Dodge & Cox
Worldwide Funds

30 June 2020

# U.S. Stock Fund

## Objective

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

## Strategy

- The Fund invests primarily in a diversified portfolio of U.S. equity securities. In selecting investments, the Fund 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.

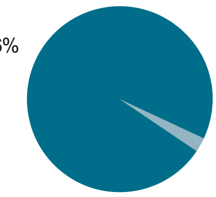
## Risks

- 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

| | |
|---|---|
| Total Net Assets | $2,181.3 million |
| Fund Inception Date | 1 December 2010 |
| Portfolio Turnover (1/7/19 to 30/6/20)[a] | 32% |
| Number of Companies | 68 |
| Minimum Investment | $50,000, £50,000, or €50,000 |
| Base Currency | U.S. Dollar |
| Structure | UCITS |
| Domicile | Ireland |

## Asset Allocation




## Share Classes

| Share Classes | Net Asset Value Per Share | Expense Ratio[b] | Historic Yield[c] | SEDOL | ISIN | Bloomberg |
|---|---|---|---|---|---|---|
| USD Accumulating Class | $24.64 | 0.63% | — | B520HN4 | IE00B520HN47 | DCUSSUA |
| USD Distributing Class | $9.55 | 0.63% | — | BKT5YP8 | IE00BKT5YP86 | DCWUSUD |
| GBP Accumulating Class | £30.93 | 0.63% | — | B50M4X1 | IE00B50M4X14 | DCUSSGA |
| GBP Distributing Class | £18.93 | 0.63% | 1.1% | B51BJD2 | IE00B51BJD26 | DCUSSGD |
| GBP Distributing Class (H) | £10.29 | 0.63% | 1.2% | BYVQ3J4 | IE00BYVQ3J47 | DCUSGDH |
| EUR Accumulating Class | €28.44 | 0.63% | — | B50MWL5 | IE00B50MWL50 | DCUSSEA |

## Portfolio Characteristics

| Portfolio Characteristics | Fund | S&P 500 |
|---|---|---|
| Median Market Capitalization (billions) | **$28** | $22 |
| Weighted Average Market Capitalization (billions) | **$165** | $389 |
| Price-to-Earnings Ratio[d] | **13.4x** | 24.2x |
| Dividend Yield (trailing)[e] | **2.8%** | 1.8% |
| Non-U.S. Securities not in the S&P 500[f] | **4.4%** | 0.0% |

## Ten Largest Equity Holdings (%)[g]

| Ten Largest Equity Holdings (%)[g] | Fund |
|---|---|
| Alphabet, Inc. | **3.7** |
| FedEx Corp. | **3.6** |
| Microsoft Corp. | **3.5** |
| Bank of America Corp. | **3.2** |
| HP Inc. | **3.2** |
| Charles Schwab Corp. | **3.2** |
| Comcast Corp. | **3.0** |
| Capital One Financial Corp. | **2.9** |
| Bristol-Myers Squibb Co. | **2.9** |
| Cigna Corp. | **2.7** |

## Sector Diversification (%)

| Sector Diversification (%) | Fund | S&P 500 |
|---|---|---|
| Financials | **25.0** | 10.1 |
| Information Technology | **19.4** | 27.5 |
| Health Care | **17.1** | 14.6 |
| Communication Services | **13.0** | 10.8 |
| Energy | **9.2** | 2.8 |
| Industrials | **8.7** | 8.0 |
| Consumer Discretionary | **3.0** | 10.8 |
| Materials | **1.3** | 2.5 |
| Consumer Staples | **0.8** | 7.0 |
| Utilities | **0.0** | 3.1 |
| Real Estate | **0.0** | 2.8 |

(a) Portfolio turnover is calculated as the lesser of portfolio purchases or sales divided by the average portfolio value.
(b) 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.
(c) 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.
(d) Price-to-earnings (P/E) 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.
(e) 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.
(f) Non-U.S. securities are U.S. dollar denominated.
(g) 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.
(h) Net Cash & Other includes cash, short-term investments, derivatives, receivables, and payables.

