Dodge & Cox®
Worldwide Funds

Emerging Markets Stock Fund

MARKET COMMENTARY

2022 was a difficult year for emerging and developed equity markets around the world. Waning economic growth, rising geopolitical tensions, disruption in global supply chains, and tightening monetary policies in the face of surging inflation, all weighed on stocks. The Trade-Weighted U.S. Dollar Index[1] had one of its strongest years since its inception in 1973, rising 6%, and creating additional headwinds for many emerging markets. The fourth quarter provided a positive ending to a down year for emerging markets and equities in general, as developments connected to China's zero-COVID policy reversal bolstered market returns. However, the MSCI Emerging Markets (MSCI EM) Index[2] declined by 20.1% for the year.

From a valuation perspective, emerging markets equities continue to look compelling: the MSCI EM ended the year at 11.3 times forward earnings.[3] Emerging markets value stocks[4] remain attractively priced compared to growth stocks, with a wide valuation spread—nearly two standard deviations[5] above the historical mean. The broad divergence between performance and valuation within emerging markets, coupled with a highly volatile and uncertain global economic and political backdrop, provides a potentially productive setting for our active, bottom-up, price-disciplined investment team to find interesting opportunities.

INVESTMENT STRATEGY

At Dodge & Cox, we focus on a three- to five-year investment horizon and a valuation-oriented approach. In a market where most emerging market investors focus primarily on growth and the upside, we differentiate by bringing the same valuation-focused rigour to our emerging markets investment process that we apply across all of our strategies. The Fund's holdings, on average, trade at 9.3 times forward earnings, compared to the MSCI EM at 11.3 times. This, coupled with our long-term investment horizon, enables us to invest in companies, industries, and countries that may face significant uncertainty in the short term, but where we believe the long-term prospects are bright. An example of these principles in action is the Fund's large overweight position in select China Internet[6] holdings, a contributor to the Fund's outperformance last year.

Setting the Context Around China

The Chinese equity market, in particular China Internet stocks, declined significantly in 2021 and for much of 2022. This market has gone through quite a journey since the end of 2020. The last-minute cancellation of Ant Group's IPO in November 2020 was the first warning sign of a regulatory regime change. Soon after, there was a crackdown on for-profit education companies, and then broad and deep regulations were imposed on technology companies, primarily large Internet platforms. In late 2021, the default of Evergrande Group, a large property developer, ignited investor concern about the health of the real estate sector in China. Chinese ADRs faced the looming risk of being delisted from U.S. exchanges, further weighing on their share prices. In 2022, slowing economic growth as a result of strict zero-COVID policies combined with heightened geopolitical tensions sent many global investors fleeing China's equity market, with some labelling China as "uninvestable." From the peak in February 2021 through the end of October 2022, the MSCI China Index[7] declined 63% and the CSI Overseas China Internet Index[8] was down 81%.

Investing during Times of Uncertainty: Overweight Greater China and China Internet

In the face of these macroeconomic, regulatory, and geopolitical uncertainties, we remained committed to our time-tested, bottom-up investment philosophy, constantly weighing what we were buying (company fundamentals) against what we were paying (valuation). We assessed a range of possible outcomes, reexamined our assumptions for the Fund's key China holdings' growth, profitability, free cash flow[9] generation, and shareholder returns under various macro and geopolitical scenarios. As we tested and retested our investment theses and assumptions, we compared the probabilistic distribution of outcomes against current valuation levels. We sought to determine how much risk was being priced in, and how our existing and potential investments in China compared with each other and compared with the rest of the portfolio.

This rigorous investment process gave us confidence that the Fund's holdings remained attractive long-term investments, despite the near-term uncertainty. In fact, we added to a number of our positions in the first half of 2022 as valuations became increasingly compelling, and we observed the government's attitude towards big tech gradually swinging from restrictive to more supportive. While it was not clear when China might exit its zero-COVID policy, we were convinced it was a matter of "when" and not "if." This led us to initiate new positions in Las Vegas Sands and increase the Fund's position in Sands China in the third quarter.[10]

Extreme market pessimism led to many stocks in China trading at their lowest valuation levels in decades. For example, Alibaba's e-commerce business and Baidu's core search business were valued at mid-single-digit forward earnings, an extraordinary bargain. Another major Fund holding, Prosus, derives the majority of its value from its underlying stake in Tencent. Earlier in 2022, the discount to net-asset value for Prosus had increased to over 50%, and we added to the Fund's position. Subsequently, management announced a major shareholder return program sending the stock soaring. Broadly, we have observed that management of the companies we hold has really stepped up cost cutting and returning capital to shareholders in a tough macro environment, giving us more comfort on the potential for downside protection. From a risk management perspective, we started a currency hedge in the Chinese renminbi in the fourth quarter to take advantage of the positive carry and also hedge against geopolitical tail risks.

