Dodge & Cox® Investment Focus

International Stock Fund

March 31, 2023

Performance[1]

Total Returns (%)

		Average Annual Total Returns				
	3 Months	1 Year	3 Years	5 Years	10 Years	20 Years
International Stock Fund — Class I	6.15%	-0.46%	17.30%	2.91%	5.06%	9.17%
International Stock Fund — Class X	6.19%	-0.35%	17.34%	2.93%	5.08%	9.17%
MSCI EAFE Index	8.47%	-1.38%	12.99%	3.52%	5.00%	7.32%

Returns represent past performance and do not guarantee future results. Investment return and share price will fluctuate with market conditions, and investors may have a gain or loss when shares are sold. Fund performance changes over time and currently may be significantly lower than stated above. Performance is updated and published monthly. Current month-end performance can be obtained at dodgeandcox.com or call 800-621-3973.

Market Commentary

International equities appreciated in the first quarter of 2023, showing resilience amid economic uncertainty, geopolitical tensions, and concerns about the global banking system. Investors were encouraged by the slowing pace of interest rate hikes.

International value stocks[2] outperformed growth stocks by a remarkable 17.4 percentage points in 2022, but underperformed by 5.2 percentage points in the first quarter.[3] The value-oriented Real Estate, Energy, and Financials sectors performed the worst, while the growth-oriented Information Technology and Consumer Discretionary sectors posted standout returns. As a result, the valuation gap between value and growth stocks widened to 2.5 standard deviations[4]: the MSCI EAFE Value Index[5] trades at only 9.3 times forward earnings[6] compared to 20.5 times for the MSCI EAFE Growth Index.[7]

Over the past year, international equities have outperformed U.S. equities by 6.4 percentage points[8], but still trade at a significant discount: the MSCI EAFE trades at 12.8 times forward earnings versus 18.8 times for the S&P 500 Index. Furthermore, the valuation spread between stocks benefiting from low interest rates and those hindered by them remains near its widest point over the past 20 years.

Portfolio Strategy

The failures of two U.S. regional banks and concerns about Credit Suisse sparked fears of global contagion in March. However, we believe their idiosyncratic issues are not emblematic of the broader banking system. We are actively assessing market developments and making portfolio decisions as investment opportunities and risks materialize. The Financials sector remains the Fund's largest overweight position (25.8% versus 18.1% for the MSCI EAFE). These holdings are diversified across geographic regions and core business exposures.

The Fund's European banks are cheaper, faster growing, better capitalized, and returning more capital than anytime in the past 15 years. European banks trade at a 40% discount to the overall market, the lowest level since 2008, excluding the COVID trough in 2020. Despite their inexpensive valuations, the Fund's European bank holdings have grown net income in line with the MSCI EAFE. Moreover, these companies' balance sheets have improved: their Common Equity Tier 1 ratios[9] have increased on average from 6% in 2007 to 13% today, and their loan-to-deposit ratios have improved from 114% to 86%, on average. European banks are expected to return over 10% of their respective market capitalizations to shareholders in 2023 via dividends and share buybacks.

Energy—another overweight position—was our largest addition during the quarter. As oil prices and share prices declined, the Fund's holdings became more attractively valued, and we added to Ovintiv, TotalEnergies, Suncor Energy, and Equinor. These companies have generated substantial cash flows, which they are returning to shareholders and using to reduce debt.

We also started a position in Taiwan Semiconductor Manufacturing Co., the leading pure-play global semiconductor foundry, which trades at a compelling valuation and has attractive long-term growth prospects.

Overall, the Fund is well diversified with exposure to numerous investment drivers. As we have learned throughout our firm's 90-plus years, maintaining our consistent and disciplined approach is critical to our investment success over the long term. We remain confident in our ability to successfully navigate challenging economic and market conditions. Thank you for your continued confidence in Dodge & Cox.

Performance Review (Fund's Class I Shares vs. MSCI EAFE)

First Quarter

Key contributors to relative results included the Fund's:

- Communication Services holdings (up 25% compared to up 10% for the MSCI EAFE sector), including Baidu;
- Health Care holdings, notably Sanofi and Bayer;
- Materials holdings, including Holcim; and,
- Positions in Banco Santander, Mitsubishi Electric, and Booking Holdings.

Key detractors from relative results included the Fund's:

- Overweight position in Energy and selected holdings, notably Ovintiv and Suncor Energy;
- Underweight position and holdings in the Information Technology sector (up 9% compared to up 20% for the MSCI EAFE sector);
- Consumer Discretionary holdings, including JD.com; and,
- Positions in Axis Bank, Johnson Controls International, Imperial Brands, and XP.

