

ON-DEMAND AUDIO TRANSCRIPT

2025 Annual International Equity Review

Matthew: Hello, everyone, and welcome to the 2025 International Equity Review. My name is Matthew Hauselt, Vice President and Client Portfolio Manager, and I've been with Dodge & Cox for 11 years. Thank you for joining us. I'm glad to be joined by Ray Mertens. Ray is a Senior Vice President, board member, and a 22-year veteran of our firm. Ray serves on the Investment Committees for our International and Global Equity strategies. Ray, thanks for being here.

Ray: Thanks, Matt. Great to be here.

Matthew: Ray, it's been a phenomenal year for international equities and for the International Stock Fund. The Fund finished the year up 39% and outperformed the MSCI ACWI ex USA [Index] by a little over 6%.¹ Before we get into drivers, what stood out most to you about the international market environment in 2025, and why does this kind of year reinforce the case for active, bottom-up investing?

Ray: Well, first, I'd observe that international markets have been much less of an AI (artificial intelligence) story than the United States. While there have been clear AI winners, there have been many other well-performing stocks that are unrelated to the theme. For example, Banco Santander, one of the Fund's largest holdings in 2025, was up 162% for the year.² Bayer, a pharmaceutical and ag-chemical conglomerate, was up 118%. Neither were driven by AI. What's exciting for active managers like us is the wide variety of opportunities in international markets. Second, we believe over the long term, stock picking matters. Over the past year, the outperformance of the Fund relative to the Index was primarily driven by our stock selection. So, even in a strong-performing market, there are opportunities to add value.

Matthew: Great. Well, with those things in mind, we'll get into performance and what we think it means for opportunities going forward. When you look back at 2025, what drove performance in international markets broadly?

Ray: As shown on the top half of the page, the year was strong across geographies and most sectors. In the bottom left, you can see a weaker U.S. dollar provided [an] added tailwind to international stocks. Finally, while strong performance in international markets led to multiple expansion, international stocks remain cheap relative to U.S. stocks.

Matthew: As we think about the performance cycles of international markets relative to the United States, we've been in a long stretch

where U.S. stocks have outperformed international [stocks]. With 2025 being such a strong year for international, how do you think about where we are in that cycle?

Ray: Historically, there have been multi-year stretches where the U.S. or international markets outperformed each other. We don't try to time those terms, but we do pay attention to the setup. 2025 was a good reminder of what can happen when leadership changes. The MSCI ACWI ex USA was up 32.4% versus 17.9% for the S&P 500 [Index], so international outperformed by roughly 14.5 percentage points.

Matthew: 14.5%—that's a pretty meaningful gap for a single year.

Ray: It is. However, through 2024, U.S. stocks have outperformed for nearly 15 years, which is the longest period of outperformance going back to 1970. So, it's been a long stretch, and pair that with valuation, is why we're excited about the prospects for international stocks.

Matthew: Turning to the Fund's 2025 performance, what areas would you highlight?

Ray: Stock picking within Financials contributed meaningfully, particularly European bank holdings such as [Banco] Santander, Barclays, and BNP Paribas, all of which were strong performers. Then, outside of Financials, we saw strong performance out of a few stocks within our Health Care sector, such as Bayer and GSK. Materials holdings, such as Cemex and Holcim, performed incredibly well, as did Alibaba and the Consumer Discretionary sector.

Matthew: On the other side, what are a few examples of what held back performance this year?

Ray: International Flavors & Fragrances (IFF) and HDFC Bank were two large detractors during the year. IFF, like many of its fragrance and flavor peers, saw significant multiple contraction over organic growth concerns, despite what are a strong set of franchises with relatively stable margins and high returns on capital. Now, macroeconomic and competitive concerns impacted HDFC's performance. However, we believe the long-term compounding potential of this leading Indian bank remains intact.

Matthew: Thanks for that overview. Ray, as you think about what comes next, how do you put this strong year into context?

