

## MARKET COMMENTARY

In a reversal of 2022's declines, global equity markets finished 2023 with strong returns, as markets reacted to easing inflation and the potential for lower interest rates. The S&P 500 Index<sup>1</sup> returned 26.3%, MSCI ACWI Index<sup>2</sup> increased 22.2%, MSCI EAFE Index<sup>3</sup> appreciated 18.2%, and the MSCI Emerging Markets Index<sup>4</sup> rose 9.8%. Emerging Markets were weighed down by China, which declined 11.2%.<sup>5</sup> The MSCI Emerging Markets ex China Index<sup>6</sup> returned 20.0%.

Strong global returns were in large part driven by the outsized performance of the "Magnificent Seven"<sup>7</sup> and their respective sectors: Information Technology (Microsoft, Apple, and NVIDIA), Communication Services (Alphabet and Meta), and Consumer Discretionary (Amazon and Tesla). These seven stocks rose 75.8%,<sup>8</sup> contributed 41.8% to the MSCI ACWI's 2023 return, and increased from 11.6% to 16.9% of the MSCI ACWI's market capitalisation over the year.

Not surprisingly, growth stocks also outperformed value stocks<sup>9</sup> in 2023 (the MSCI ACWI Growth Index<sup>10</sup> and MSCI ACWI Value Index<sup>11</sup> were up 33.2% and 11.8%, respectively). The MSCI ACWI Value now trades at 12.6 times forward earnings<sup>12</sup> compared to 24.0 times for the MSCI ACWI Growth. The valuation gap between value and growth stocks remains wide at 1.6 standard deviations.<sup>13</sup>

Strong performance from these seven stocks in the United States also contributed to the wide valuation differential between international and U.S. equities. The MSCI EAFE trades at 13.2 times forward earnings, versus the MSCI USA Index<sup>14</sup> at 20.1 times, a meaningful valuation gap that is 2.2 standard deviations outside historic averages.

## INVESTMENT STRATEGY

At Dodge & Cox, we are active, value-oriented investors, focused on long-term results. We conduct independent research on individual companies, and look for opportunities that are not already well appreciated by the market. This disciplined, fundamentals-driven, long-term investment approach has helped the Fund's USD Accumulating Class outperform the MSCI ACWI over our longer measured time periods: 3-year, 5-year, and since inception.

In 2023, we reduced exposures to holdings that outperformed and added to areas that underperformed. We trimmed selected holdings in Financials and Communication Services—two key overweight positions in the Fund that outperformed—as well as a significant holding in Information Technology. In Communication Services, trims included Meta and Alphabet.<sup>15</sup> In Information Technology, we reduced the Fund's exposure to Broadcom and VMware. In contrast, the Fund added exposure to Health Care, a more defensive part of the portfolio that underperformed. Next, we discuss activity in Financials, as well as several new holdings.

## Portfolio Changes in Financials

Financials—the largest area of overweight for the Fund—was the Fund's top-contributing sector for the full year (up 23.6% compared to up 16.3% for the MSCI ACWI sector). The Fund trimmed several holdings that performed strongly, including UBS Group, a leading global asset manager that appreciated 70.3% to become one of the Fund's top contributors to performance. UBS has an attractive mix of market-leading, capital-efficient, and geographically diversified businesses. The company has created significant shareholder value in recent years through its high return on invested capital and strong capital allocation. Last year, returns were driven in large part by their acquisition of Credit Suisse, which helped restore confidence in the stability of the Swiss economy and banking system. Through this deal, UBS acquired nearly \$58 billion in book value from Credit Suisse for \$3 billion, a substantial discount. After strong performance, we trimmed UBS.

The Fund's Financials holdings with exposure to Brazil were also top performers: XP and Itau Unibanco were up 79.6% and 53.6%, respectively, while Banco Santander was up 44.3%. We trimmed Banco Santander during 2023.

The Fund remains overweight Financials (29.9% versus 15.9% in the MSCI ACWI), an area that offers favourable risk/reward profiles due to attractive capital return, resilient balance sheets, improved profitability, and inexpensive valuations. Importantly, the Fund's holdings are also widely diversified across business segments and geographies.

## A New Holding in Financials: Truist Financial

In the first half of 2023, U.S. regional banks became widely discounted after the failures of three U.S. regional banks, which had significant concentrations of uninsured deposits and large unrealised losses on their balance sheets. Truist Financial was one of the U.S. regional banks that got caught in the ensuing downdraft. Our global Financials team carefully reviewed Truist, and we started a position based upon the company's different deposit profile, compelling valuation, and downside protection in the form of potential asset sales.

