sell very large amounts of particular securities. It is possible that certain investment opportunities that would be available to an investment manager with a different approach or with fewer assets under management may not be available to Dodge & Cox clients due to Dodge & Cox's approach and the aggregate size of its client accounts. For example, Dodge & Cox may not be able to establish significant portfolio positions in limited investment opportunities or add significantly to existing positions. In addition, Dodge & Cox may not be able to quickly dispose of certain securities holdings. Separate account clients that also hold shares of a Dodge & Cox-advised mutual fund may have security positions in the account that overlap with the mutual fund's portfolio.

For taxable clients, Dodge & Cox may enter into transactions intended to reduce a client's net realized taxable gains. Such transactions, which may or may not achieve their desired result, can temporarily increase or decrease a client's holdings of, and exposure to, one or more specific securities. Please note that Dodge & Cox does not provide tax advice.

- **Market Risk.** The market price of a security or other investment can increase or decrease, sometimes suddenly and unpredictably. Investments can decline in value because of factors affecting markets generally, such as real or perceived challenges to the economy, national or international political events, natural disasters, changes in interest or currency rates, adverse changes to credit markets, or general adverse investment sentiment. The U.S. government's inability at times to agree on a long-term budget and deficit reduction plan, has in the past resulted, and may in the future result, in a government shutdown, which could have an adverse effect on an account's investments and operations. Additional and/or prolonged government shutdowns may affect investor and consumer confidence and may adversely impact financial markets and the broader economy, perhaps suddenly and to a significant degree. The prices of investments may reflect factors affecting one or more industries, such as the price of specific commodities or consumer trends, or factors affecting particular issuers. During a general downturn in the markets, multiple asset classes can decline in value simultaneously. Market disruptions can prevent Dodge & Cox from implementing investment decisions in a timely manner. Although it is not a principal investment strategy of any account to focus on a specific sector, Dodge & Cox's research-oriented, bottom-up approach towards security selection may at times result in significant exposure to one or more sectors, such as financials or health care, potentially in excess of 25% of an account's total assets. To the extent that an account has significant exposure to a particular sector, its value may fluctuate in response to events disproportionately affecting that sector. Examples of such events include, but are not limited to, changes in economic or business conditions, new government regulations, and the availability of basic resources or supplies.
- **Mortgage- and Asset-Backed Securities Risk.** Mortgage- and other asset-backed securities are subject to various risks, including prepayment risk, extension risk, interest rate risk, and credit risk. Prepayment risk is the risk that principal will be repaid earlier than expected, which means the security will pay less interest over its life. An account may have to reinvest early repayments of principal in securities that bear a lower rate of interest or more credit risk. Prepayments are more likely at times when interest rates decline.

Extension risk is the risk that principal will be repaid later than expected, which delays the return of principal to an account and could prevent an account from investing in securities that bear a higher rate of interest or less credit risk. Delayed repayment of principal can increase the duration and volatility of a security. Extension risk is more likely at times when interest rates rise. Mortgage- and other asset-backed securities can be highly sensitive to rising interest rates, such that even small movements can cause a security to lose value. Mortgage- and other asset-backed securities are subject to credit risk as described above. Credit risk is greater for mortgage- and other asset-backed securities that are not directly or indirectly guaranteed by a U.S. government-sponsored enterprise (GSE) (such as Fannie Mae, Freddie Mac, the Federal Home Loan Banks, and the Federal Farm Credit Banks). GSEs are not, however, guaranteed by the U.S. Treasury, and in the event that a GSE cannot meet its obligations, there is no assurance that the U.S. government will provide support, and an account's performance could be adversely affected. Certain purchases of agency or GSE-guaranteed mortgage-backed securities are forward transactions (called "to-be-announced" or "TBA" transactions) that can settle one month or more after the trade date. If the counterparty to a TBA transaction does not perform its obligation to deliver the specified mortgage-backed securities, an account may experience a loss if it has to replace the securities at a higher price.

- **Municipal Bond Risk.** Like other bonds, municipal bonds are subject to credit risk, interest rate risk, liquidity risk, and call risk. They differ from other bonds, however, in that the obligations of some municipal issuers may not be enforceable through the exercise of traditional creditors' rights. The reorganization under federal bankruptcy laws of a municipal bond issuer could result in the bonds being cancelled without payment, being repaid only in part, or delays in collecting principal and interest. Lawmakers may seek to extend the time for payment of principal or interest, or both, or to impose other constraints upon enforcement of such obligations. In addition, a significant restructuring of federal income tax rates or even serious discussion of the topic in Congress could cause municipal bond prices to fall. The demand for municipal bonds is strongly influenced by the value of tax-exempt income to investors. Lower income tax rates could reduce the advantage of owning municipal bonds. Similarly, changes to state or federal regulation tied to a specific sector could affect the revenue stream for a given subset of the market. Municipal bonds may have lower overall liquidity than taxable bonds, and there may be less publicly available and timely information about the financial condition of municipal issuers than for issuers of other securities. Therefore, the investment performance of an account investing in municipal bonds could be more dependent on the analytical abilities of Dodge & Cox than if an account held other types of investments, such as stocks or taxable bonds. The market for municipal bonds also tends to be less well-developed or liquid than many other securities markets, which could adversely affect the ability to value municipal bonds or sell such bonds at attractive prices.
- **Non-U.S. Currency Risk.** Non-U.S. currencies can decline relative to the U.S. dollar and affect an account's investments in securities that are denominated in non-U.S. currencies and in securities of issuers that are exposed to non-U.S. currencies. When a given currency depreciates against the U.S. dollar, the value of securities denominated in or otherwise exposed to that currency typically declines. A U.S. dollar-denominated depositary receipt is exposed to currency risk if the security underlying it is denominated in a non-U.S. currency. Currency depreciation can affect the value of U.S. securities if their issuers have exposure to non-U.S. currencies.
- **Non-U.S. Investment Risk.** Non-U.S. securities involve some special risks such as exposure to potentially adverse foreign political and economic developments; market instability; nationalization and exchange

controls; potentially lower liquidity and higher volatility; harder to value; possible problems arising from accounting, disclosure, settlement, and regulatory practices that differ from U.S. standards; foreign taxes that could reduce returns; higher transaction costs and foreign brokerage and custodian fees; inability to vote proxies, exercise shareholder or bondholder rights, pursue legal remedies, and obtain judgments with respect to foreign investments in foreign courts; possible insolvency of a sub-custodian or securities depository; and fluctuations in foreign exchange rates that decrease the investment's value (although favorable changes can increase its value). Non-U.S. stock markets can decline due to conditions unique to an individual country or within a region, including unfavorable economic conditions relative to the United States or political and social instability or unrest. Non-U.S. investments may become subject to economic sanctions or other government restrictions by domestic or foreign regulators, which could negatively impact the value or liquidity of those investments. There may be increased risk of delayed settlement of portfolio transactions. Governments in certain foreign countries participate to a significant degree, through ownership or regulation, in their respective economies. Action by such a government could have a significant effect on the market price of securities issued in its country. Certain of these risks also apply to securities of U.S. issuers with significant non-U.S. operations. Global economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country or region may adversely affect issuers in a different country or region.