Ray: Well, I want to emphasize [that] we don't think of this as some new normal. However, even after a strong year, valuations remain reasonable. We finished the year at a mid-teens multiple for the broader [MSCI ACWI] Index, and relative to the United States, international stocks still screen as inexpensive.³ What matters for investors today is that, even after a strong 2025, there are plenty of company-specific opportunities where fundamentals and price are not aligned. We also see positive changes in parts of Europe and Japan, with a greater focus on profitability and capital discipline. You put that all together, and we think there's a lot to be excited about for patient, bottom-up investors like ourselves.

Matthew: Ray, you mentioned excitement. I think that's a nice transition to where we're finding opportunities and what we've been doing in the portfolio. Where is the Committee most focused today?

Ray: We've been active where prices moved and risk/rewards have changed. An example would be a rotation within Financials. Our overall weight hasn't changed dramatically, but the makeup has. Then, beyond Financials, we've generally upgraded or diversified the portfolio, adding more quality in areas where valuations allowed it, particularly in more defensive businesses that have lagged, or strong franchises facing near-term headwinds.

Matthew: Will you tell us more about that Financials rotation? I think it's a clear illustration of active, long-term portfolio management. What would you highlight there?

Ray: After facing years of restructuring, regulatory burden, and low rates, European banks have significantly improved fundamentals—better earnings profiles, stronger capital ratios, and more disciplined balance-sheet management. So, as the market recognized these improvements, these stocks performed very well. So well, in fact, they actually outperformed the “Magnificent Seven” over the past five years. We redeployed capital out of European banks into other parts of Financials. Our headline Financials exposure hasn't really changed materially, but the makeup has shifted toward businesses that are less subject to credit risk and, in our view, offer different forms of defensibility and secular growth.

Matthew: Where did we redeploy that capital?

Ray: I'll give you two examples. First, we added to insurance brokers like Aon and Willis Towers Watson—businesses with durable revenue characteristics, high margins, and relatively low capital intensity. Second, we added to Asian life insurers like AIA and Prudential [PLC], where we see better secular growth over time.

Matthew: Beyond Financials, what else are you seeing?

Ray: We've also found opportunities in some more defensive areas. That includes parts of Health Care and Consumer Staples, where we've seen multiple compression due to growth concerns, but we believe the stability these businesses can offer is not fully appreciated.

Matthew: With that context, let's get into a couple [of] examples

that capture what you're seeing in the opportunity set. Ray, maybe start with Brookfield.

Ray: Sure. We initiated a position in Brookfield in the fourth quarter of 2025. Brookfield is a leading alternative asset manager, and what attracted us to it is its strong and improving market positions in some of the most attractive parts of the industry. The alts (alternative assets) have strong secular tailwinds because investors continue to increase their allocations to the asset class. Within alternatives, infrastructure and private credit are growing the fastest. Brookfield is the leader in infrastructure investing globally. They also now own Oaktree and are building out [a] significant asset-backed finance franchise within private credit. Their private equity business is also relatively small. That's allowed them to sidestep the capital-return issues in that part of the market. So we think, given their focused areas, the runway here is quite long.

Matthew: And how does all of that translate into the fundamentals?

Ray: We think Brookfield has the potential for strong earnings and free cash flow per share growth over time. Growth in fee-paying assets under management should be strong. They're in the early innings of building out an insurance operation, and they're also going to start generating carry in some of the largest funds over the next few years. Put all that together, and we think free cash flow per share can grow in the mid-teens to 20% over time, though it won't be a straight line year in and year out.

Matthew: How are we thinking about the management alignment and incentives?

Ray: That's another important part of the story. Brookfield's management has a high level of economic alignment. They own about 20% of the business, which is meaningful. We also think that Bruce Flatt and the team at Brookfield are amongst the best in the industry.

Matthew: How did valuation factor into initiating this position?

Ray: Even with those growth prospects, Brookfield has traded at a discount to alternative asset management peers, so we felt we were getting a high-quality, growing franchise at a compelling valuation.

