

DODGE & COX®

Video Transcript
August 27, 2015

A faded, grayscale image of the Golden Gate Bridge in San Francisco, spanning across the water with the city skyline in the background.

Fundamental Research

Lynn Poole: Dodge & Cox's investment philosophy is grounded in a long-term approach that weighs the market fundamentals of a company versus its stock price. Fundamental analysis involves the review of financial statements, research reports, interviewing managements to better understand the risks and opportunities facing a company. Once we understand the fundamentals of a company we can better judge whether its current stock price is an attractive entry point or not. Each of our over 25 global industry analysts is reviewing companies around the world to narrow the list of companies that they're going to analyze. If you think of it as a funnel, starting at the top with hundreds of companies to look at it, one way to narrow that down to a handful of companies is by doing valuation screens, or reviewing market capitalizations, and looking at the financial condition of a particular company. Each of our analysts today is looking at hundreds of companies and meeting with them in our offices and at their facilities. By the time an industry analyst writes an advocacy report, they're going to have a pretty thorough understanding of the range of outcomes for a company's earnings looking out the next three to five years. One of the strengths of Dodge & Cox is the vast experience and continuity of the team. Each of us has a shared experience of researching companies and that's really key to the culture of the firm. Each idea is thoroughly vetted by many investment professionals in the firm and over time we've really grown our intellectual capital so that we can tap into that knowledge, the knowledge of someone who followed an industry earlier in their career or who has been through more than one market cycle, to the fresh perspective of someone who's new to a company or an industry. That vast institutional knowledge that we've developed over time by following companies for many years helps us identify those investment opportunities that might present themselves when a company's fundamentals are mispriced in the market. When you invest for the long term you should put in a lot of time and analysis to understanding the risks and opportunities of the company that you're considering. The thorough fundamental analysis at Dodge & Cox provides us with the knowledge that allows us to build conviction in the investments we choose to make.

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