

MARKET COMMENTARY

In 2022, the broad-based U.S. equity market posted a negative return during a challenging year. The S&P 500 Index¹ was down 18% and had its worst calendar year return since 2008. Energy (up 66%) was the S&P 500's standout sector during the year, and Utilities (up 2%) was the only other sector with a positive return.

U.S. inflation spiked in 2022 and remained elevated at 6.5% (as measured by the Consumer Price Index²) as of 31 December. Amid heightened concerns about inflation, the Federal Reserve raised U.S. interest rates to their highest level in 15 years. The outlook for economic growth deteriorated and fears of recession increased.

U.S. equity market valuations have declined, with the S&P 500 now trading at 17.2 times forward earnings.³ Valuations compressed as companies faced a combination of supply chain bottlenecks, higher input prices, weaker consumer demand, and tighter credit markets. U.S. value stocks⁴ outperformed growth stocks by 21.6 percentage points in 2022.⁵ While the valuation disparity between value and growth stocks also narrowed, it remains wide: the Russell 1000 Value Index⁶ trades at 14.6 times forward earnings compared to 21.5 times for the Russell 1000 Growth Index. While rates rose throughout the year, the valuation spread between stocks benefiting from, and those hindered by, low interest rates continues to be sizeable.

INVESTMENT STRATEGY

The Fund had a positive return in the fourth quarter of 2022, outperforming the S&P 500 by 4.5 percentage points.⁷ For the full year, the Fund had a negative return, but declined significantly less than the S&P 500. The Fund benefited from its Energy holdings' strong performance and our long-held valuation discipline, as we avoided exposure to high-valuation companies that experienced dramatic share price declines. We believe the Fund is well positioned over the long term. Our individual security selection has resulted in a diversified portfolio with exposure to a variety of investment theses. Areas of emphasis include Financials, which have benefited from higher rates, and Health Care, which has below-average sensitivity to economic growth. The Fund's portfolio trades at 11.6 times forward earnings, a significant discount to the S&P 500, which trades at 17.2 times.

We believe volatile market environments can provide opportunities for investors with patience, discipline, and a long-term investment horizon. Our active, value-oriented approach has enabled us to navigate many uncertain environments successfully. We make investment decisions based on our long-term assessment of a company's fundamentals and are not overly influenced by short-term considerations. Our valuation discipline helps us to avoid areas where we believe valuations are not supported by a company's long-term prospects. We seek to take advantage of valuation declines for companies whose long-term outlook is positive in our view. Based on this approach, we started positions in a number of companies in 2022, including Amazon and General Electric.⁸

At Dodge & Cox, we invest for the long term. Our investment horizon is three to five years, although we often hold positions for much longer. As we near the three-year anniversary since the start of the COVID-19 pandemic, it is timely to highlight how we have applied our investment philosophy during this very volatile period.

Responding to Changes in Market Environment

In early 2020, U.S. equity markets declined dramatically due to concerns about the COVID-19 pandemic and the economic impact of containment policies globally. As a result of COVID-19, stock returns were bifurcated: shares of companies that were largely immune to or benefited from the pandemic's economic impact performed well on a relative basis, while those hurt by the economic consequences of the pandemic underperformed. In the first half of 2020, we added to economically sensitive areas of the market that declined significantly (e.g., Energy, Financials), while trimming from more economically stable areas (e.g., Pharmaceuticals, Communication Services).

Following the development of an effective COVID-19 vaccine in late 2020, many stocks geared to economic reopening outperformed. Our purchases of out-of-favour securities during 2020 contributed to strong absolute and relative performance for the Fund in 2021. Our results during this market reversal highlight the value of our disciplined, contrarian approach.

In 2021, the portfolio's Financials and Energy holdings performed well, and we trimmed these areas as valuations recovered. Conversely, Health Care, Communication Services, and other economically resilient segments of the market, lagged. We added to these areas based on their more attractive relative valuations and durable business models, as well as company-specific factors.