## Average Annual Total Return[1]

| For periods ended 30 June 2020 | 3 Months[a] | 1 Year | 3 Years | 5 Years | Since Inception[b] |
|---|---|---|---|---|---|
| U.S. Stock Fund | | | | | |
| USD Accumulating Class | 19.90% | −7.16% | 2.32% | 5.53% | 9.87% |
| USD Distributing Class | 20.06 | N/A | N/A | N/A | −4.10 |
| GBP Accumulating Class | 20.16 | −4.86 | 4.03 | 10.65 | 12.50 |
| GBP Distributing Class | 20.21 | −4.81 | 4.04 | 10.66 | 11.00 |
| GBP Distributing Class (H) | 19.24 | −9.93 | 0.06 | N/A | 1.62 |
| EUR Accumulating Class | 17.72 | −6.05 | 2.88 | 5.34 | 11.52 |
| S&P 500 Index (USD) | 20.54 | 7.51 | 10.73 | 10.73 | 12.92 |

(a) Returns for less than one year are not annualised.
(b) USD Accumulating Class, GBP Accumulating Class, and EUR Accumulating Class inception date is 1 December 2010. GBP Distributing Class inception date is 2 December 2013. GBP Distributing Class (H) inception date is 3 January 2017. USD Distributing Class inception date is 2 March 2020. The S&P 500 Index return is measured from 1 December 2010.

*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. Visit the Fund's website at dodgeandcoxworldwide.com for current month-end performance figures.*

The U.S. Stock Fund – USD Accumulating Class had a total return of 19.9% for the second quarter of 2020, compared to 20.5% for the S&P 500 Index. For the six months ended 30 June 2020, the USD Accumulating Class had a total return of −15.7%, compared to −3.1% for the S&P 500.

### Investment Commentary

During the first half of 2020, the spread of the coronavirus (COVID-19) evolved into a global pandemic that disrupted major economies, increased financial market volatility, and abruptly ended the longest stock market bull run in U.S. history. The U.S. equity market performed strongly in the second quarter recovering off March lows, despite the continuing public health crisis and current economic downturn. Every sector of the S&P 500 posted positive returns.

With the economy performing so poorly, why has the stock market recovered so dramatically? The U.S. government's massive fiscal and monetary stimulus programs, coupled with optimism regarding anticipated health care solutions and some corporate earnings recovery, have bolstered investor confidence. Not insignificantly, almost 70% of the S&P 500 is comprised of businesses that are largely immune to the economic impact of the pandemic (we think of them as "COVID defensive"); the vast majority of these companies are in the Information Technology, Consumer Staples, Utilities, and Health Care sectors. The other 30% of the S&P 500 has been hit hard by the economic consequences of the pandemic ("COVID cyclical"), mostly in the Financials, Energy, Industrials, Materials, Consumer Discretionary (ex-internet retail), and Real Estate sectors. Market movements and valuation changes can happen swiftly and without warning, as evidenced by the strong rebound in Energy and Materials, two of the hardest hit areas of the market in the first quarter. These sectors were among the top performers in the second quarter, beating the S&P 500's return.

Over the last decade, U.S. growth stocks have outperformed value stocks[2] by an astounding cumulative 221 percentage points.[3] The valuation differential between value- and growth-oriented stocks has created ample opportunities for value-oriented investors like Dodge & Cox.

Our investment team has been highly productive in these volatile markets, reviewing existing portfolio holdings and recommending new investments. This analysis has helped the U.S. Equity Investment Committee shift the portfolio based on COVID-impacted fundamentals and valuations. During the second quarter, we trimmed higher valuation areas of the portfolio that had performed strongly, such as Pharmaceuticals and more expensive technology-related companies, and leaned further into value portions of the market such as Financials, Energy, Materials, Industrials, and low-valuation technology companies. We recently added to existing holdings such as American Express, Carrier, Celanese, Hewlett Packard Enterprise, HP Inc., MetLife, VMware, and Wells Fargo.[4] We also started four new positions in the Fund, including LyondellBasell (one of the world's largest commodity chemical companies) and Williams Companies (a nationwide energy processing and transporting company with approximately 30% of all U.S. natural gas volumes).

While the portfolio remains tilted toward Financials (25.0%[5] of the portfolio versus 10.1% of the S&P 500), Health Care (17.1% versus 14.6%), and Energy (9.2% versus 2.8%), the Fund remains diversified and has exposure to various investment drivers. We have strong conviction in our value-oriented, active investment approach and continue to believe now is an opportune time to be invested in value stocks.