Matthew: Ray, staying on that theme of long-term opportunity, will you walk through Julius Baer next?

Ray: Sure. Julius Baer is a leading global wealth manager based in Switzerland that has failed to live up to its long-term potential. Wealth management is a great business with sticky assets, consistent pricing, strong growth, and low capital intensity. But, unfortunately, Baer has continually been tripped up by missteps including poor credit decisions as well as not appropriately identifying or responding to compliance issues, such as flagging suspicious transactions.

However, we are very encouraged by the recent changes in leadership. In the first half of 2025, the company brought in two

outsiders who not only bring a fresh set of eyes, but also very strong and relevant track records. The new Chairman, Noel Quinn, is the former CEO of HSBC, so he managed what is arguably the most complex bank in the world, which spans multiple geographies and business lines. The new CEO, Stefan Bollinger, is the former Head of European Wealth Management for Goldman Sachs, so he ran a high-performance advisor workforce.

Matthew: Thanks, Ray. And what will be important to watch going forward?

Ray: Well, a lot of what needs to be done is basic blocking and tackling. At this point, this is an execution-oriented story. We believe leadership is now focused on the right levers: risk controls and governance, better productivity in the sales organization, tighter operations, and creating an overall healthier culture. If the company executes, we think sentiment and valuation can improve over time as the gap between the perception and fundamentals closes.

Matthew: And valuation ties it together?

Ray: It does. We think the opportunity is that the market is heavily discounting the long-term earnings power of the franchise because of these past issues we discussed. While the turnaround is in [the] early stages, we believe Julius Baer's valuation is attractive at only 12 times forward earnings and a [near] 5% dividend yield.

Matthew: Great, that's helpful. Two good examples of what we look for: strong competitive position, management quality, and a clear path to value creation over time at what we think is a reasonable price. As we wrap up, Ray, what are the key takeaways for investors looking ahead?

Ray: I'd leave listeners with three. First, even after a strong year, we believe the international opportunity set remains attractive and provides fertile hunting ground for bottom-up stock pickers. Second, we feel good about our portfolio's positioning, diversification, and attractive valuation. Third, we believe our portfolio activity reflects a wide opportunity set we could capitalize on as long-term focused, active managers.

Matthew: Thanks for those takeaways. How should investors think about risks from here?

Ray: Well, Matt, risks are always present—geopolitics, policy uncertainty, currency moves, and company-specific issues. We believe some of the best risk mitigants, however, are valuation; deep knowledge of each holding—which is the hallmark of our bottom-up approach; a diversified portfolio; and, last but not least, a long-term time horizon. Based on history, this approach should be rewarded with strong returns over the longer term.

Matthew: Ray, thanks for your time and insights.

Ray: Thank you, Matt, and thank you to our clients for your confidence in Dodge & Cox.

Matthew: And thank you to everyone for listening. We appreciate your interest and look forward to speaking with you again soon.

Dodge & Cox International Stock Fund – Class I SEC Standardized Average Annual Total Returns as of December 31, 2025: 1 Year 38.71%, 5 Years 11.70%, 10 Years 9.14%. Fund and Index standardized performance is available on our [website](#).

International Stock Fund's Ten Largest Positions (as of December 31, 2025): Taiwan Semiconductor Manufacturing Co., Ltd. (3.3% of the Fund), BNP Paribas SA (3.2%), Johnson Controls International PLC (3.2%), GSK PLC (3.0%), Barclays PLC (2.8%), Banco Santander SA (2.7%), Novartis AG (2.7%), UBS Group AG (2.5%), Itau Unibanco Holding SA (2.2%), and Roche Holding AG (2.1%).

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- 1 Fund performance results are for the International Stock Fund's Class I shares.
 - 2 The use of specific examples does not imply that they are more or less attractive investments than the Fund's other holdings.
 - 3 Unless otherwise specified, all weightings and characteristics are as of December 31, 2025.

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