- **Regulatory Risk.** New laws and regulations promulgated by governments and regulatory authorities can affect the value of securities issued by specific companies, in specific industries or sectors, or in all securities issued in the affected country. In times of political or economic stress or market turmoil, governments and regulators may intervene directly in markets and take actions that adversely affect certain industries, securities, or specific companies. Government and/or regulatory intervention can reduce the value of debt and equity securities issued by affected companies and can also severely limit the ability to trade those securities.
- **Sovereign and Government-Related Debt Risk.** Sovereign debt includes investments in securities issued or guaranteed by a sovereign government or its agencies, authorities, or political subdivisions. An investment in sovereign or other government-related debt involves risk, including special risks not present in other types of debt obligations. The issuer of the sovereign debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due. This may result from political or social factors, the general economic environment of a country, or levels of foreign debt or foreign currency exchange rates. Holders of sovereign or other government-related debt may be requested to participate in the rescheduling of such debt and to extend further loans to governmental or government-related entities. To the extent an account invests in sovereign or other government-related debt, it will be exposed to the direct or indirect consequences of political, social, and economic changes in various countries, as well as to changes in local tax, insolvency, or other regulatory regimes. An account may have limited legal recourse in the event of a default with respect to certain sovereign debt obligations. For example, bankruptcy, moratorium, and other similar laws applicable to issuers of sovereign debt can be substantially different from those applicable to corporate debt issuers.

With respect to inflation-linked debt securities, there can be no assurance that an inflation index will accurately measure the real rate of inflation in the prices of goods and services. In addition, there can be no assurance that the rate of inflation in a non-U.S. country will be correlated with the rate of inflation in the United States. While inflation-linked bonds are expected to be protected from long-term inflationary trends, short-term increases in inflation may have an adverse effect on the value of those securities. If interest rates rise due to reasons other than inflation (i.e., due to changes in currency exchange rates),

investors in inflation-linked bonds may not be protected to the extent that the increase is not reflected in the applicable inflation measure. Repayment of the originally issued principal amount of certain inflation-linked bonds upon maturity is guaranteed by the issuer; however, the current market value of the bonds is not guaranteed and will fluctuate. To the extent an account invests in other inflation-linked debt securities that do not provide a similar guarantee, the bond repaid at maturity may be less than the original principal

Please also refer to **Types and Risks of Equity Investments** on p. 19 and **Types and Risks of Fixed Income Investments** on p. 20 for additional risk information. The Dodge & Cox Funds prospectus and statement of additional information contain further information about these and other risks.

In addition to the risks described above that primarily relate to the value of investments, there are various operational and systems risks involved in investing, including but not limited to cybersecurity risk. As the use of technology and frequency of cyber attacks on financial services targets has become more prevalent, Dodge & Cox and the client accounts we manage have become potentially more susceptible to operational and information security risks resulting from breaches in cybersecurity. A breach in cybersecurity refers to both intentional and unintentional events that may, among other things, cause Dodge & Cox to lose proprietary information, suffer data corruption and/or destruction, lose operational capacity, or otherwise disrupt normal business operations. This in turn could cause Dodge & Cox and/or a client account to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. A cybersecurity breach can also result in a third party obtaining unauthorized access to Dodge & Cox clients' information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Cybersecurity breaches can involve unauthorized access to digital information systems (e.g., through "hacking" or malicious software coding), and can also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cybersecurity breaches involving third-party service providers (e.g., an account's custodian), trading counterparties, or issuers of securities in which an account invests can subject an account to many of the same risks associated with direct cybersecurity breaches. Moreover, cybersecurity breaches involving trading counterparties or issuers in which an account invests could adversely affect such counterparties or issuers and cause an account to lose value. Although Dodge & Cox has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity threats, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because Dodge & Cox does not directly control the cybersecurity systems of issuers in which an account may invest, trading counterparties, or third-party service providers. There is also a risk that cybersecurity breaches will not be detected. There can be no assurance that a client account will not suffer losses relating to cyber attacks on Dodge & Cox or an account's service providers.

Investment Committee Structure

Our investment process is team based and consists of three primary phases:

- Idea generation and in-depth research;
- Sector committee review, vetting, and advocacy; and
- Investment committee review and approval or denial.

The duration of each phase will vary with each investment under consideration.

We generally purchase securities only when (i) our analysis shows that they offer attractive relative value and long-term total return potential and (ii) we have the opportunity to establish our desired position in the securities at those valuations. If both criteria are met and the investment idea is approved, it is implemented across eligible portfolios on an equitable basis in accordance with our allocation policies and procedures.

We monitor existing holdings on an ongoing basis. Securities are generally sold when our analysis shows that we are no longer being sufficiently compensated for the security's risks, the risk/reward profile of another investment is more compelling, or a sale is mandated by a change in the needs or objectives of the client. As in the case with purchase decisions, the decision to sell an existing holding generally goes through an extensive review process.

Dodge & Cox has six investment committees: the U.S. Equity Investment Committee, International Equity Investment Committee, Global Equity Investment Committee, U.S. Fixed Income Investment Committee, Global Fixed Income Investment Committee, and Private Client Investment Committee. A brief description of each committee follows. Information about committee members is contained in the Dodge & Cox Brochure Supplement, which is available upon request from Dodge & Cox.

Dodge & Cox requires that all staff involved in determining or giving investment advice to clients have, either through educational or work experience, a thorough knowledge of the investment management business. While there are no specific educational requirements, most investment professionals have advanced degrees and hold the CFA® designation.

The U.S. Equity Investment Committee (USEIC) is the investment management decision-making body responsible for domestic equity portfolios, including institutional separate accounts, the Dodge & Cox Stock Fund, and the Dodge & Cox Worldwide Funds plc – U.S. Stock Fund. The USEIC—together with the USFIIC described below—is also responsible for asset allocation decisions among equity securities, debt securities, and cash in the Dodge & Cox Balanced Fund and institutional balanced accounts. The USEIC consists of ten senior investment professionals.

The International Equity Investment Committee (IEIC) is the investment management decision-making body responsible for international equity portfolios, including the Dodge & Cox International Stock Fund. The IEIC consists of nine senior investment professionals.

The Global Equity Investment Committee (GEIC) is the investment management decision-making body responsible for global equity portfolios, including the Dodge & Cox Global Stock Fund and Dodge & Cox Worldwide Funds plc – Global Stock Fund. The GEIC consists of seven senior investment professionals.

Each of the USEIC, IEIC, and GEIC meets regularly to (i) set and review investment strategy; (ii) review and approve research recommendations for additions to or deletions from the applicable buy list and source of funds list; and (iii) oversee the implementation of investment strategy.

The U.S. Fixed Income Investment Committee (USFIIC) is the investment management decision-making body responsible for U.S. fixed income portfolios, including institutional separate accounts, the Dodge & Cox Income Fund, and the fixed income portion of the Dodge & Cox Balanced Fund and institutional balanced accounts. The USFIIC consists of nine senior investment professionals and meets regularly to (i) set and review investment strategy; (ii) evaluate and approve new types of debt securities; (iii) oversee the fixed income research process; and (iv) oversee the implementation of U.S. fixed income strategy. As part of its mandate to set and review U.S. fixed income strategy, USFIIC responsibilities include setting portfolio targets for securities, issuers, and sectors, setting target duration ranges for U.S. fixed income and balanced accounts, approving all new types of debt securities, and approving all initial buy decisions of corporate bond issuers with credit ratings below “BBB”.