## A New Holding in Health Care: Baxter International

Investor enthusiasm for Information Technology, artificial intelligence, and the Magnificent Seven dampened interest in more stable, defensive areas like Health Care, which underperformed the major indices during 2023. In addition, regulatory concerns weighed on the sector, and the increased use of GLP-1 inhibitors,<sup>16</sup> like Ozempic, created uncertainty regarding potential shifts in demand for certain health care procedures and services as well as certain consumer-related products.

During the third quarter, we initiated a position in Baxter International, a leading medical supply firm. Baxter holds a large market share in its major markets but has faced considerable headwinds recently. Issues include inflationary cost pressures, the acquisition of hospital bed company Hillrom (and the increase in debt related to the purchase), and concerns about GLP-1's potential to reduce demand for dialysis supplies. These factors contributed to a share price decline of more than 50% over the last two years.

We think the company has strong underlying businesses and will be able to maintain stable growth, increase margins, and pay down its debt. Moreover, dialysis demand from chronic kidney patients is unlikely to drastically change over our three- to five-year investment horizon, despite GLP-1's potential to reduce obesity. Based on these factors, the company's valuation at 13.0 times forward earnings and dividend yield of 3.0% presented an attractive opportunity to start a position.

### International Flavors & Fragrances (IFF)

IFF is good example of a company with near-term challenges that provided us an opportunity to buy a strong franchise at depressed levels. As the names suggests, IFF sells flavours, scents, and other key ingredients to food, beverage, and consumer products companies. The company operates in an oligopolistic industry with high barriers to entry, low economic sensitivity, and provides mission-critical inputs that are a small percentage of product costs. The business is very defensive, with attractive growth and historically stable margins. 2022 and 2023, however, were challenging years for IFF. The company's margins and valuation fell to their lowest levels in over a decade due to merger integration challenges. But, management is cutting costs to boost margins, and activist investors are focused on keeping management disciplined and shareholders as a top priority. We think it presents an interesting long-term opportunity, so we started a position in the fourth quarter. IFF was a 0.9% position in the Fund at year end.

### IN CLOSING

We continue to be optimistic about the long-term outlook for the Fund, which is diversified across a broad range of sectors and investment themes. The Fund's portfolio trades at an attractive 11.0 times forward earnings, which is a discount not only to the MSCI ACWI at 16.6 times, but also to the MSCI ACWI Value at 12.6 times. Markets can be volatile and overreact to near-term developments and headline news. However, volatility creates opportunities for investors with a long-term perspective and valuation discipline. We encourage our investors to focus on that longer-term opportunity.

Thank you for your continued confidence in our firm. 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

1 February 2024

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 MSCI ACWI (All Country World Index) Index is a broad-based, unmanaged equity market index aggregated from developed market and emerging market country indices.
3. The MSCI EAFE (Europe, Australasia, Far East) Index is a broad-based, unmanaged equity market index aggregated from developed market country indices, excluding the United States and Canada. It covers approximately 85% of the free float-adjusted market capitalisation in each country.
4. The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging market countries.
5. As measured by the MSCI China Index, which captures large- and mid-cap representation across China A shares, H shares, B shares, Red chips, and P chips.
6. The MSCI Emerging Markets ex China Index captures large- and mid-cap representation across emerging market countries excluding China.
7. The top seven contributors to the MSCI ACWI's absolute returns in 2023 were Apple, Microsoft, NVIDIA, Amazon, Alphabet, Meta Platforms, and Tesla.
8. Market capitalisation-weighted average return. (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.)
9. Generally, stocks that have lower valuations are considered "value" stocks, while those with higher valuations are considered "growth" stocks.
10. The MSCI ACWI Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across developed market and emerging market countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.
11. The MSCI ACWI Value Index captures large- and mid-cap securities exhibiting overall value style characteristics across developed market and emerging market countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price, and dividend yield.
12. 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. Unless otherwise specified, all weightings and characteristics are as of 31 December 2023.
13. Standard deviation measures the volatility of the Fund's returns. Higher standard deviation represents higher volatility.
14. The MSCI USA Index measures the performance of large- and mid-cap companies in the United States and covers approximately 85% of the market capitalisation in the United States.
15. The use of specific examples does not imply that they are more or less attractive investments than the portfolio's other holdings.
16. GLP-1 inhibitors are a class of drugs used in patients with type-2 diabetes as glucose-lowering therapies. They also have additional benefits of weight loss and blood pressure reduction.

