DODGE & COX FUNDS®

December 31, 2017

# Stock Fund

*Ticker Symbol*
DODGX

*Objectives*
- The Fund seeks long-term growth of principal and income. A secondary objective is to achieve a reasonable current income.

*Strategy*
- The Fund invests primarily in a diversified portfolio of equity securities. In selecting investments, 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. The Fund focuses on the underlying financial condition and prospects of individual companies, including future earnings, cash flow, and dividends. Various other factors, including financial strength, economic condition, competitive advantage, quality of the business franchise, and the reputation, experience, and competence of a company's management are weighed against valuation in selecting individual 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. Please read the prospectus for specific details regarding the Fund's risk profile.

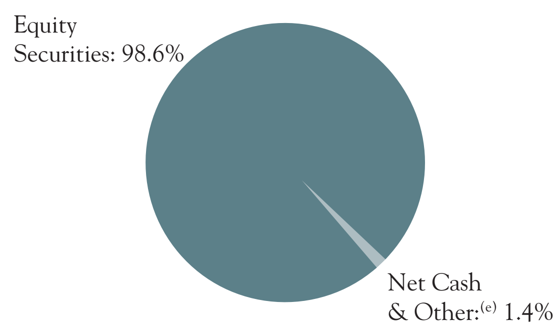
## GENERAL INFORMATION

| | |
|---|---|
| Net Asset Value Per Share | $203.61 |
| Total Net Assets (billions) | $70.9 |
| Expense Ratio | 0.52% |
| Portfolio Turnover Rate | 14% |
| 30-Day SEC Yield[a] | 1.18% |
| Number of Companies | 66 |
| Fund Inception | 1965 |

*No sales charges or distribution fees*

***Investment Manager*****:** Dodge & Cox, San Francisco. Managed by the U.S. Equity Investment Committee, whose eight members' average tenure at Dodge & Cox is 24 years.

## ASSET ALLOCATION




## PORTFOLIO CHARACTERISTICS

| PORTFOLIO CHARACTERISTICS | Fund | S&P 500 |
|---|---|---|
| Median Market Capitalization (billions) | **$52** | $22 |
| Weighted Average Market Capitalization (billions) | **$140** | $197 |
| Price-to-Earnings Ratio[b] | **16.1x** | 20.0x |
| Foreign Securities not in the S&P 500[c] | **11.2%** | 0.0% |

## SECTOR DIVERSIFICATION (%)

| SECTOR DIVERSIFICATION (%) | Fund | S&P 500 |
|---|---|---|
| Financials | **28.1** | 14.8 |
| Health Care | **22.4** | 13.8 |
| Information Technology | **17.6** | 23.8 |
| Consumer Discretionary | **14.5** | 12.2 |
| Energy | **7.8** | 6.1 |
| Industrials | **5.1** | 10.2 |
| Telecommunication Services | **1.6** | 2.1 |
| Materials | **1.0** | 3.0 |
| Consumer Staples | **0.5** | 8.2 |
| Utilities | **0.0** | 2.9 |
| Real Estate | **0.0** | 2.9 |

## TEN LARGEST HOLDINGS (%)[d]

| TEN LARGEST HOLDINGS (%)[d] | Fund |
|---|---|
| Charles Schwab Corp. | **3.9** |
| Capital One Financial Corp. | **3.8** |
| Wells Fargo & Co. | **3.7** |
| Bank of America Corp. | **3.7** |
| Comcast Corp. | **3.2** |
| Alphabet, Inc. | **3.0** |
| Microsoft Corp. | **2.9** |
| Charter Communications, Inc. | **2.7** |
| Novartis AG (*Switzerland*) | **2.6** |
| Goldman Sachs Group, Inc. | **2.5** |

[a] SEC Yield is an annualization of the Fund's net investment income for the trailing 30-day period. Dividends paid by the Fund may be higher or lower than implied by the SEC Yield.

[b] Price-to-earnings (P/E) ratios are calculated using 12-month forward earnings estimates from third-party sources.

[c] Foreign securities are U.S. dollar denominated.

[d] 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.

[e] Net Cash & Other includes cash, short-term investments, derivatives, receivables, and payables.

## *Average Annual Total Return*[1]

| For periods ended December 31, 2017 | 1 Year | 3 Years | 5 Years | 10 Years | 20 Years |
|---|---|---|---|---|---|
| Dodge & Cox Stock Fund | 18.32% | 11.09% | 16.30% | 7.71% | 9.55% |
| S&P 500 Index | 21.83 | 11.41 | 15.79 | 8.50 | 7.20 |

dodgeandcox.com

*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.*

The Dodge & Cox Stock Fund had a total return of 5.7% for the fourth quarter of 2017, compared to 6.6% for the S&P 500 Index. For 2017, the Fund had a total return of 18.3%, compared to 21.8% for the S&P 500.

### INVESTMENT COMMENTARY

U.S. equity markets continued to climb steadily during the fourth quarter, capping off a year of strong performance and low volatility. The S&P 500 reached an all-time high in mid-December and ended the year up nearly 22%. The extraordinary rally in U.S. equities since March 2009 is the second-longest bull run in U.S. history.