The Global Fixed Income Investment Committee (GFIIIC) is the investment management decision-making body responsible for the Dodge & Cox Global Bond Fund and the Dodge & Cox Worldwide Funds plc – Global Bond Fund. The GFIIIC consists of seven senior investment professionals and meets regularly to set, review, and oversee the implementation of investment strategy for the above-named funds.

The Private Client Investment Committee (PCIC) is the investment management decision-making body for separately managed accounts within the Private Client Group and is responsible for making equity buy and sell decisions, overseeing portfolio diversification, and reviewing fixed income and equity allocations for private client

balanced accounts. The PCIC consists of six senior investment professionals and meets regularly to discuss issues and strategies specific to individual private client accounts. The PCIC consults on specific investments with the USEIC, IEIC, and GEIC, as well as members of the fixed income department who focus on municipal bonds.

Each equity investment committee will often consider investing in the same securities, but each committee makes an independent investment decision for the strategy over which it has responsibility. The investment committees may establish different portfolio weightings and price limits when buying (or selling) a security. Each committee considers numerous factors in selecting a particular issuer or security, including, but not limited to, cash inflows; redemption or withdrawal requests; liquidity needs; diversification by country, region, sector or industry; availability; ownership limitations; and the ability to establish a material position or place a material trade. The investment committees that select debt securities operate in the same manner.

Equity Investing

Individual company research drives the selection of stocks for the equity portfolios we manage. Our independent and bottom-up research process is critical to forming a well-founded thesis for each of our investments. Our team of global research analysts, organized by industry, conducts detailed primary research which provides us the necessary perspective about industry dynamics to assess company fundamentals and compare valuations. Our long-term horizon enables us to focus our research efforts on the factors—such as franchise strength, competitive dynamics, growth opportunities, and management quality—that we believe ultimately determine business success. We make a conscious effort to maintain representation in most major economic sectors and to avoid concentrating a portfolio in any one particular sector or industry. A strong price discipline is also an essential characteristic of our investment strategy.

The consistency of our team and long tenure of our investment professionals has allowed Dodge & Cox to build and retain deep institutional knowledge of each industry. All investment decisions are based on the judgment and analysis of our team of investment professionals, not on outside recommendations. Research analysts have global industry coverage responsibilities and are all located together in our office in San Francisco to promote collaboration. We encourage regular and frequent interaction among our analysts and investment committee members (many of whom maintain significant research responsibilities) to obtain feedback and suggestions for additional due diligence, and to leverage the perspectives and experience of our senior investment professionals. We believe the collegial environment fostered by having close interaction among all of our investment professionals is key to the development of our research capabilities and the implementation of a consistent investment philosophy. To gain a broader perspective and test their investment ideas, research analysts may also solicit feedback from and engage in investment-related discussions with investment professionals outside the firm.

Types and Risks of Equity Investments

Equity investments for separate accounts are primarily made in a company's common stock that is exchange listed or traded over the counter. Investments may also be made in, but are not limited to, preferred stock, publicly traded REITs, mutual fund shares, and depositary receipts (which trade in the United States but represent ownership of shares of a non-U.S. issuer). Of the principal investment risks described above, equity investments are generally subject to Equity Risk, Liquidity Risk, Manager Risk, Market Risk, and, where applicable, Emerging Markets Risk, Hybrid Securities Risk, Non-U.S. Currency Risk, Non-U.S. Investment Risk, and Regulatory Risk.

Fixed Income Investing

The portfolio management team devotes the greatest percentage of its time to security selection. The first phase of our process involves the generation of investment ideas by our fixed income team consisting of investment

committee members, analysts, and traders, as well as our global research analysts who are a critical shared resource between the equity and fixed income portfolio management teams. Various members of the investment team conduct initial research on the idea under consideration and initiate informal internal discussions. When researching a corporate credit idea, for example, we analyze the corporate credit fundamentals, yield spread relationships, structural features of securities, and indenture agreements. We may also have calls with company management, competitors, and suppliers.

The second phase entails more formal discussion of current and potential portfolio holdings at our sector committee meetings. Sector committees are drawn from the investment committee members, analysts, and traders specializing in that sector, joined by other investment team members when appropriate. Each team includes several investment committee members. Topics may include a detailed review of strategy within the sector, review of a specific investment idea, or discussion of an existing holding when new information has come to light which could affect our investment thesis (e.g., material price change, change in business fundamentals and/or environment, upcoming corporate action). A typical meeting will include debate and analysis of the idea, review of the financials (if a corporate investment), and review of the analyst's financial projections across various scenarios, with particular attention paid to the downside case. We analyze prospective investment returns over a broad range of interest rate, spread, and (if applicable) prepayment environments, and discuss market considerations (supply, execution ability) for the particular idea. Once the investment idea or proposed action is approved at the sector committee level, the recommendation is forwarded to the U.S. Fixed Income Investment Committee for a final analysis and decision.

Types and Risks of Fixed Income Investments

Fixed income investments are primarily made in U.S. government securities, corporate securities, mortgage-backed securities, municipal bonds, and asset-backed securities. Dodge & Cox also invests client assets in other debt securities, consistent with the client's investment guidelines. These other securities include, but are not limited to, commercial paper; certificates of deposit; repurchase agreements; convertible securities; hybrid securities; debt securities issued by publicly traded partnerships; when-issued, forward-commitment, or delayed-delivery securities; foreign government securities; credit default swap indexes; exchange-traded funds; and U.S. Treasury futures. Of the principal investment risks described above, fixed income investments are generally subject to Credit Risk, Interest Rate Risk, Liquidity Risk, Manager Risk, and, where applicable, Below Investment-Grade Securities Risk, Call Risk, Derivatives Risk, Emerging Markets Risk, Exchange-Traded Funds Risk, Hybrid Securities Risk, Mortgage- and Asset-Backed Securities Risk, Municipal Bond Risk, Non-U.S. Currency Risk, Non-U.S. Investment Risk, Regulatory Risk, and Sovereign and Government-Related Debt Risk.

Disciplinary Information

Not applicable.

Other Financial Industry Activities and Affiliations

Material Relationships with Related Financial Industry Firms

Dodge & Cox is the investment manager and administrator of each of the Dodge & Cox Funds (consisting of Dodge & Cox Stock Fund, Dodge & Cox Global Stock Fund, Dodge & Cox International Stock Fund, Dodge & Cox Balanced Fund, Dodge & Cox Income Fund, and Dodge & Cox Global Bond Fund). Dodge & Cox Funds is registered as an open-end management investment company under the Investment Company Act of 1940. The management fee paid to Dodge & Cox by each Fund varies as described in the Funds' current prospectus. Such management fees range up to 0.60% of aggregate net assets on an annual basis.

Dodge & Cox also serves as investment manager of Dodge & Cox Worldwide Funds plc, an investment company authorized and regulated by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, as amended. The management fee paid by each Fund varies as described in the Dodge & Cox Worldwide Funds' current prospectus. Such management fees range up to 0.60% of aggregate net assets on an annual basis.

Please see **Recommendation of Dodge & Cox-Advised Funds** on p. 24 for a discussion of the potential conflicts of interest that exist when a separate account managed by Dodge & Cox invests in one or more of the Dodge & Cox Funds or Dodge & Cox Worldwide Funds.