Our long-term horizon allowed us to stay the course and remain overweight China Internet stocks and other holdings poised to benefit from China's reopening. December saw a sudden reversal in COVID policy that unfolded much faster and earlier than the market had expected. Other factors contributing to the market rally included the government's broad economic stimulus policies, government reaffirmation of support for the private sector, and easing geopolitical tensions (as delisting risks substantially diminished after the PCAOB[11] inspection report). Greater China was the Fund's top-contributing region for the year in terms of portfolio attribution—both our allocation and stock selection contributed to the outperformance. This turnaround is an example of how our long- term, value-oriented, contrarian approach enabled us to add value for our shareholders in an uncertain environment.

Expanded Universe and Valuation Discipline: Overweight in Latin America and Underweight in India

The Fund is diversified across regions, industries, and various investment themes, resulting from our individual stock selection rooted in strong valuation discipline. We have a much broader investment universe than the MSCI EM, including about 4,000 companies in over 60 countries, compared to approximately 1,400 companies in 31 countries in the Index.[12] This has given us the flexibility to find attractive opportunities across the market cap spectrum, even in markets with expensive headline multiples. Our value discipline has led us to overweight Latin America and underweight India. We highlight below some opportunities we are finding in both regions.

Latin America was the best-performing emerging market region during 2022, yet it currently trades at an extremely low valuation compared to its own history. We have large positions in a few leading Financials companies as credit and financial services continue to grow in underpenetrated markets:

- Itau Unibanco is one of the best-run banking franchises in Brazil, with an owner-operator at the helm, best-in-class cost efficiency, and a strong track record of managing credit risks through cycles.
- Credicorp, the largest financial services company in Peru, faces a long growth runway from higher banking penetration[13] in an oligopolistic market, and also provides long-term shareholder alignment through the founding Romero family's controlling ownership position.
- XP, the largest online broker-dealer in Brazil, is well positioned to capitalise on the double-digit growth expected in the wealth management industry in Brazil and trades attractively at low-teens forward earnings multiple.

On the other end of the spectrum, a number of smaller-cap holdings in the Fund are well positioned to capitalise on growing consumer spending:

- Atacadao is the largest food retailer in Brazil with a dominant position in the faster growing part of the Brazilian retail market like Cash & Carry. A recent acquisition of the third-largest player should allow it to expand its footprint and extract cost synergies.
- Andina, a leading Coca Cola bottler in Latin America, has a strong track record of capital allocation, shareholder alignment with the controlling Chilean families, and trades attractively at 10.5 times forward earnings.

The Fund remains underweight in India, where we see fewer undervalued companies. However, we hold positions in leading Indian private sector banks, ICICI Bank and Axis Bank, which continue to gain share in a large and growing banking market at an attractive point of the credit cycle. There is a notable valuation gap between the large-cap and small-cap stocks in India, and we have been able to capitalise on that spread with a number of investments in lesser-known names across industries. Some examples of our recent purchases include Aurobindo Pharma, a leading generics pharma and active pharmaceutical ingredients manufacturer, and GAIL, India's flagship natural gas company, which should benefit from long-term structural growth of the country's energy transition and industrialisation.

IN CLOSING

Emerging market equities offer exposure to fast-growing economies and key drivers of global growth. Emerging market economies are widely expected to see an accelerating gross domestic product (GDP) growth differential versus developed market economies in 2023, and, historically, such periods have generally been correlated with emerging market stock outperformance. Looking forward, we continue to be enthusiastic about the broad range of opportunities presented to us.

As we have often noted, investing in emerging markets tends to come with high market volatility. In this sphere of uncertainty and volatility, we believe patience, persistence and a long-term investment horizon are essential to investment success. We encourage our shareholders to maintain a similar view.

Thank you for your continued confidence in Dodge & Cox. As always, we welcome your comments and questions.