We remain optimistic about the long-term outlook for the Fund, which trades at a significant discount to the overall market: 13.5 times forward earnings compared to 24.2 times for the S&P 500. Patience, persistence, and a long-term investment horizon are essential to long-term investment success. We encourage our shareholders to take a similar view. Thank you for your continued confidence in Dodge & Cox.

Our thoughts are with all the individuals and families of those who have suffered from COVID-19 and also with the dedicated health care workers and first responders battling on the front lines. We wish everyone all the best during these challenging times.

### Second Quarter Performance Review

The USD Accumulating Class underperformed the S&P 500 by 0.6 percentage points during the quarter.

#### Key Detractors from Relative Results

- Strong performance by a few large technology and internet related companies not held in the Fund hurt relative results. The impact was substantial in Information Technology and Consumer Discretionary (two of the strongest S&P 500 sectors), where the Fund was underweight throughout the period. The Fund's holdings within Information Technology lagged (up 25% versus up 31%), especially HP Inc. and Hewlett Packard Enterprise.
- The Fund's average overweight position in Financials (26% versus 11%) hurt performance since the sector continued to lag the market. Wells Fargo and Charles Schwab were key detractors.
- In Health Care, the Fund's lower returns (up 12% versus up 14%) and higher average weighting (19% versus 15%) had a negative impact. Cigna and Bristol-Myers Squibb performed poorly.
- Molson Coors and FedEx also detracted.

#### Key Contributors to Relative Results

- The Fund's higher average weighting (9% versus 3%) and strong performance in the Energy sector (up 53% versus up 31%) contributed. Occidental Petroleum, Apache, Baker Hughes, and Hess appreciated substantially.
- The Fund's underweight position in Consumer Staples and Utilities helped results since these were the weakest areas of the Index (up 8% and up 3% respectively for the S&P 500).
- Microchip Technology and DISH Network were also strong contributors

### Year-to-Date Performance Review

The USD Accumulating Class underperformed the S&P 500 by 12.7 percentage points year to date.

#### Key Detractors from Relative Results

- Strong performance by a few large technology and internet related companies not held in the Fund hurt relative returns, especially in the Information Technology (down 2% versus up 15%) and Consumer Discretionary (down 21% versus up 7%) sectors.
- Within Information Technology, Hewlett Packard Enterprise lagged. The Fund's underweight position in the sector (averaging 18% versus 25%) also had a negative impact.
- In Financials, the Fund's average overweight position (26% versus 11%) and lower returns (down 31% versus down 24%) detracted. Wells Fargo, Capital One Financial, and Charles Schwab were the biggest detractors.
- Energy was the weakest sector of the Fund and the Index (down 46% versus down 35%). The Fund's higher average weighting (9% versus 3%) and weaker returns from holdings hurt results. Occidental Petroleum, Schlumberger, and Baker Hughes performed poorly.
- Raytheon Technologies also detracted.

#### Key Contributors to Relative Results

- The Fund's lack of holdings in the Utilities and Real Estate sectors contributed since these segments of the Index lagged (down 11% and down 9%, respectively).
- The Fund's average overweight position (19% versus 15%) and better returns in the Health Care sector (up 1% versus down 1%) aided results. Gilead Sciences, Alnylam Pharmaceuticals, and BioMarin Pharmaceuticals were particularly strong.
- Sprint was exceptionally strong as its merger with T-Mobile US was approved.
- Microchip Technology, Dell Technologies, and Charter Communications also contributed.

1 The Fund's total returns include dividends and interest income and reflect the deduction of expenses charged to the Fund. Index returns include dividends but, unlike Fund returns, do not reflect fees or expenses. 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. All returns are stated in U.S. dollars unless otherwise noted.
2 Value stocks are the lower valuation portion of the equity market and growth stocks are the higher valuation portion.
3 The Russell 1000 Growth Index had a total return of 390.3% from 30 June 2010 through 30 June 2020 compared to 169.1% for the Russell 1000 Value Index.
4 The use of specific examples does not imply that they are more or less attractive investments than the portfolio's other holdings.
5 Unless otherwise specified, all weightings and characteristics are as of 30 June 2020.