During 2017, U.S. growth stocks (the higher valuation portion of the equity market) outperformed value stocks (the lower valuation portion) by 17 percentage points overall.[2] Companies in sectors associated with technology (e.g., Information Technology, Internet Retail, Media) led the market. The "FAANG" growth stocks—Facebook, Amazon, Apple, Netflix, and Google—were particularly strong, accounting for 20% of the S&P 500's total return. Within the value camp, Energy was a laggard despite an 18% increase in oil prices during the year. Dodge & Cox's approach is value oriented, and the Fund outperformed the U.S. value investment universe by five percentage points.[3] However, the outperformance of growth stocks had a negative impact on the Fund's relative results versus the broad-based S&P 500.

Robust corporate earnings growth, sustained economic growth, and rising interest rates were the major factors boosting equity market returns. Economic data released during the fourth quarter was solid (e.g., the unemployment rate hit a 17-year low), indicating that the U.S. economy remains on a steady path. In addition, the new U.S. tax bill signed in December, which significantly reduces statutory corporate tax rates, could further stimulate growth.

U.S. equity valuations are now at the high end of the historical range. While we have a tempered return outlook for the overall U.S. market, we are optimistic about the long-term prospects for the Fund's portfolio, which continues to trade at a significant discount to the market. On December 31, the Fund's portfolio of 66 companies traded at 16 times forward estimated earnings, compared to 20 times for the S&P 500.

In response to changing valuations, we made gradual adjustments to the portfolio during 2017. For example, we trimmed selected Information Technology, Media, and Financials holdings that had performed strongly. We redeployed these proceeds into the Health Care and Energy sectors, where we are finding various long-term investment opportunities. Within Health Care, we initiated new positions—Eli Lilly, Gilead Sciences, and GlaxoSmithKline—and also recently increased the Fund's position in Medtronic. Our ongoing due diligence in the Energy sector, including recent meetings in the Middle East and Houston, reaffirmed our view that oil prices could rise over the long term. On a bottom-up basis, we recently added to Baker Hughes (a GE Company) as well as other holdings.

Overall, we remain optimistic about the long-term outlook for the portfolio. Our fundamental, active, value-oriented investment approach requires conviction and patience. Accordingly, maintaining a long-term investment horizon and staying the course are essential. We thank our fellow shareholders for your continued confidence in Dodge & Cox.

### FOURTH QUARTER PERFORMANCE REVIEW

The Fund underperformed the S&P 500 by 0.9 percentage points during the quarter.

#### KEY DETRACTORS FROM RELATIVE RESULTS

- Returns from holdings in the Consumer Discretionary sector (up 3% compared to up 10% for the S&P 500 sector) negatively impacted relative results. Time Warner (down 10%) and Charter Communications (down 8%) lagged.
- The Fund's higher average weighting in the Health Care sector (23% versus 14%) detracted; holdings in the Pharmaceuticals industry were weak (down 5% compared to up 1% for the S&P 500 industry), mainly Sanofi (down 14%), GlaxoSmithKline (down 11%), and Novartis (down 2%).
- Sprint (down 24%) also detracted.

#### KEY CONTRIBUTORS TO RELATIVE RESULTS

- The Fund's Financials holdings (up 11% compared to up 9% for the S&P 500 sector) and higher average weighting in the sector (28% versus 15%) helped results. Capital One Financial (up 18%), Charles Schwab (up 18%), and Bank of America (up 17%) were particularly strong.
- Additional contributors included Twenty-First Century Fox (up 31%), Wal-Mart (up 27%), and Express Scripts (up 18%).

### 2017 PERFORMANCE REVIEW

The Fund underperformed the S&P 500 by 3.5 percentage points in 2017.

#### KEY DETRACTORS FROM RELATIVE RESULTS

- Returns from holdings in the Energy sector (down 16% compared to down 1% for the S&P 500 sector), combined with a higher average weighting (8% versus 6%), detracted from results. Apache (down 32%), Baker Hughes (down 27%), and Anadarko Petroleum (down 23%) were weak.
- Relative results were hindered by the strong performance of several large internet and technology stocks not held by the Fund (e.g., Apple, Amazon, Facebook). The impact was significant in the Consumer Discretionary sector, where the Fund's holdings lagged meaningfully (up 13% compared to up 23% for the S&P 500 sector). In Information Technology, the Fund's underweight position and modest underperformance (up 36% compared to up 39% for the S&P 500 sector) hurt.
- Sprint (down 30%) also detracted.

#### KEY CONTRIBUTORS TO RELATIVE RESULTS

- The return for Wal-Mart (up 47%), the Fund's only holding in Consumer Staples, considerably outpaced the S&P 500 sector (up 13%).
- The Fund's lack of holdings in the Real Estate and Utilities sectors (up 11% and up 12%, respectively) aided relative results as these areas lagged the broader index.
- A number of individual holdings also contributed, including Alnylam Pharmaceuticals (up 239%), Cigna (up 52%), HP Inc. (up 46%), and several financial services companies, including American Express (up 36%), Bank of America (up 36%), and Charles Schwab (up 31%).

[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 but, unlike Fund returns, do not reflect fees or expenses. The S&P 500 Index is a market capitalization-weighted index of 500 large capitalization stocks commonly used to represent the U.S. equity market.

[2] The Russell 1000 Growth Index had a total return of 30.2% compared to 13.7% for the Russell 1000 Value Index during 2017.

[3] The Dodge & Cox Stock Fund had a total return of 18.3% compared to 13.7% for the Russell 1000 Value Index during 2017.



**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.**