Dodge & Cox has a UK subsidiary—Dodge & Cox Worldwide Investments Ltd.—that is registered with the UK Financial Conduct Authority and acts as the distributor of Dodge & Cox Worldwide Funds. We do not believe that this arrangement creates any material conflict of interest with Dodge & Cox clients.

Other Arrangements with Unaffiliated Service Providers

Dodge & Cox has entered into a number of service agreements with unaffiliated defined contribution employee benefit plan service providers and recordkeepers (e.g., recordkeepers of 401(k) plans) pursuant to which Dodge & Cox pays an administrative fee out of its own assets to the service providers/recordkeepers for certain recordkeeping and/or administrative services intended to facilitate the investment of employee benefit plan participants' assets in the Dodge & Cox Funds and the maintenance of participants' accounts. Dodge & Cox does not promote the services of any recordkeepers to investors or prospective investors in the Dodge & Cox Funds, and we do not believe that these arrangements create any material conflict of interest with Dodge & Cox clients. For the Dodge & Cox Stock Fund, Dodge & Cox International Stock Fund, Dodge & Cox Global Stock Fund, and Dodge & Cox Balanced Fund, Dodge & Cox pays an annual administrative fee of 0.10% of the market value of the plan's account; for the Dodge & Cox Income Fund and the Dodge & Cox Global Bond Fund, Dodge & Cox pays an annual administrative fee of 0.08%. Please see "Payments to Financial Intermediaries" in the Dodge & Cox Funds' prospectus for further information.

Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

Code of Ethics

Dodge & Cox has adopted the Dodge & Cox Group Code of Ethics (the “Code”) pursuant to Rule 17j-1 under the Investment Company Act of 1940 and Rule 204A-1 under the Investment Advisers Act of 1940. The Code incorporates substantially all of the recommendations of the Investment Company Institute’s “Report of the Advisory Group on Personal Investing”. A copy of the Code is available to clients and prospective clients upon request.

Personal securities transactions by employees of Dodge & Cox and certain other persons designated in the Code (collectively, “employees”) are subject to the restrictions and procedures described in the Code. The Code encourages employees to manage their personal investments in such a manner that does not distract the employee from his or her professional responsibilities or create the appearance of a conflict of interest. The Code requires Dodge & Cox employees to pre-clear all transactions in securities, unless specifically exempted. Subject to certain exceptions, the Code also prohibits employees from engaging in short-term trading at a gain (e.g., purchase and sale of the same (or equivalent) security within 60 calendar days) without pre-approval. Employees are able to invest in securities held by client accounts managed by Dodge & Cox to the extent that those employees comply with the Code. It is possible that such transactions will be different from or be inconsistent with Dodge & Cox’s recommendations to clients. Dodge & Cox’s Chief Compliance Officer regularly reviews reports of personal securities transactions to determine compliance with the Code.

The Code also contains Dodge & Cox’s “Policy Statement on Insider Trading,” which was adopted in accordance with Section 204A of the Investment Advisers Act of 1940. The policy statement establishes procedures designed to prevent the misuse of material nonpublic information by Dodge & Cox and its employees. From time to time, Dodge & Cox and its employees may come into possession of material nonpublic and other confidential information that, if disclosed, might affect an investor’s decision to buy, sell, or hold a security. Under applicable law, Dodge & Cox and its directors, officers, and employees are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client of Dodge & Cox. Accordingly, should Dodge & Cox or any of its employees come into possession of material nonpublic or other confidential information with respect to any company, they will be prohibited from communicating such information to, or using such information for the benefit of, their respective clients, and Dodge & Cox and its employees will have no responsibility or liability for failing to disclose such information to, or use such information for the benefit of, their respective clients as a result of following their policies and procedures designed to comply with applicable law.

From time to time, Dodge & Cox employees receive gifts and/or entertainment in connection with their employment at or work with Dodge & Cox. To reduce the potential for conflict between an employee’s personal interests and the interests of Dodge & Cox clients, Dodge & Cox has adopted a gifts and entertainment policy in its Code based on the principle that employees should not accept or solicit anything of value that is intended or designed to cause, or would reasonably be judged to have the likely effect of causing, such employee to act in a manner that is inconsistent with the best interest of Dodge & Cox clients.

Under the policy, any employee who receives a gift of more than a nominal value (as defined in the Code) in connection with the employee’s employment at or work with Dodge & Cox is not permitted to retain the gift. The policy also prohibits an employee from accepting any lavish or extensive business entertainment from any broker/dealer, consultant, bank, corporation, or supplier of goods or services to Dodge & Cox or client accounts. From time to time, employees are offered complimentary tickets to sporting and other events. Complimentary

tickets that do not constitute “lavish or extensive” business entertainment may be accepted in circumstances described in the Code.

In addition, the Code restricts outside business activities that may create conflicts of interest.

Recommendation of Dodge & Cox-Advised Funds

In some cases Dodge & Cox may deem it appropriate to invest a portion of a U.S. client's separate account assets into one or more of the Dodge & Cox Funds (each a “Fund”). This may occur when, for example, a Fund provides a more efficient or cost-effective way to diversify an account or when we offer a particular strategy only through a Fund. Assets of separate accounts invested in a Fund are not subject to the advisory fee otherwise applicable to the account. Rather, those assets are subject only to the Fund fees and charges applicable to shareholders in the Fund, as set forth in the Fund's current prospectus. The advisory fees paid by the Fund to Dodge & Cox may exceed the advisory fees that would be paid by a separate account client to Dodge & Cox if assets invested in the Funds were instead directly invested in individual securities or in unaffiliated mutual funds. Accordingly, Dodge & Cox has a conflict of interest when recommending investments in a Fund rather than direct investments in individual securities or investments in unaffiliated mutual funds, particularly where an unaffiliated mutual fund could be viewed as having a similar investment objective or strategy, lower fees, and/or higher performance relative to the Dodge & Cox Fund. Dodge & Cox will invest separate account assets in a Fund only where permitted by the account guidelines and consistent with the client's objectives.

Personal Trading

It is possible that Dodge & Cox will recommend for its clients various securities whose shares are also owned by Dodge & Cox or its employees. Dodge & Cox is not obligated to purchase or sell or to recommend for purchase or sale for any client any security which Dodge & Cox or its employees purchase or sell for their own account(s) or for the account of any other client. Dodge & Cox may give advice and take action with respect to any of its clients or for its own account which differs from or is inconsistent with the timing or nature of action(s) taken for other clients. Transactions in a specific security may not be recommended or effected for all client accounts for which such transaction will be recommended or effected at the same time or at the same price. Dodge & Cox generally purchases short-term debt securities for its own account and may also engage in proprietary trading of other types of securities in connection with expanding its research and investment capabilities and testing new investment strategies. Dodge & Cox also maintains a Profit Sharing Plan and Trust for employees that is invested in the Dodge & Cox Funds and other investment companies that are not affiliated with Dodge & Cox.

Dodge & Cox employees may invest in the same securities that Dodge & Cox recommends to clients to the extent permitted under the Code. The Code requires pre-clearance of personal securities transactions, subject to limited exceptions, and seeks to avoid or minimize conflicts of interest by restricting the type and timing of employee trades.