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 2009



Active Share<sup>2</sup>  
88.3%



# of Companies  
86



Countries Represented<sup>3</sup>  
19

### Details

Total Net Assets (billions) \$5.5  
Distribution Frequency Quarterly  
Portfolio Turnover<sup>6</sup> 28%  
1/1/23 to 31/12/23  
Base Currency U.S. Dollar  
Structure UCITS  
Domicile Ireland

### Benchmark

MSCI All Country World Index (MSCI ACWI)

### Risk Metrics (5 Years)

Beta<sup>9,10</sup> 1.12  
Standard Deviation<sup>9,11</sup> 21.70

### Investment Objective

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

### Investment Approach<sup>1</sup>

The Fund offers investors a highly selective, actively managed core global equity fund that invests in the United States and other developed countries as well as emerging markets, based on our analysis of fundamentals relative to current valuations. Generally, we:

- Target a diversified portfolio of equity securities, typically investing in 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.
- 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 <sup>4</sup>	Historic Yield <sup>5</sup>	SEDOL	ISIN	Bloomberg
USD Accumulating Class	\$50,000	0.63%	-	B54PRV5	IE00B54PRV58	DOCGLAU
USD Distributing Class	\$50,000	0.63%	1.3%	BK8V167	IE00BK8V1670	DOCGSDU
GBP Accumulating Class	£50,000	0.63%	-	B54J687	IE00B54J6879	DOCGLAB
GBP Distributing Class	£50,000	0.63%	1.3%	B54PSJ0	IE00B54PSJ04	DOCGLGD
GBP Distributing Class (H)	£50,000	0.63%	1.1%	BYVQ3H2	IE00BYVQ3H23	DOCGGDH
EUR Accumulating Class	€50,000	0.63%	-	B55JMJ9	IE00B55JMJ98	DOCGLAE
CAD Accumulating Class	C\$50,000	0.63%	-	B4K6MX2	IE00B4K6MX26	DOCGLCA

### Performance<sup>7,8</sup>

Total Returns (%)	Unannualised Returns		Average Annual Total Returns					Since Inception	Inception Date
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years			
Global Stock Fund									
USD Accumulating Class	7.72	20.07	20.07	10.57	11.98	7.80	9.02	01/12/09	
USD Distributing Class	7.70	20.10	20.10	10.56	-	-	10.71	03/02/20	
GBP Accumulating Class	3.13	13.86	13.86	13.18	11.97	10.65	11.01	01/12/09	
GBP Distributing Class	3.11	13.88	13.88	13.19	11.98	10.65	11.46	13/02/13	
GBP Distributing Class (H)	7.42	19.05	19.05	9.20	10.10	-	7.44	03/01/17	
EUR Accumulating Class	3.17	16.41	16.41	14.36	12.82	10.19	11.43	01/12/09	
CAD Accumulating Class	5.11	17.49	17.49	12.05	11.32	10.23	11.48	01/10/10	
MSCI ACWI Index (in USD)	11.03	22.20	22.20	5.75	11.72	7.93	8.75	01/12/09	

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](http://dodgeandcox.com) for current month-end performance figures.

### Investment Committee

Managed by the Global Equity Investment Committee, whose members' average tenure at Dodge & Cox is 25 years.