Since the first quarter of 2022, markets have been more volatile. Valuations have compressed amid concerns about rising inflation, interest rates, and recession fears. We believe our portfolio is well positioned for an environment of higher interest rates and slowing economic growth. The portfolio has exposure to more cyclical areas of the economy, like Financials and Energy, which together accounted for about 30% of the Fund at the end of 2022. This is balanced by a similar exposure to relatively more stable sectors, like Health Care and Communications Services, which combined comprised about 32% of the Fund at year end. Below we discuss Pharmaceuticals and Biotechnology, a key area of emphasis in the portfolio.

Pharmaceuticals and Biotechnology

Additions to Pharmaceuticals and Biotechnology were a key portfolio theme in 2021 and 2022. We found investment opportunities that we believe are less vulnerable to economic downturns and trade at low valuations. This contrasts with other stable sectors, such as Consumer Staples and Utilities, which have an unfavourable combination of high valuations and low growth.

We analyse a company's financial prospects by evaluating various scenarios and developing a range of forecasts: a base,

down, and upside case for earnings and cash flows, as well as other financial metrics. The future is always uncertain, and the range of projected outcomes can be as important as the central or base case. Recession risk in the United States is currently elevated, as the Fed is raising interest rates while the economy slows. We have responded by introducing a fourth forecast scenario—a recession case—modeled using consistent assumptions for interest rates, unemployment, and market levels for the Fund's holdings across all industries.

We believe biopharmaceutical stocks can perform relatively well in a recession scenario. Revenues for many of these companies are generally stable, and do not fluctuate with the broader economy. Margins also are typically more resilient, and less sensitive to economic growth. Based on our analysis of all of the scenarios, we also believe our holdings provide an attractive risk/reward profile, with upside potential due to innovation and product development. We added to positions throughout 2021 and 2022, including Elanco Animal Health, Gilead Sciences, GSK, Regeneron Pharmaceuticals, and Sanofi, and holdings in Pharmaceuticals and Biotechnology were 13% of the Fund at year end.

IN CLOSING

Our decision-making process combines rigorous company analysis by our experienced team with a strong price discipline and a long-term investment horizon. We believe this approach provides us with a competitive advantage, as many other investors are more focused on shorter-term factors. The Fund's low turnover and high active share⁹ mean that performance in any one year is a function of cumulative decisions over an extended period. We urge Fund shareholders to take a long-term view, as we do in managing the portfolio.

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 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. The Consumer Price Index is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.
3. 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. For the twelve months ended 31 December 2022, the Russell 1000 Value Index had a total return of -7.56% and the Russell 1000 Growth Index had a total return of -29.14%.
6. 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.
7. Return for the Fund's USD Accumulating Class.
8. The use of specific examples does not imply that they are more or less attractive investments than the portfolio's other holdings.
9. 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.

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
1 December 2010



Active Share²
82.9%



of Companies
73



Portfolio Turnover³
13%
(1/1/22 to 31/12/22)

Details

Total Net Assets (billions) \$3.9
Distribution Frequency Quarterly
Base Currency U.S. Dollar
Structure UCITS
Domicile Ireland

Benchmark

Standard & Poor's 500 Index (S&P 500)

Risk Metrics (5 Years)

Beta^{8,9} 1.07
Standard Deviation^{8,10} 21.49

Investment Committee

Managed by the U.S. Equity Investment Committee whose members' average tenure at Dodge & Cox is 20 years.

Investment Objective

The U.S. Stock Fund seeks long-term growth of principal and income, with a secondary objective of seeking to achieve a reasonable current income.

Investment Approach¹

The Fund offers investors a highly selective, actively managed core equity fund that invests in companies based on our analysis of long-term fundamentals relative to current valuations. Generally, we:

- Target a diversified portfolio of U.S. equity securities issued by medium-to-large, well-established companies that, in our opinion, appear to be temporarily undervalued by the stock market but have a favourable outlook for long-term growth.
- Also invest up to 10% of the portfolio in U.S. dollar-denominated securities of non-U.S. issuers traded in the United States that are not in the S&P 500 Index.
- 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.