Other Potential Conflicts

Potential conflicts of interest can arise in connection with investment committee members' management of multiple accounts, including potential conflicts of interest related to the knowledge and timing of trades, investment opportunities, broker-dealer selection, and investments. Investment committee members and research analysts are at times aware of the size, timing, and possible market impact of the firm's trades. It is possible that investment committee members could use this information to benefit themselves and the accounts they manage, to the potential detriment of other Dodge & Cox accounts. It is possible that an investment opportunity may be suitable for accounts managed by investment committee members or a Dodge & Cox proprietary account, but may not be available in sufficient quantities for other accounts to participate fully. Similarly, there may be limited

opportunities to sell an investment held by multiple accounts. Some investment committee members and client portfolio managers oversee separate accounts of friends and/or relatives, which could provide an incentive to favor those accounts over others. Research analysts are sometimes invited to dinners and events with company management in conjunction with performing their research responsibilities, which could provide an incentive to favor those companies over other investments. As noted above, acceptance of gifts and entertainment is subject to the restrictions in the Code.

Conflicts of interest can also arise in cases where Dodge & Cox clients with different strategies invest in different parts of an issuer's capital structure, such as when one client owns debt obligations of an issuer and another client owns equity in the same issuer. For example, if an issuer in which different clients own different classes of securities encounters financial problems, decisions over the terms of any workout will raise conflicts of interests (such as conflicts over proposed waivers and amendments to debt covenants). A debt holder could be better served by a liquidation of the issuer in which it may be paid in full, whereas an equity holder might prefer a reorganization that holds the potential to create value for the equity holders.

Although in some cases Dodge & Cox refrains from taking certain actions or making investments on behalf of clients because of conflicts (potentially disadvantaging the clients on whose behalf the actions are not taken or investments not made), in other cases Dodge & Cox will not refrain from taking actions or making investments on behalf of some clients that have the potential to disadvantage other clients. Any of the foregoing conflicts of interest will be reviewed on a case-by-case basis. Any review will take into consideration the interests of the relevant clients, the circumstances giving rise to the conflict, and applicable laws. Clients (and investors in Dodge & Cox-advised mutual funds) should be aware that conflicts will not necessarily be resolved in favor of their interests. Dodge & Cox will attempt to resolve such matters fairly, but even fair resolution could favor clients, including Dodge & Cox-advised mutual funds, that pay Dodge & Cox higher fees. It is possible that an actual or potential conflict of interest could result in a particular client or group of clients receiving less favorable investment terms in certain investments than if such conflicts of interest did not exist.

Brokerage Practices

Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions and Determining the Reasonableness of their Compensation

General

When given full brokerage discretion, Dodge & Cox's objective in selecting broker-dealers and effecting portfolio transactions in securities and derivatives is to seek best execution with respect to portfolio transactions. In deciding which broker should be used for a particular transaction, the determinative factor is *not* simply quantitative, e.g., the lowest possible transaction cost, but also whether the transaction represents the best qualitative execution. We believe that the selection and monitoring of the broker-dealers through which we execute client transactions is critical to achieving the best results for our clients. In selecting broker-dealers, Dodge & Cox will consider and weigh all factors believed relevant to seeking best execution.

Dodge & Cox seeks to obtain best execution of clients' trades through monitoring and managing the quality of trade decisions. Because determining best execution involves qualitative judgments on a variety of factors, Dodge & Cox does not use a single basis of measurement that can be applied to all trades. Rather, Dodge & Cox views best execution as a process that should be evaluated over time as part of an overall relationship with a broker-dealer rather than on a trade-by-trade basis. Therefore, we focus on establishing the appropriate level of oversight, checks and balances, and documentation of best execution processes.

Equity Securities

In addition to placing and executing orders through traditional broker-dealers, Dodge & Cox utilizes electronic trading platforms to seek best execution. Algorithmic trading tools and passive liquidity seeking tools (crossing networks) may be used, among other reasons, to (i) minimize both explicit and implicit execution costs, (ii) seek fragmented liquidity, and (iii) preserve anonymity. Factors used to select broker-dealers and/or electronic trading platforms to execute equity transactions include, but are not limited to, our knowledge of negotiated commission rates; the nature of the security being traded; the size and type of the transaction; research and brokerage services provided by the broker-dealer; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality; the execution, clearance, and settlement capabilities as well as the reputation and perceived operational/financial soundness of the broker-dealer; our knowledge of actual or apparent operational problems of any broker-dealer; the broker-dealer's historical transaction and execution services; and the reasonableness of spreads or commissions. Dodge & Cox may at times use algorithmic trading tools to execute trades on various electronic communications and crossing networks.

Dodge & Cox's Brokerage Committee (consisting of equity traders, research analysts, investment committee members, and legal and compliance personnel) evaluates and approves Dodge & Cox's equity trading practices, policies and procedures, and the broker-dealer selection process for equity trading. The Brokerage Committee meets periodically and reviews a variety of matters, including allocation procedures, current commission rates, soft dollar considerations, the quality of research services provided by broker-dealers, and the execution capabilities of the various broker-dealers that are utilized in the execution of orders.

Debt Securities

Dodge & Cox buys and sells debt securities through broker-dealers that make markets in the relevant securities or security types. As trades in debt securities are typically executed on a principal basis, the broker-dealers through

whom we execute client trades generally do not charge explicit commissions or commission equivalents (i.e., separately identifiable mark-ups and mark-downs) in such transactions.

When effecting a debt securities transaction in the secondary market, Dodge & Cox generally will select broker-dealers who are deemed likely to provide best execution for the specific transaction based on certain factors. These factors may include, but are not limited to, access to offerings; market familiarity; integrity (ability to maintain confidentiality); history of competitive pricing; trade settlement capability; expertise; financial condition (credit risk); and reliability and willingness to commit capital.

There are many occasions when it is neither practical nor advisable to solicit bids or offers from multiple broker-dealers. Such occasions include, but are not limited to, those where we (i) wish to participate in a primary (new) offering of an issue and are limited to purchasing the securities from the specific underwriter(s) that have been given the mandate to sell the securities by the issuer; (ii) seek to purchase or sell securities with very specific characteristics and are limited in our selection of broker-dealers because there are few broker-dealers who are able to offer such securities for purchase or are willing to buy them; or (iii) seek to minimize the market impact of a transaction.

The Fixed Income Trade Execution Committee (consisting of fixed income traders, investment committee members, and legal and compliance personnel) evaluates and approves Dodge & Cox's fixed income trading practices, policies and procedures, and the broker-dealer selection and approval process for debt securities. The Committee meets periodically to review and assess market developments, policies and procedures, and compliance testing, among other things.

Derivatives

Dodge & Cox may also engage in derivative transactions that are entered into under a negotiated agreement with a counterparty or futures commission merchant, including, but not limited to, swaps and futures. The agreements to trade these instruments must be in place prior to effecting a transaction. If we are unable to negotiate acceptable terms with a counterparty or are restricted from engaging certain counterparties for an account, for example, based on our assessment of a counterparty's creditworthiness and financial stability at any given time, the universe of counterparties that we can choose from will be limited and the standard for best execution may vary with the type of security or instrument involved in a particular transaction.