**David Hoeft**  
CIO (30 yrs at Dodge & Cox)



**Steve Voorhis**  
Director of Research (27 yrs)



**Roger Kuo**  
President (25 yrs)



**Karol Marciniak**  
Global Industry Analyst (23 yrs)



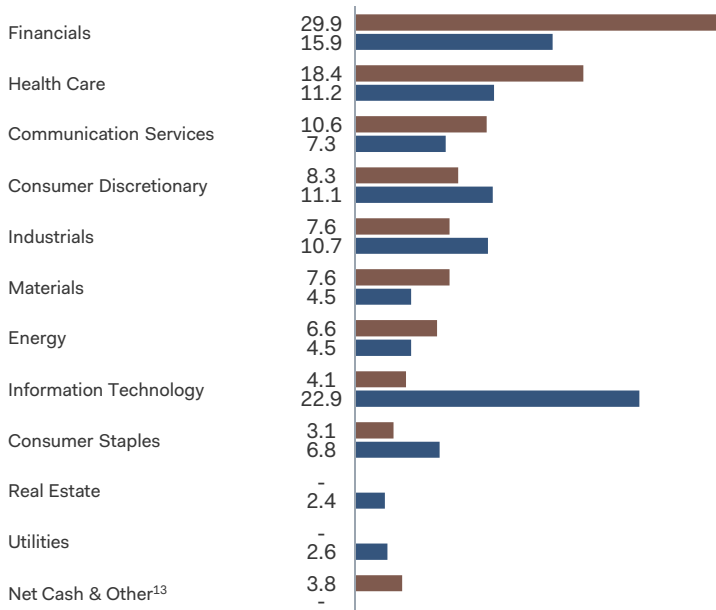
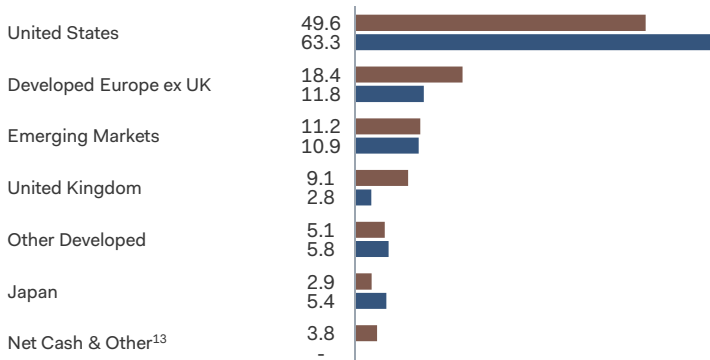
**Lily Beischer**  
Global Industry Analyst (22 yrs)



**Ray Mertens**  
Global Industry Analyst (20 yrs)

## Portfolio Breakdown (% of Fund)

■ Fund ■ MSCI ACWI

Sectors<sup>12</sup>

Regions<sup>3,12</sup>

Ten Largest Equity Positions (% of Fund)<sup>12,14</sup>

	Fund	MSCI ACWI
Alphabet, Inc. (United States)	3.4	2.3
Sanofi (France)	3.1	0.2
GSK PLC (United Kingdom)	2.8	0.1
The Charles Schwab Corp. (United States)	2.6	0.2
Occidental Petroleum Corp. (United States)	2.6	0.1
Comcast Corp. (United States)	2.4	0.3
Charter Communications, Inc. (United States)	2.3	0.1
Banco Santander SA (Spain)	2.1	0.1
Suncor Energy, Inc. (Canada)	2.1	0.1
BNP Paribas SA (France)	2.1	0.1

## Portfolio Characteristics

	Fund	MSCI ACWI
Price-to-Earnings (forward) <sup>15,16</sup>	11.0x	16.6x
Price-to-Earnings (trailing) <sup>15</sup>	9.9x	19.8x
Price-to-Book Value	1.5x	2.8x
Price-to-Sales <sup>17</sup>	1.2x	2.0x
Weighted Average Market Cap. (billions) <sup>18</sup>	\$206	\$423
Median Market Cap. (billions) <sup>19</sup>	\$45	\$6
Dividend Yield (trailing) <sup>20</sup>	2.4%	2.0%

## 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. Investments in certain countries, particularly underdeveloped or developing countries, may be subject to heightened political and economic risks. Please read the prospectus for specific details regarding the Fund's risk profile.

- Please see the Fund's Sustainable Finance Disclosures Regulation SFDR Disclosure available at [dodgeandcox.com](https://www.dodgeandcox.com).
- 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.
- The Fund may classify a company or issuer in a different category than the Index. The Fund usually classifies a company or issuer based on its country of risk, but may designate a different country in certain circumstances.
- 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.
- 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.
- Portfolio Turnover is calculated as the lesser of the portfolio purchases or sales divided by the average portfolio value for the period.
- 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 Fund is actively managed and uses the benchmark index for performance comparison purposes only.
- The data represents the USD Accumulating Share Class.
- Beta is a measure of the volatility—or systematic risk—of a portfolio compared to the benchmark measured over a specified time period.
- Standard Deviation measures the volatility of the Fund's returns. Higher Standard Deviation represents higher volatility.
- Excludes derivatives.
- Net Cash & Other includes cash, short-term investments, unrealised gain (loss) on derivatives, receivables, and payables.
- 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.
- The portfolio's Price-to-Earnings ratios exclude extraordinary items and negative earnings. Benchmark figures include extraordinary items and negative earnings.
- 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.
- Portfolio calculation excludes Financials and Utilities.
- 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.
- 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.)
- 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.

Figures represented by a dash are zero or have no associated data while figures represented by a zero may be rounded to zero.

The MSCI ACWI (All Country World Index) Index is a broad-based, unmanaged equity market index aggregated from developed and emerging market country indices. Results reflect dividends net of withholding taxes. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

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