Top Ten Holdings

Top Ten Holdings	% of Fund
Sanofi	4.4%
UBS Group AG	3.9%
Novartis AG	3.4%
Banco Santander SA	3.3%
BNP Paribas SA	3.1%
Prosus NV	3.1%
GSK PLC	2.8%
TotalEnergies SE	2.6%
Holcim, Ltd.	2.6%
Axis Bank, Ltd.	2.3%

Fund Expense Ratios

Fund Expense Ratios	Ticker	Net	Gross
International Stock Fund — Class I	DODFX	0.62%	0.62%
International Stock Fund — Class X	DOXFX	0.52%*	0.57%

* Dodge & Cox has contractually agreed to reimburse the Fund for all ordinary expenses to the extent necessary to maintain Total Annual Fund Operating Expenses of the Dodge & Cox International Stock Fund — Class X shares at 0.52% until April 30, 2023. This agreement cannot be terminated prior to April 30, 2023 other than by resolution of the Fund's Board of Trustees. The term of the agreement renews annually unless terminated with 30 days' written notice by either party prior to the end of the term. The agreement does not permit Dodge & Cox to recoup any fees waived or payments made to the Fund for a prior year.

The information provided is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. Any securities identified are subject to change without notice and do not represent a Fund's entire holdings. Dodge & Cox does not guarantee the future performance of any account (including Dodge & Cox Funds) or any specific level of performance, the success of any investment decision or strategy that Dodge & Cox may use, or the success of Dodge & Cox's overall management of an account.

The Fund invests in securities and other instruments whose market values fluctuate within a wide range so your investment may be worth more or less than its original cost. International investing involves more risk than investing in the U.S. alone, including currency risk and a greater risk of political and/or economic instability; these risks are heightened in emerging markets. The Fund may use derivatives to create or hedge investment exposure, which may involve additional and/or greater risks than investing in securities, including more liquidity risk and the risk of a counterparty default. Some derivatives create leverage.

Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, or for current month-end performance figures, visit dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Dodge & Cox Funds are distributed by Foreside Fund Services, LLC, which is not affiliated with Dodge & Cox.

1. All returns are stated in U.S. dollars, unless otherwise noted. The Funds' total returns include the reinvestment of dividend and capital gain distributions, but have not been adjusted for any income taxes payable by shareholders on these distributions or on Fund share redemptions. Index returns include dividend and/or interest income but, unlike Fund returns, do not reflect fees or expenses. The Class X shares inception date is May 2, 2022. The returns shown prior to that date are for the Class I shares. The MSCI EAFE (Europe, Australasia, Far East) Index is a broad-based, unmanaged equity market index aggregated from developed market country indices, excluding the United States and Canada. It covers approximately 85% of the free float-adjusted market capitalization in each country.
2. Generally, stocks that have lower valuations are considered "value" stocks, while those with higher valuations are considered "growth" stocks.
3. For the year ended December 31, 2022, the MSCI EAFE Value Index had a total return of -5.58% and the MSCI EAFE Growth Index had a total return of -22.95%. For the first quarter of 2023, the MSCI EAFE Value had a total return of 5.93% compared to 11.09% for the MSCI EAFE Growth Index.
4. Unless otherwise specified, all weightings and characteristics are as of March 31, 2023. Standard deviation measures the volatility of the Fund's returns. Higher standard deviation represents higher volatility.
5. The MSCI EAFE Value Index captures large- and mid-cap securities exhibiting overall value style characteristics across developed market countries around the world, excluding the United States and Canada. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price, and dividend yield.
6. Price-to-earnings (forward) ratios are calculated using 12-month forward earnings estimates from third-party sources as of the reporting period. Estimates reflect a consensus of sell-side analyst estimates, which may lag as market conditions change.
7. The MSCI EAFE Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across developed market countries around the world, excluding the United States and Canada. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.
8. For the year ended March 31, 2023, the MSCI EAFE had a total return of -1.38% compared to -7.73% for the S&P 500 Index. The S&P 500 Index is a market capitalization-weighted index of 500 large-capitalization stocks commonly used to represent the U.S. equity market.
9. The Common Equity Tier 1 (CET1) ratio compares a bank's capital against its risk-weighted assets to determine its ability to withstand financial distress. A higher ratio indicates that the bank has more core capital to absorb losses, while a lower ratio suggests that the bank has insufficient capital to cushion against losses.