Commission Rates or Equivalents Policy

Dodge & Cox strives to be aware of current commission rates or commission equivalents (collectively "commissions") of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of our accounts. We actively negotiate commissions based upon:

- the nature of the security being traded;
- the size, complexity, and type of the transaction;
- the nature and character of the markets for the security to be purchased or sold;
- the activity existing and expected in the market for the particular security; and
- the nature and quality of research and brokerage services provided.

Dodge & Cox does not select broker-dealers solely on the basis of purported or "posted" commissions, nor do we always seek in advance competitive bidding for the most favorable commission applicable to any particular portfolio transaction. Although we generally seek competitive commissions, we will not necessarily select a broker-dealer based on the lowest commission charged in a given transaction, particularly when we believe that a broker-dealer charging a higher commission offers greater liquidity or improved price or execution. Brokers, dealers and

electronic communications networks may be selected using an automated process based on a variety of factors including execution quality and cost. We may also select a broker-dealer in recognition of research and/or brokerage services provided or expected to be provided.

“Soft-Dollar” or Research/Execution Policy

Dodge & Cox receives research and brokerage services from certain broker-dealers with which we effect transactions. The research services received are produced by the broker-dealer effecting the trade (“proprietary research”) or by a third party that is not involved in effecting the trade (“third party research”). Arrangements under which products or services other than execution of securities transactions are obtained by an adviser from or through a broker-dealer in exchange for the direction by the adviser of client brokerage transactions to the broker-dealer are also known as “soft dollar” practices. All research and brokerage services knowingly acquired with soft dollars in connection with broker-dealer relationships are required by Dodge & Cox policy to constitute eligible research and brokerage services for purposes of Section 28(e) of the Securities Exchange Act of 1934.

Research services received by Dodge & Cox include, without limitation, information on the economy, industries, groups of securities, and individual companies; statistical information and databases; accounting and tax law interpretations; political developments; legal and regulatory developments affecting portfolio securities; pricing and appraisal services; industry consultants; issuer disclosure services; credit, risk measurement, and performance analysis; and analysis of corporate responsibility issues. Research services can also include providing opportunities to meet with company executives, which allows Dodge & Cox analysts to gather information about a specific company, industry, or sector and to directly evaluate the strengths and weaknesses of an issuer’s management team.

When Dodge & Cox receives broker-dealer research services in connection with client brokerage commissions, we receive a benefit because we do not have to produce or pay for the research services ourselves. As a result, we have an incentive to select a broker-dealer based on our interest in receiving the research provided by that broker-dealer rather than solely on clients’ interest in receiving the most favorable price and execution.

We believe that both the research and brokerage services provided by broker-dealers and the broker-dealers’ ability to achieve quality execution are important for, and assist us in fulfilling our overall responsibilities to, our clients. The receipt of broker-dealer investment research and information and related services permits us to supplement our own research and analysis and provides access to the views and information of individuals and research staffs of other firms, including persons having special expertise on certain companies, industries, areas of the economy, market factors, and other topics. Therefore, broker-dealers selected by Dodge & Cox may be paid commissions for effecting transactions for our clients in excess of the amounts other broker-dealers would have charged for effecting these transactions if we determine in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to our discretionary accounts. In addition, in connection with the purchase of securities in certain fixed-price offerings, we may designate that a portion of the selling concession be paid to a broker-dealer that provides research services to Dodge & Cox.

Research services acquired with soft dollars are subject to internal analysis before being incorporated into Dodge & Cox’s investment process. Dodge & Cox research analysts periodically assess the quality of research provided and evaluate broker-dealers based on the relevance, depth, and breadth of research coverage. While research analysts occasionally suggest commission targets for particular broker-dealers, and broker-dealers sometimes state in advance the amount of brokerage commissions they expect to receive for certain research or brokerage services, Dodge & Cox traders are not required to meet any such targets. Dodge & Cox has not entered into any written or unwritten agreements that would contractually obligate it to direct a specific amount of brokerage transactions or commissions to any broker-dealer. While Dodge & Cox evaluates the quality and relative

value of broker-dealer services, we do not believe it is practicable to assign a specific cash (*i.e.*, hard dollar) value to all of the research or execution services received or to allocate the relative costs or benefits of those services among clients.

We may use brokerage commissions to acquire research and related services from third party vendors and broker-dealers through commission-sharing arrangements (CSAs). CSAs are agreements between an investment adviser and a broker-dealer in which the executing broker allocates a portion of brokerage commissions to a “commission pool,” which can be used to acquire third party research from another broker. Dodge & Cox may also use “step-outs” or similar transactions with broker-dealers. In a step-out arrangement, the investment adviser executes a trade through one broker-dealer but instructs that broker-dealer to step-out all or a portion of the trade to a second broker-dealer that provides research and/or brokerage services to Dodge & Cox. This second broker-dealer will clear and settle, and receive commissions for, the stepped-out portion of the trade.

Research services generally benefit multiple accounts, but each and every research service does not benefit each and every account we manage, and it is possible that brokerage commissions paid by one account will apply towards payment for research services that are not used in the service of that account. In addition, research can be used by all investment personnel, regardless of whether they work directly on client accounts with trading activity that generates client commissions.

We also use hard dollars out of our own assets to pay for third party research.

Client-Directed Brokerage Transactions

Clients may limit Dodge & Cox’s discretionary authority in certain situations. In particular, a client may direct Dodge & Cox to use a particular broker-dealer, or broker-dealers, to execute portfolio transactions for its account or may preclude the use of certain broker-dealers for its account. To the extent a client directs the use of a particular broker-dealer or broker-dealers, Dodge & Cox is not in a position to negotiate commission rates or price, or select broker-dealers on the basis of best price and execution. Additionally, transactions for a client that directs brokerage generally will not be aggregated for execution purposes with orders for the same securities for other accounts managed by Dodge & Cox. **As a result, directed brokerage transactions can result in higher commissions, less favorable net prices, and/or less favorable execution than would be the case if Dodge & Cox were authorized to select broker-dealers to execute transactions for the client’s account.** In the event that a purchase or sale order is placed for multiple Dodge & Cox client accounts, orders for accounts giving Dodge & Cox full brokerage discretion will generally be placed ahead of directed brokerage orders or those where Dodge & Cox’s discretion to select brokers has otherwise been restricted.

Clients may ask Dodge & Cox to direct a portion of their trading dollars to a specific brokerage firm to lower commission rates, provide a rebate, or for social reasons (such as requiring the use of minority owned brokerage firms). If the timing and use of the preferred broker is at Dodge & Cox’s discretion, the preferred brokers may not be used when placing trades for multiple client accounts because of the potential benefits of aggregated orders.

Aggregation of Orders and Security Allocation for Client Accounts

General

Decisions to purchase or sell a security or security type and investment decisions with respect to derivative instruments are typically implemented for a number of client accounts, and orders are usually aggregated (or “blocked”) and executed in a single transaction or series of transactions. This approach is intended to facilitate equitable treatment of client accounts and provide more efficient execution, consistent with Dodge & Cox’s obligation to seek best execution of client transactions. Orders for Private Client Group accounts may be aggregated separately from or along with blocks created for fund and institutional accounts. Reasons for excluding

an account from a block include, but are not limited to, client directed brokerage or other broker restrictions, liquidity needs, tax considerations, or investment guidelines. Orders excluded from a block are typically executed after the block is complete. Generally, in order to be included in a block on any trading day, an order must have been submitted before the opening of trading in the relevant market. If a security is being traded in more than one market in different time zones, a block will be created for each market, and an order submitted after the opening of trading in the first market but before the trader begins trading in the later market will be included in the block for the later market.

