Dodge & Cox® Worldwide Funds

U.S. Stock Fund

30 June 2024

Performance[1]

Total Returns (%)	Unannualised Returns		Average Annual Total Returns					
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
U.S. Stock Fund								
USD Accumulating Class	-0.40	7.88	17.82	6.27	11.96	10.05	12.01	01/12/10
USD Distributing Class	-0.35	7.91	17.85	6.28	-	-	14.75	02/03/20
GBP Accumulating Class	-0.55	8.79	18.36	9.51	12.06	13.43	13.73	01/12/10
GBP Distributing Class	-0.54	8.77	18.36	9.50	12.06	13.43	13.13	02/12/13
GBP Distributing Class (H)	-0.49	7.71	17.28	5.15	10.34	-	9.10	03/01/17
EUR Accumulating Class	0.34	11.21	20.03	9.93	13.30	12.78	13.60	01/12/10
S&P 500 Index (in USD)	4.28	15.29	24.56	10.01	15.05	12.86	14.11	01/12/10

Returns represent past performance and do not guarantee future results. Investment return, costs, and share price will fluctuate with market conditions and may be affected by currency fluctuations. 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. Visit the Fund's website at dodgeandcox.com for current month-end performance figures.

Market Commentary

U.S. equity markets rose during the second quarter of 2024, extending the strong market uptrend since 2023. For the third successive quarter, the S&P 500 ended with a positive total return, as investors were encouraged by better-than-expected earnings growth,[2] a resilient economy, improving inflation indicators, and renewed expectations for interest rate cuts this year.

Continuing the pattern of the past 12 months, market gains were concentrated among large market capitalisation[3] companies in the Information Technology and Communications sectors, particularly those tied to artificial intelligence (AI). NVIDIA, a world leader in AI computing, rose 37% during the second quarter, accounting for 44% of the S&P 500's quarterly performance. Apple, Alphabet, and Microsoft also contributed significantly. Without these four companies, the S&P 500 would have posted a negative return for the quarter.

This outsized performance by a small number of large companies increased the S&P 500's market concentration: the top five companies by market capitalisation now represent a record 29% of the Index, well above the historical average weight of 15% since the dot-com bubble over 25 years ago.

U.S. growth stocks[4] continued to outperform value stocks during the quarter, and the valuation disparity between value and growth stocks widened. The Russell 1000 Value Index[5] ended the quarter trading at 16.1 times forward earnings[6] versus 28.8 times for the Russell 1000 Growth Index.[7]

Portfolio Strategy

The Fund's USD Accumulating Class had a -0.40% return in the second quarter of 2024, underperforming the S&P 500. Relative to the S&P 500, the Fund's biggest detractors were its stock selection and underweight position in the Information Technology sector, along with its holdings and overweight position in the Health Care sector.

We believe the highly concentrated market gains over the last year are creating opportunities for bottom-up, value-oriented investors like Dodge & Cox. In assembling the portfolio, we take a cautious approach towards stocks with very optimistic outlooks for growth and margins. We are also mindful that a weaker economic environment cannot be ruled out, and we are finding more opportunities in companies with lower valuations and less economic sensitivity.

During the second quarter, we increased the Fund's exposure to Health Care services, specifically Medicare Advantage plan providers, where the current challenging underwriting cycle contrasts with attractive long-term growth prospects. We believe Medicare Advantage is an attractive market segment with high barriers to entry and margin improvement potential. We established a new position in Humana, the second-largest Medicare Advantage provider, and we increased the Fund's position in CVS Health, the third-largest player in this market.[8] Both companies trade at a low valuation on cyclically depressed earnings, which we believe should recover over time.

Conversely, we reduced the Fund's exposure to companies with higher valuations and/or rising risks by selling Microchip Technology and Hewlett Packard Enterprise. We also trimmed the Fund's Financials positions, following their strong performance over the past year.

The Fund remains overweight Financials, Health Care, and Communication Services compared to the S&P 500, and underweight Information Technology, Consumer Discretionary, Consumer Staples, and Real Estate.

We continue to be optimistic about the long-term outlook for the Fund, which is diversified across a broad range of sectors and investment themes. We believe that the Fund is well positioned for a variety of economic environments. The Fund trades at an attractive valuation of 14.0 times forward earnings, compared to 21.6 times and 16.1 times for the S&P 500 and the Russell 1000 Value, respectively. Thank you for your continued confidence in Dodge & Cox.

Performance Review (USD Accumulating Class vs. S&P 500)

Second Quarter

Key contributors to relative results included the Fund's:

- Stock selection in Industrials, particularly GE Aerospace;
- Stock selection and underweight position in Consumer Discretionary; and
- Position in Alnylam Pharmaceuticals.

Key detractors from relative results included the Fund's:

- Stock selection and underweight position in Information Technology;
- Overweight and stock selection in Health Care, particularly CVS Health, Bristol-Myers Squibb, and Cigna Group; and
- Position in Fiserv.

Year to Date

Key contributors to relative results included the Fund's:

- Industrials stock selection, particularly GE Aerospace;
- Stock selection and underweight position in Consumer Discretionary; and
- Positions in Coherent and Wells Fargo.

Key detractors from relative results included the Fund's:

- Stock selection and underweight position in Information Technology;
- Health Care overweight and holdings, notably CVS Health, Gilead Sciences, and Bristol-Myers Squibb; and
- Stock selection in Communication Services, mainly Charter Communications.

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 S&P 500 Index is a market capitalisation-weighted index of 500 large-capitalisation stocks commonly used to represent the U.S. equity market.
2. Earnings growth is the percentage change in a firm's earnings per share (EPS) in a period, as compared with the same period from the previous year.
3. Market capitalisation is a measure of the security's size. It is the market price of a security multiplied by the number of shares outstanding.
4. Generally, stocks that have lower valuations are considered "value" stocks, while those with higher valuations are considered "growth" stocks.
5. The Russell 1000 Value Index is a broad-based, unmanaged equity market index composed of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
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. Unless otherwise specified, all weightings and characteristics are as of 30 June 2024.
7. The Russell 1000 Growth Index is a broad-based, unmanaged equity market index composed of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
8. The use of specific examples does not imply that they are more or less attractive investments than the portfolio's other holdings.