Objectives

The Fund seeks regular income, conservation of principal, and an opportunity for long-term growth of principal and income.

Strategy

- The Fund invests in a diversified portfolio of equity securities and debt securities.

Equity Securities: The Fund typically invests in companies that, in Dodge & Cox's opinion, appear to be temporarily undervalued by the stock market but have a favorable outlook for long-term growth. Under normal circumstances, the Fund will invest no less than 25% and no more than 75% of its total assets in equity securities.

Debt Securities: The Fund invests primarily in investment-grade debt securities including government and government-related obligations, mortgage- and asset-backed securities, corporate and municipal bonds, and other debt securities. To a lesser extent, the Fund may also invest in below investment-grade debt securities.

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. The Fund also invests in individual bonds whose yields and market values fluctuate, so that your investment may be worth more or less than its original cost. Debt securities are subject to interest rate risk, credit risk, and prepayment and call risk, all of which could have adverse effects on the value of the Fund. Please read the prospectus for specific details regarding the Fund's risk profile.

GENERAL INFORMATION

- Net Asset Value Per Share: $104.75
- Total Net Assets (billion): $15.4
- Expense Ratio: 0.53%
- Portfolio Turnover Rate (1/1/18 to 6/30/18, unannualized): 10%
- 30-Day SEC Yield: 2.00%
- Fund Inception: 1931

No sales charges or distribution fees

Investment Manager: Dodge & Cox, San Francisco. Managed by the U.S. Equity Investment Committee, whose nine members' average tenure at Dodge & Cox is 24 years, and by the U.S. Fixed Income Investment Committee, whose ten members' average tenure is 21 years.

ASSET ALLOCATION

- Common Stocks: 66.5%
- Debt Securities: 26.3%
- Net Cash & Other: 2.3%
- Preferred Stocks: 4.9%

FIXED INCOME PORTFOLIO (2.6.3%)

- Number of Credit Issuers: 48
- Effective Duration (years): 4.6

SECTOR DIVERSIFICATION (%)

- U.S. Treasury/Agency/GSE: 3.9
- Government-Related: 1.6
- Securitized: 10.9
- Corporate: 9.9

CREDIT QUALITY (%)

- U.S. Treasury/Agency/GSE: 13.1
- Aaa: 0.5
- Aa: 1.7
- A: 1.0
- Baa: 8.0
- Ba: 2.0
- B: 0.0
- Caa: 0.0

FIVE LARGEST CREDIT ISSUERS (%)

- Charter Communications, Inc.: 0.7
- Petroleos Mexicanos: 0.5
- State of California GO: 0.5
- Verizon Communications, Inc.: 0.4
- Cox Enterprises, Inc.: 0.4

FIVE LARGEST EQUITIES (%)

- Wells Fargo & Co.: 2.7
- JPMorgan Chase & Co.: 1.6
- Bank of America Corp.: 2.2
- Comcast Corp.: 2.5
- Capital One Financial Corp.: 2.4
- Charles Schwab Corp.: 2.4
- Twenty-First Century Fox, Inc.: 2.3
- Microsoft Corp.: 2.2
- Charter Communications, Inc.: 2.1
- Alphabet, Inc.: 2.1

Stocks: 66.5%

Common

Preferred

Fund

DODBX
The Dodge & Cox Balanced Fund had a total return of 1.5% for the second quarter of 2018, compared to 2.0% for the Combined Index (a 60/40 blend of stocks and fixed income securities). For the six months ended June 30, 2018, the Fund had a total return of 0.0%, compared to 1.0% for the Combined Index.

INVESTMENT COMMENTARY

During the second quarter of 2018, U.S. growth stocks (the higher valuation portion of the equity market) outperformed value stocks (the lower valuation portion) by five percentage points, continuing a long-term trend. Since 2014, growth has bested value by 32 percentage points. Growth-oriented companies in sectors and industries associated with technology—most notably the “FAANG” stocks (Facebook, Amazon, Apple, Netflix, Google)—have led markets. Dodge & Cox’s approach is value oriented, and we understand that there are periods when value is trumped by growth. But we believe the current divergence may narrow and even reverse. The valuation differential between value and growth is wider than usual, with growth stocks trading at historically large premiums. Returns to value-focused strategies have been influenced by valuation spreads, and we believe current conditions are favorable for value stocks to rebound.

As a result of individual security selection, the equity portfolio remains tilted toward more economically sensitive companies in the Financials, Information Technology, Consumer Discretionary, and Energy sectors. Within Consumer Discretionary, Media is an important overweight position. We recently added to Comcast and Charter Communications—the largest and second-largest U.S. cable providers—because we believe the market has overly penalized their share prices due to concerns about subscriber growth and potential bidding wars. Both companies have attractive valuations, difficult to replicate assets, and the potential to benefit from growth in data consumption.