Exceptions to the foregoing may be made under certain circumstances, such as when trading ADRs and local shares, when a client has directed a sale, in response to a significant cash flow, or when a transaction is intended for tax purposes.

If there is an insufficient supply of securities to fill the aggregated orders, Dodge & Cox will allocate the securities in accordance with policies and procedures designed to provide reasonable assurance that allocation decisions are made on a fair and equitable basis. These policies and procedures also apply to the allocation of new issues and initial public offerings. The initial step of the allocation process is to identify accounts eligible for the allocation. For a proposed sale of a security, accounts that hold the security are eligible, subject to review of client guidelines as described below. For a proposed buy of a security or investment in a derivative instrument, client objectives and guidelines are reviewed. If an account's guidelines do not permit the relevant security or derivative to be held, or if a security or derivative does not fit a client's objectives, the account is excluded from the eligibility list.

When allocating securities with respect to any proprietary account(s) (or other accounts in which one or more Dodge & Cox employees have a financial interest), Dodge & Cox policy is to treat the account as if it were any other client account and subject to Dodge & Cox's allocation policies and procedures. No special or favorable treatment is permitted for a proprietary account, but neither is it required to be placed at a disadvantage with respect to other Dodge & Cox client accounts.

Equity Allocation Policy

If an equity order is only partially filled, it is allocated among the participating accounts (i) pro rata based upon each account's portion of the original order amount, (ii) according to a random order sequence, and (iii) subject to a minimum share allocation/leave. Due to the minimum share allocation/leave, it is possible that some accounts will not receive an allocation in a given trade. The accounts in a block are randomized again on each trading day until all accounts have received the full amount of their orders, or as much of their order as can be filled. If Dodge & Cox is trading in more than one market on the same day, these rules will be applied to the block executed in each such market. Orders that result in small or minimum allocations can, under certain circumstances, cause an account to incur additional trade ticket charges from its custodian bank if it receives multiple partial allocations. In seeking best execution, Dodge & Cox does not consider fees that may be assessed by a client's custodian.

Pro rata allocations of partially filled orders may be subject to adjustment under certain circumstances, for example, to avoid having a client hold odd lots or a de minimis number of shares. In such cases, Dodge & Cox will adjust the number of shares that would otherwise be allocated to each account by reallocating the shares in a manner that Dodge & Cox deems fair and equitable to clients over time.

Dodge & Cox receives no additional compensation of any kind as a result of "blocked" orders. An account may be excluded from a block trade for various reasons, including, but not limited to, client directed brokerage, brokerage restrictions, liquidation instructions, individual client tax considerations, and investment guidelines requirements or restrictions. In addition, an account may not be included in a block trade if a client portfolio manager submits an order after the block is formed or due to the timing of various investment committee

decisions. Securities may be reallocated prior to settlement if it is discovered that one or more accounts were mistakenly left out of (or included in) an allocation.

Fixed Income Allocation Policy

We seek to treat clients fairly by allocating investment opportunities on an equitable basis over time, acknowledging the impracticality of taking a pro rata approach on individual fixed income transactions under most circumstances. In allocating debt securities, traders review Dodge & Cox-established portfolio targets with respect to existing portfolio composition including, for example, security, issuer, or program concentration; sector and/or industry concentration; credit rating concentration; average portfolio credit rating; portfolio duration; and various other factors. An account will be removed from the allocation if the purchase (or sale) of the security would run counter to account objectives or guidelines or is deemed incompatible with the account's investment mandate.

If the available amount of the security is insufficient to immediately bring all eligible accounts to target weighting, a prioritization order is established to allocate the available supply equitably. Fixed income traders, with input from senior managers when needed, determine appropriate prioritization factors. Typically, the prioritization is based upon a portfolio's distance from the investment committee's "target" weighting for the specific security or issuer. Other factors that are considered in prioritizing accounts include distance to other types of portfolio targets such as total sector or industry weighting, program/collateral type, portfolio duration, portfolio cash position, or portfolio yield curve positioning. Priority may be given to accounts with a specific investment mandate that either results in a smaller investment universe and fewer investment opportunities or creates a greater need for specific security types relative to other accounts. Allocations are also subject to an account's investment guidelines and minimum piece or position size. An account may receive a full allocation if it would otherwise fall short of its target by a nominal amount.

Securities may be reallocated prior to settlement if it is discovered that one or more accounts were mistakenly left out of (or included in) an allocation.

Derivative Instrument Allocation Policy

Portfolio targets for derivative instruments are determined based on the relevant investment committee decisions in conjunction with individual account portfolio guidelines, which relate to a number of portfolio characteristics, limits, and requirements, including but not limited to portfolio duration, yield curve positioning, credit ratings, security or issuer concentration, and liquidity/cash requirements.

If the target weightings of a derivative instrument for all eligible accounts cannot be achieved through a single transaction (for example, during the roll period for certain large futures positions), each derivative transaction will typically be allocated on a pro rata basis. In certain cases, a portfolio's distance from a relevant investment committee target or portfolio guideline will also be considered. Derivatives may be subject to a minimum contract or position size that affects the amount that can be allocated.

An account may be given priority in an allocation to prevent a violation of the account's investment guidelines. In addition, priority may be given to an account with a specific investment mandate that either results in a smaller investment universe (and fewer investment opportunities) or creates a greater need for specific derivatives than that of other accounts.

Limits on Ownership

Dodge & Cox monitors the aggregate ownership of individual securities across all client accounts. Prudential, regulatory, and/or legal considerations may limit aggregate ownership levels. These limits affect how much of a security can be purchased for or held in client accounts and could disadvantage an account that, in the absence of

an aggregate ownership limit, would have purchased or held a security (or more of that security). Such limits could also cause Dodge & Cox to sell securities that we would prefer to hold in the absence of such considerations.

Review of Accounts

Dodge & Cox reviews client accounts on a regular basis. Each separate account is generally assigned a client portfolio manager, backup client portfolio manager, and client service associate. Client portfolio managers are available to meet or speak with each client as often as needed (generally quarterly or annually).

The target portfolio weights for each security held are set by the investment committees as described on p 17. For equity and balanced separate accounts, the client portfolio manager assigned to an account, in partnership with Dodge & Cox's portfolio implementation team, regularly reviews account positioning relative to the policy targets of the relevant investment committee, in accordance with the specific objectives and restrictions of the account. Fixed income accounts are subject to regular review by the trading teams, client portfolio managers, and the account's client service associate (see **Fixed Income Allocation Policy** on p. 31 for more details).

Accounts may be subject to special review when there is a material cash flow or a specific decision is made by an investment committee that directly affects the account. Whenever an account is reviewed, the relevant client portfolio manager, together where applicable with the portfolio implementation team, considers such matters as any changes in policy targets; the objectives and investment guidelines of the client; the current structure of the portfolio; and the effect on the portfolio of any known additions to or withdrawals from the account in the future. Because of these considerations and others such as transaction costs, possible tax consequences, and custody costs, private client accounts managed by Dodge & Cox do not always hold the same number of securities or same issues as institutional accounts.