On behalf of the Board of Directors of Dodge & Cox,

Dana M. Emery,
Chair and Chief Executive Officer, Dodge & Cox
6 February 2023

1. The Trade-Weighted U.S. Dollar Index measures the value of the United States dollar relative to other world currencies.
2. The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging market countries.
3. Measured since 31 January 2004. Unless otherwise specified, all weightings and characteristics are as of 31 December 2022. 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.
4. Generally, stocks that have lower valuations are considered "value" stocks, while those with higher valuations are considered "growth" stocks.
5. Standard Deviation measures the volatility of the Fund's returns. Higher Standard Deviation represents higher volatility.
6. China Internet comprises Alibaba, Baidu, JD.com, and Prosus.
7. The MSCI China Index captures large- and mid-cap representation across China A shares, H shares, B shares, Red chips, P chips, and foreign listings (e.g., ADRs).
8. The CSI Overseas China Internet Index is designed to measure the performance of the investable universe of publicly traded China-based companies whose primary business or businesses are in the Internet and Internet-related sectors.
9. Free cash flow is the cash a company generates after paying all expenses and loans. The free cash flow yield compares a company's free cash flow per share with its market price per share. A high free cash flow yield means a company is generating enough cash to satisfy its debt and other obligations.
10. The use of specific examples does not imply that they are more or less attractive investments than the portfolio's other holdings.
11. The PCAOB is a non-profit corporation established by Congress to oversee the audits of public companies in order to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports. The PCAOB also oversees the audits of brokers and dealers registered with the Securities and Exchange Commission (SEC), including compliance reports filed pursuant to federal securities laws.
12. The Fund may classify a company in a different category than the Index. The Fund usually classifies a company based on its country of risk, but may designate a different country in certain circumstances.
13. Percentage of total financial resources provided to the private sector by financial corporations.

Dodge & Cox® Worldwide Funds

Emerging Markets Stock Fund

31 December 2022

Established in 1930, Dodge & Cox is one of the largest independently owned investment firms in the world. We manage money using a single value-oriented investment philosophy across a focused set of strategies.

Fund Inception
11 May 2021

Active Share[2]
84.3%

# of Companies
238

Countries Represented[3]
42

Details

Total Net Assets (millions)	$21.9
Distribution Frequency	Quarterly
Portfolio Turnover[6] (1/1/22 to 31/12/22)	22%
Base Currency	U.S. Dollar
Structure	UCITS
Domicile	Ireland

Benchmark

MSCI Emerging Markets Index (MSCI EM)

Risk Metrics (1 Year)

Beta[9,10]	1.07
Standard Deviation[9,11]	23.16

Investment Committee

Managed by the Emerging Market Equity Investment Committee, whose members' average tenure at Dodge & Cox is 19 years.

Investment Objective

The Emerging Markets Stock Fund seeks long-term growth of principal and income.

Investment Approach[1]

The Fund offers investors a highly selective, actively managed emerging market equity fund that invests in companies of any size, primarily in emerging markets, based on our analysis of companies' fundamentals relative to their current valuations. Generally, we:

- Target a diversified portfolio of equity securities issued by small-, mid-, and large-cap companies from emerging market countries that, in our opinion, appear to be temporarily undervalued by the stock market but have a favourable outlook for long-term growth. Emerging market issuers include those located in emerging market countries and those we determine to have significant economic exposure to emerging market countries.
- Select individual securities based on our analyses of various factors—including a company's financial strength, economic condition, competitive advantage, quality of the business franchise, financially material environmental, social, and governance (ESG) issues, and the reputation, experience, and competence of its management—as weighed against valuation.
- May use currency derivatives to hedge direct and/or indirect foreign currency exposure. The Fund may use equity derivatives, such as futures, options, and swaps, to create or hedge exposure to equity securities.

Share Classes

	Minimum Investment	Expense Ratio[4]	Historic Yield[5]	SEDOL	ISIN	Bloomberg
USD Accumulating Class	$50,000	0.70%	-	BN6JJ04	IE00BN6JJ043	DOEMSUA
GBP Accumulating Class	£50,000	0.70%	-	BN6JJ15	IE00BN6JJ159	DCEMSGA
GBP Distributing Class	£50,000	0.70%	2.1%	BN6JJ26	IE00BN6JJ266	DCEMSGI
EUR Accumulating Class	€50,000	0.70%	-	BN6JJ37	IE00BN6JJ373	DCEMSEA

Performance[7,8]

Total Returns (%)	Unannualised Returns		Average Annual Total Returns		
	3 Months	YTD	1 Year	Since Inception	Inception Date
Emerging Markets Stock Fund					
USD Accumulating Class	13.78	-15.23	-15.23	-14.89	11/05/21
GBP Accumulating Class	5.03	-5.07	-5.07	-6.36	11/05/21
GBP Distributing Class	4.99	-5.09	-5.09	-6.38	11/05/21
EUR Accumulating Class	4.06	-9.83	-9.83	-8.09	11/05/21
MSCI EM Index (in USD)	9.70	-20.09	-20.09	-15.93	11/05/21

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.