Share Classes

	Minimum Investment	Expense Ratio ⁴	Historic Yield ⁵	SEDOL	ISIN	Bloomberg
USD Accumulating Class	\$50,000	0.63%	-	B520HN4	IE00B520HN47	DCUSSUA
USD Distributing Class	\$50,000	0.63%	0.7%	BKT5YP8	IE00BKT5YP86	DCWUSUD
GBP Accumulating Class	£50,000	0.63%	-	B50M4X1	IE00B50M4X14	DCUSSGA
GBP Distributing Class	£50,000	0.63%	0.7%	B51BJD2	IE00B51BJD26	DCUSSGD
GBP Distributing Class (H)	£50,000	0.63%	0.8%	BYVQ3J4	IE00BYVQ3J47	DCUSGDH
EUR Accumulating Class	€50,000	0.63%	-	B50MWL5	IE00B50MWL50	DCUSSEA

Performance^{6,7}

Total Returns (%)	Unannualised Returns		Average Annual Total Returns					Since Inception	Inception Date
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years			
U.S. Stock Fund									
USD Accumulating Class	12.07	-8.21	-8.21	8.40	7.86	11.94	11.50	01/12/10	
USD Distributing Class	12.07	-8.24	-8.24	-	-	-	13.95	02/03/20	
GBP Accumulating Class	3.50	2.79	2.79	11.74	10.27	15.30	13.85	01/12/10	
GBP Distributing Class	3.50	2.78	2.78	11.74	10.27	-	13.18	02/12/13	
GBP Distributing Class (H)	11.19	-10.15	-10.15	6.40	5.85	-	7.52	03/01/17	
EUR Accumulating Class	2.62	-2.36	-2.36	10.10	10.35	14.30	13.28	01/12/10	
S&P 500 (in USD)	7.56	-18.11	-18.11	7.66	9.42	12.56	12.45	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.



David Hoeft
CIO (29 yrs at Dodge & Cox)



Steve Voorhis
Director of Research (26 yrs)



Karol Marciniak
Global Industry Analyst (22 yrs)



Phil Barret
Global Industry Analyst (18 yrs)



Karim Fakhry
Global Industry Analyst (17 yrs)



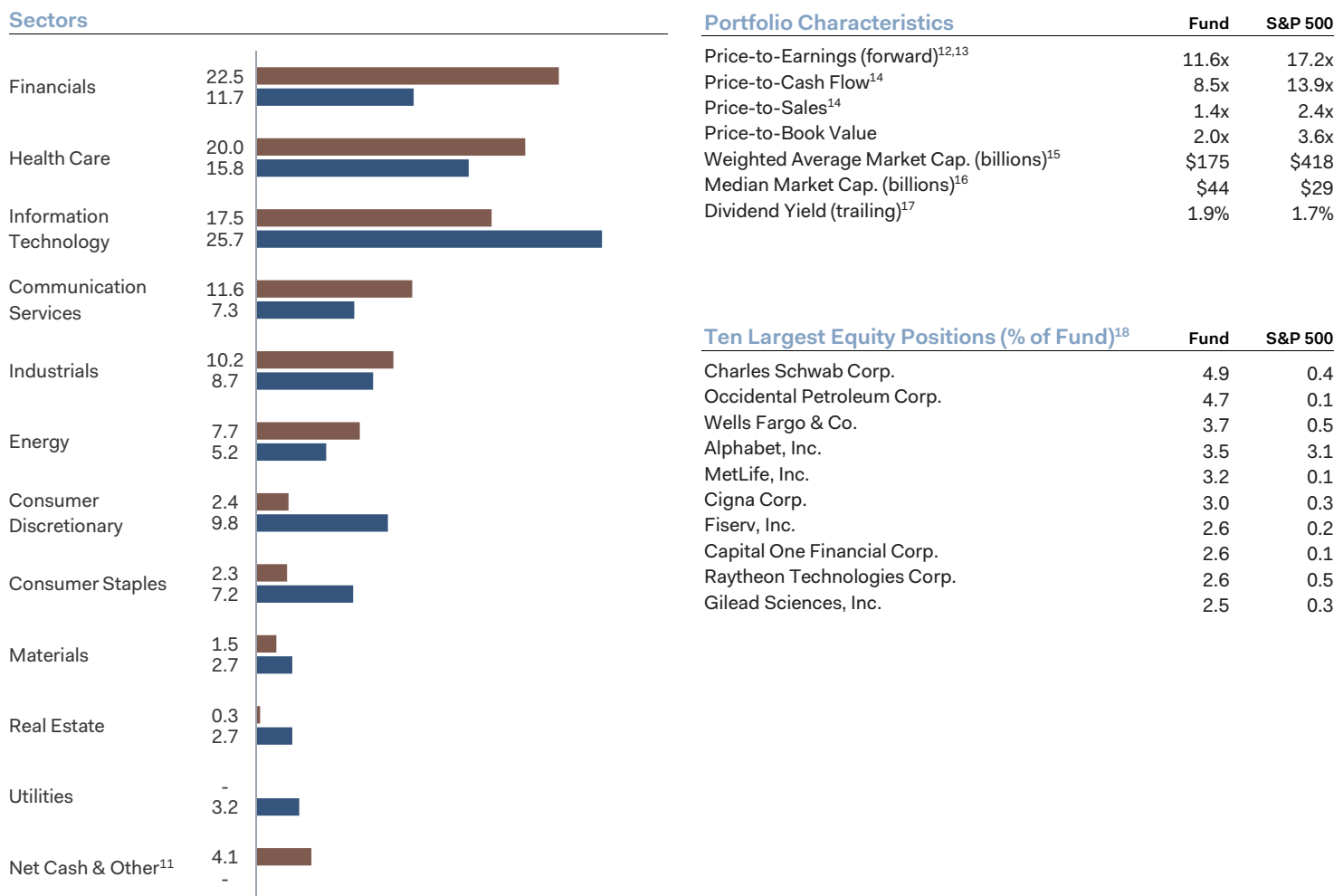
Katie McCarthy
Global Industry Analyst (15 yrs)