Dodge & Cox generally provides separate account clients with one or more of the following written reports for their accounts:

- Appraisals - a quarterly appraisal listing the portfolio holdings, costs, market values, and estimated annual income.
- Investment Reports - a quarterly report that includes investment performance, holdings and a summary of transactions.

Client Referrals and Other Compensation

Dodge & Cox does not compensate any person or entity for referring clients to Dodge & Cox (apart from nominal administrative fees).

Dodge & Cox may make payments to investment consultants or other investment professionals for analytical services or for research in their (or their affiliate's) capacity as broker-dealers executing trades on behalf of Dodge & Cox clients. Dodge & Cox may also pay to attend or sponsor conferences organized by an investment consultant. To avoid potential conflicts of interest, individuals or entities that have been referred to Dodge & Cox by an investment consultant should request that the consultant disclose any pre-existing or former relationships with Dodge & Cox and any potential conflicts of interest in connection with the referral. Additionally, Dodge & Cox should be notified of any conflicts of interest disclosed by the consultant.

Custody

Dodge & Cox separate account clients select their own custodians to hold the cash and securities in their accounts. A client custodian may be a broker-dealer, bank, or other financial institution that satisfies the SEC's definition of "qualified custodian". Dodge & Cox is not a qualified custodian and does not provide custody services.

Clients receive account statements directly from their custodians and should carefully review those statements. Dodge & Cox is not responsible for reviewing charges assessed by a client custodian on the client's account. Clients should contact their custodians directly with any questions about these charges. Clients should also compare the account statements received from their custodians with the account statements received from Dodge & Cox.

Dodge & Cox clients may receive preferential rates from certain custodians, but Dodge & Cox does not endorse or recommend any particular custodian.

Investment Discretion

Generally, Dodge & Cox is retained on a discretionary basis and is authorized to make the following determinations in accordance with the client's specified investment objectives and investment guidelines without client consultation or consent before a transaction is effected:

- Which securities to buy or sell;
- The total amount of securities to buy or sell;
- The broker-dealer through whom securities are bought or sold; and
- The securities prices and commission rates at which securities transactions for client accounts are effected.

Dodge & Cox does, however, occasionally accept advisory accounts with limited discretion or where investments are client directed pursuant to the investment management agreement.

Assumption of Discretionary Authority

Investment discretion and investment authorization are described in the investment management agreement signed by Dodge & Cox and the client. Investment guidelines, which are generally included as an exhibit to the agreement, are typically reviewed by investment, compliance, and legal personnel.

Limitations on Discretionary Authority

Dodge & Cox normally receives investment guidelines for new accounts that set forth the objectives of the client and any specific investment restrictions and limitations. The guidelines typically describe the types of securities that are eligible for (or prohibited from) the account, the investment strategy, and, for balanced accounts, the general allocation between equity and debt investments. If the guidelines permit an investment in the Dodge & Cox Funds, the terms of the Fund prospectus govern the Fund investment.

With respect to guidelines that contain restrictions on investing in specific industries or that are based on socially responsible criteria, Dodge & Cox generally relies on a third party screening service and/or company classification system to identify companies that fall within a particular restriction. To the extent a company is not covered by the screening service and/or company classification system, Dodge & Cox may be unable to apply such guidelines.

To the extent that a client's investment guidelines impose restrictions on holdings relative to an index, clients should be aware that Dodge & Cox's classification of a security may differ from that of the index, and that Dodge & Cox will in certain circumstances use its own classifications of securities in determining compliance with applicable guidelines.

Dodge & Cox's ability to effect its investment and trading strategies for an account will in certain situations depend on the client's willingness and ability to open custody accounts and/or enter into agreements with, and provide documentation required by, trading counterparties and other third parties. Dodge & Cox is not responsible for the acts or omissions of, or for monitoring the performance of, any third party service provider retained by a client.

Consideration of Environmental, Social, and Corporate Governance Issues

Dodge & Cox is a signatory to the United Nations-supported Principles for Responsible Investment ("PRI"). The PRI initiative is a global, collaborative network of investors established in recognition of the view that environmental, social, and corporate governance ("ESG") issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors. As a PRI signatory, Dodge & Cox

has committed to considering the investment implications of ESG issues within our portfolio management and investment decision-making processes, where appropriate and consistent with our fiduciary duty. Being a PRI signatory does not require the application of specific ESG restrictions in the investment process. Accordingly, Dodge & Cox will introduce specific ESG-driven restrictions in a client's portfolio only as directed by a client or to comply with applicable law.

Voting Client Securities

Clients Who Delegate Proxy Voting Authority to Dodge & Cox

Dodge & Cox maintains a policy of voting proxies that we believe best serves the interests of our clients. As an investment adviser, Dodge & Cox is primarily concerned with seeking to maximize the value of its clients' investment portfolios. For all clients that have assigned proxy voting responsibility to Dodge & Cox, the firm normally votes in support of company management, but votes against proposals that Dodge & Cox believes would negatively affect the long-term value of shares of a company. If a client has delegated proxy voting authority to Dodge & Cox, the client may not direct our vote in a particular solicitation, though the client can revoke Dodge & Cox's proxy voting authority at any time with respect to all proxies.

While Dodge & Cox uses its best efforts to vote proxies, in certain circumstances it will be impractical or impossible to do so. For example, when a client has loaned securities to a third party, such securities are generally not available for voting by Dodge & Cox. Dodge & Cox may also be prohibited from voting certain shares or may be required to vote in proportion to other shareholders under applicable regulatory requirements or company governance provisions.

Dodge & Cox is sensitive to conflicts of interest that may arise in the proxy decision-making process. Dodge & Cox has developed proxy policies and procedures to serve the best interests of clients and, accordingly, will generally vote pursuant to those proxy policies and procedures when conflicts of interest arise. When there are proxy voting proposals that give rise to conflicts of interest not addressed by Dodge & Cox's proxy voting policies and procedures, Dodge & Cox's Proxy Policy Committee and senior management may consult with an independent consultant or outside counsel to resolve material conflicts of interest.

Special considerations are made for stocks traded on non-U.S. exchanges. Specifically, if voting a proxy requires the security to be "blocked" or frozen from trading, Dodge & Cox may elect not to exercise its voting rights. When Dodge & Cox-managed separate accounts hold shares of one or more of the Dodge & Cox Funds that have filed a proxy statement, Dodge & Cox will, where possible, vote client proxies relating to the Dodge & Cox Funds by voting the shares in the same proportion as the votes of other shareholders in the relevant funds (this is sometimes referred to as "echo voting").

Separate account clients can obtain a copy of Dodge & Cox's proxy voting policies and procedures and information about how Dodge & Cox voted proxies related to securities held in the client's account by contacting the Client Service Associate assigned to their account. Information regarding Dodge & Cox's voting of proxies on behalf of the Dodge & Cox Funds for the most recent twelve-month period ending June 30 is available at www.dodgeandcox.com/proxy.asp or the SEC's web site at www.sec.gov.

Clients Who do not Delegate Proxy Voting Authority to Dodge & Cox

For clients that have not delegated proxy voting responsibility to Dodge & Cox, we have no involvement in the voting process. Such clients should contact their custodians about receiving their proxies or other solicitations.

Financial Information

Not applicable. Dodge & Cox does not require or solicit prepayment of any fees from clients. Dodge & Cox knows of no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients and has never been the subject of a bankruptcy petition.