Diana Strandberg
Director of Int'l Equity
(34 yrs at Dodge & Cox)

David Hoeft
CIO (29 yrs)

Mario DiPrisco
Global Industry Analyst
(24 yrs)

Sophie Chen
Global Industry Analyst
(10 yrs)

Rameez Dossa
Global Industry Analyst
(9 yrs)

Robert Turley
Portfolio Strategy
Analyst (9 yrs)

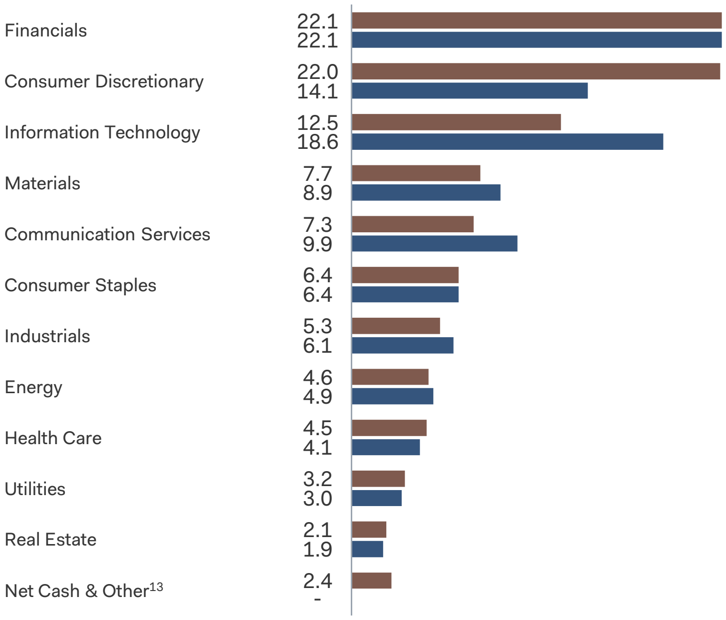
Dodge & Cox Worldwide Funds — Emerging Markets Stock Fund

31 December 2022

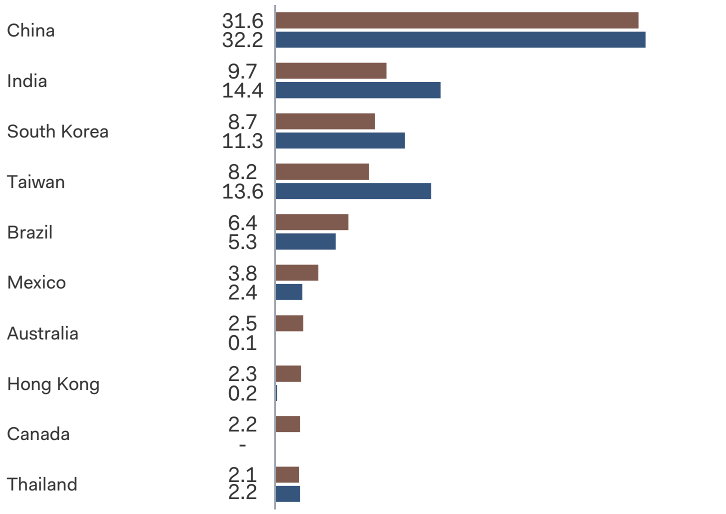
Portfolio Breakdown (% of Fund)

■ Fund ■ MSCI EM

Sectors[12]



Ten Largest Countries[3,12,14]



Ten Largest Equity Positions (% of Fund)[12,15]