Ben Garosi
Global Industry Analyst (13 yrs)

Portfolio Breakdown (% of Fund)

■ Fund ■ S&P 500



Portfolio Characteristics

	Fund	S&P 500
Price-to-Earnings (forward) ^{12,13}	11.6x	17.2x
Price-to-Cash Flow ¹⁴	8.5x	13.9x
Price-to-Sales ¹⁴	1.4x	2.4x
Price-to-Book Value	2.0x	3.6x
Weighted Average Market Cap. (billions) ¹⁵	\$175	\$418
Median Market Cap. (billions) ¹⁶	\$44	\$29
Dividend Yield (trailing) ¹⁷	1.9%	1.7%

Ten Largest Equity Positions (% of Fund)¹⁸

	Fund	S&P 500
Charles Schwab Corp.	4.9	0.4
Occidental Petroleum Corp.	4.7	0.1
Wells Fargo & Co.	3.7	0.5
Alphabet, Inc.	3.5	3.1
MetLife, Inc.	3.2	0.1
Cigna Corp.	3.0	0.3
Fiserv, Inc.	2.6	0.2
Capital One Financial Corp.	2.6	0.1
Raytheon Technologies Corp.	2.6	0.5
Gilead Sciences, Inc.	2.5	0.3

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. 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 Portfolio Turnover is calculated as the lesser of the portfolio purchases or sales divided by the average portfolio value for the period.
- 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 0.63% 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 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.
- 7 The Fund is actively managed and uses the benchmark index for performance comparison purposes only.
- 8 The data represents the USD Accumulating Share Class.
- 9 Beta is a measure of the volatility—or systematic risk—of a portfolio compared to the benchmark measured over a specified time period.
- 10 Standard Deviation measures the volatility of the Fund's returns. Higher Standard Deviation represents higher volatility.
- 11 Net Cash & Other includes cash, short-term investments, unrealised gain (loss) on derivatives, receivables, and payables.
- 12 The portfolio's Price-to-Earnings ratios exclude extraordinary items and negative earnings. Benchmark figures exclude extraordinary items and negative earnings.
- 13 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.
- 14 Portfolio calculation excludes Financials and Utilities.
- 15 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.
- 16 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.)
- 17 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.
- 18 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.

Figures represented by a dash are zero or have no associated data while figures represented by a zero may be rounded to zero. 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. S&P 500® is a trademark of S&P Global Inc. For more information about this Index, visit dodgeandcox.com.

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