In fixed income, the investment-grade Corporate sector generated a return of –1.0%, underperforming comparable-duration Treasuries by one percentage point. Rising trade tensions and other geopolitical concerns weighed on investor sentiment and overwhelmed the effect of generally solid corporate earnings. Meanwhile, Agency MBS returned 0.2%, outperforming comparable-duration Treasuries by 0.2 percentage points. In the second quarter, we also made modest adjustments to the fixed income portfolio. For example, we initiated a position in Bayer AG debt, issued to fund its merger with Monsanto, and we added to Charter Communications at an attractive valuation.

Despite concerns about tariffs and trade wars, we remain optimistic about the long-term outlook for the U.S. economy. We believe the Fund is well positioned based on our view that longer-term global economic growth will be better than many investors expect, interest rates will continue to rise, and the outlook for corporate earnings remains attractive. Patience, persistence, and a long-term investment horizon are essential to long-term investment success. We encourage our shareholders to take a similar view.

SECOND QUARTER PERFORMANCE REVIEW

The Fund underperformed the Combined Index by 0.5 percentage points during the quarter. The underperformance of the equity portfolio was partially offset by having a lower allocation to fixed income.

EQUITY PORTFOLIO

- Returns from holdings in the Information Technology sector (up 3% compared to up 7% for the S&P 500 sector) hurt results. Hewlett Packard Enterprise (down 16%) was a laggard.
- The portfolio’s average overweight position (28% versus 14%) in the Financials sector impeded results. Goldman Sachs (down 12%) performed poorly.
- The portfolio’s average overweight position (9% versus 6%) and holdings in the Energy sector (up 17% compared to up 14% for the S&P 500 sector) aided performance. Anadarko Petroleum (up 22%) and Apache (up 22%) were key contributors.

The Russell 1000 Growth Index had a cumulative total return of 58.0% compared to 1.2% for the Russell 1000 Value Index during the second quarter of 2018.

The Russell 1000 Growth Index had a total return of 5.8% compared to 1.2% for the Russell 1000 Value Index during the second quarter of 2018.

- Sector returns as calculated and reported by Bloomberg.
- Duration is a measure of a bond’s (or portfolio’s) price sensitivity to changes in interest rates.
- The U.S. Government does not guarantee the Fund’s shares, yield, or net asset value. The agency guarantee (by, for example, Ginnie Mae, Fannie Mae, or Freddie Mac) does not eliminate market risk.
- Excludes the Fund’s preferred stock positions.
- Duration figures cited denote positioning at the beginning of the period.

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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, visit dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Average Annual Total Return

<table>
<thead>
<tr>
<th>Periods Ended</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
<th>20 Years</th>
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<tbody>
<tr>
<td>June 30, 2018</td>
<td></td>
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<tr>
<td>Dodge &amp; Cox Balanced Fund</td>
<td>6.88%</td>
<td>8.04%</td>
<td>9.62%</td>
<td>8.39%</td>
<td>8.11%</td>
</tr>
<tr>
<td>Combined Index</td>
<td>8.34</td>
<td>7.90</td>
<td>8.98</td>
<td>7.84</td>
<td>6.07</td>
</tr>
</tbody>
</table>

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. Visit the Fund’s website at dodgeandcox.com or call 800-621-3979 for current month-end performance figures.

1. The Fund’s 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 dividends and/or interest income but, unlike Fund returns, do not reflect fees or expenses. The Combined Index reflects an unmanaged portfolio (rebalanced monthly) of 60% of the S&P 500 Index, which is a market capitalization-weighted index of 500 large-capitalization stocks commonly used to represent the U.S. equity market, and 40% of the Bloomberg Barclays U.S. Aggregate Bond Index, which is a widely recognized, unmanaged index of U.S. dollar-denominated, investment-grade, taxable fixed income securities. The Fund may, however, invest up to 75% of its total assets in equity securities.

2. The Russell 1000 Growth Index had a total return of 5.8% compared to 1.2% for the Russell 1000 Value Index during the second quarter of 2018.

3. The Russell 1000 Growth Index had a cumulative total return of 58.0% compared to 26.1% for the Russell 1000 Value Index from December 31, 2014 through June 30, 2018.

4. Sector returns as calculated and reported by Bloomberg.

5. Duration is a measure of a bond’s (or portfolio’s) price sensitivity to changes in interest rates.

6. The U.S. Government does not guarantee the Fund’s shares, yield, or net asset value. The agency guarantee (by, for example, Ginnie Mae, Fannie Mae, or Freddie Mac) does not eliminate market risk.

7. Excludes the Fund’s preferred stock positions.

8. Duration figures cited denote positioning at the beginning of the period.

6/18 BF FS