	Fund	MSCI EM
Prosus NV (China)	5.4	-
Alibaba Group Holding, Ltd. (China)	5.0	2.6
Taiwan Semiconductor Manufacturing Co., Ltd. (Taiwan)	4.0	5.7
ICICI Bank, Ltd. (India)	3.9	0.9
Samsung Electronics Co., Ltd. (South Korea)	3.7	3.8
JD.com, Inc. (China)	3.1	1.0
Itau Unibanco Holding SA (Brazil)	2.7	0.4
Glencore PLC (Australia)	2.5	-
Baidu, Inc. (China)	2.3	0.5
Teck Resources, Ltd. (Canada)	2.2	-

Portfolio Characteristics

	Fund	MSCI EM
Price-to-Earnings (forward)[16,17]	9.3x	11.3x
Price-to-Earnings (trailing)[16]	8.9x	12.2x
Price-to-Book Value	1.4x	1.6x
Price-to-Sales[18]	0.7x	1.1x
Weighted Average Market Cap. (billions)[19]	$75	$58
Median Market Cap. (billions)[20]	$4	$2
Dividend Yield (trailing)[21]	3.0%	3.4%

Risks

The Fund is subject to market risk, meaning holdings in the Fund may decline in value for extended periods due to the financial prospects of individual companies or due to general market and economic conditions. Emerging market securities may present issuer, market, currency, liquidity, volatility, valuation, legal, political, and other risks different from, and potentially greater than the risks of investing in securities of issuers in more developed markets. Please read the prospectus for specific details regarding the Fund's risk profile.

1 Please see the Fund's Sustainable Finance Disclosures Regulation SFDR Disclosure available at dodgeandcox.com.
2 Active Share is a measure of how much an investment portfolio differs from its primary benchmark index, based on a scale of 0% (complete overlap with the index) to 100% (no overlap). Overlap for each security in the Fund is the lower of either its percentage weight in the Fund or its percentage weight in the relevant index. Active share is calculated as 100% minus the sum of the overlapping security weights.
3 The Fund may classify a company or issuer in a different category than the Index. The Fund usually classifies a company or issuer based on its country of risk, but may designate a different country in certain circumstances.
4 Dodge & Cox has voluntarily agreed to reimburse the Fund for all ordinary expenses to the extent necessary to limit aggregate annual ordinary expenses to 0.70% of the average daily net assets of each share class. Dodge & Cox may terminate or modify this agreement upon 30 days' notice to shareholders.
5 Historic yield reflects distributions declared over the past twelve months as a percentage of the current share price. Investors may be subject to tax on their distributions.
6 Portfolio Turnover is calculated as the lesser of the portfolio purchases or sales divided by the average portfolio value for the period.
7 The Funds' total returns include dividends and interest income and reflect the deduction of expenses charged to the Funds. Index returns include dividends but, unlike Fund returns, do not reflect fees or expenses.
8 The Fund is actively managed and uses the benchmark index for performance comparison purposes only.
9 The data represents the USD Accumulating Share Class.
10 Beta is a measure of the volatility–or systematic risk–of a portfolio compared to the benchmark measured over a specified time period.
11 Standard Deviation measures the volatility of the Fund's returns. Higher Standard Deviation represents higher volatility.
12 Excludes derivatives.
13 Net Cash & Other includes cash, short-term investments, unrealised gain (loss) on derivatives, receivables, and payables.
14 A company or issuer located in a developed market country may still be considered an "emerging markets issuer" for other purposes if it has significant economic exposure to emerging markets.
15 The Fund's portfolio holdings are subject to change without notice. The mention of specific securities is not a recommendation to buy, sell, or hold any particular security and is not indicative of Dodge & Cox's current or future trading activity.
16 The portfolio's Price-to-Earnings ratios exclude extraordinary items and negative earnings. Benchmark figures include extraordinary items and negative earnings.
17 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.
18 Portfolio calculation excludes Financials and Utilities.
19 This figure sums the product of each holding's company market capitalisation (market price multiplied by the number of shares outstanding) and weighting in the portfolio.
20 Median market capitalisation represents the midpoint of market capitalisation for all of the equity securities in the portfolio. Half of the securities will have a higher market capitalisation and half will have a lower market capitalisation. (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.)
21 Dividend yield is an indication of the income generated by the Fund's portfolio holdings. It represents a weighted average of the gross dividend yields for each holding.

Figures represented by a dash are zero or have no associated data while figures represented by a zero may be rounded to zero.
The MSCI Emerging Markets Index captures large and mid-cap representation across Emerging Markets (EM) countries. Results reflect dividends net of withholding taxes. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.
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