
2017

Semi-Annual Report
June 30, 2017

# Balanced Fund

ESTABLISHED 1931

TICKER: DODBX

6/17 BF SAR Printed on recycled paper

The Dodge & Cox Balanced Fund had a total return of 5.4% for the six months ended June 30, 2017, compared to a return of 6.5% for the Combined Index (a 60/40 blend of stocks and fixed income securities).

## MARKET COMMENTARY

U.S. equity markets continued to climb during the first half of 2017: the S&P 500 reached an all-time high in mid-June and ended the period up 9%, marking its strongest first half since 2013. Information Technology was the best-performing sector of the S&P 500, and Energy was the worst-performing sector amid lower oil prices. Solid corporate earnings growth, combined with expectations of an improving economy, boosted U.S. equity returns and propelled valuations further above longer-term averages.

In fixed income, the U.S. investment-grade bond market delivered a 2.3% return for the first half of 2017, driven by narrowing credit yield premiums[a] and modest declines in longer-term interest rates. Generally positive macroeconomic data, changing investor expectations regarding Federal Reserve (Fed) policy, and ongoing legislative uncertainty influenced markets over this timeframe.

## INVESTMENT STRATEGY

We set the Fund's asset allocation based on our long-term outlook for the Fund's equity and fixed income holdings, which currently favors equities. We decreased the allocation to equities by 3.0 percentage points during the first half of the year due to rising equity valuations. At quarter end, the Fund's 69.7%[b] equity weighting (including 5.1% in preferred stocks) reflected our more positive outlook for total return potential from equities than from fixed income.

### Equity Strategy

At Dodge & Cox, we approach each investment from the perspective of being a long-term part owner of a business and make gradual changes based on a three- to five-year investment horizon. Therefore, the equity portfolio has historically had low portfolio turnover. As a result of individual stock selection, the equity portfolio holds 63 common stocks across nine sectors; areas of emphasis are Financials, Health Care, and Information Technology.

During the volatility of 2016, we highlighted how the financial services holdings in the equity portfolio were trading at inexpensive valuations despite their asset growth, improved credit quality, cost reductions, and capital return prospects. Since then, however, share prices have risen and we have trimmed a number of positions, including Bank of America and Bank of New York Mellon.[c]

While we have trimmed Financials and certain other holdings amid higher U.S. equity market valuations, we continue to find areas of value offering long-term investment opportunities. For example, we recently added to several Health Care holdings, including AstraZeneca, and Energy companies in the portfolio.

#### *AstraZeneca*

AstraZeneca, which is based in the United Kingdom, is a global pharmaceutical company with strengths in treatments for cancer, respiratory illnesses, cardiovascular problems, and infectious diseases. In the second half of 2016, the share price was under pressure due to concerns about recent and upcoming patent expirations for several of its major drugs. Despite this headwind, we added to this holding in early 2017 after reaffirming our investment thesis.

The company's long-term growth outlook is favorable given its robust new drug pipeline, particularly in oncology (cancer treatment). AstraZeneca has an attractive position in the revolutionary field of cancer immunotherapy, which harnesses the disease-fighting capabilities of the body's immune system to attack cancerous tumors. We have conducted extensive due diligence, which included industry conferences and management meetings, and we continue to believe the immuno-oncology (IO) field holds great promise. Since the IO market is in its very early stages, sponsors and the scientific community are investing heavily into understanding which tumors can be targeted with IO and which patients will be most responsive to IO treatments (i.e., biomarkers). We think the field will evolve rapidly over the next five to ten years as physicians develop a better understanding of how these drugs work, creating a massive revenue and profit opportunity. With a 4.3% dividend yield, the current valuation is reasonable at 17 times forward earnings and does not appear to reflect potential success from the immunotherapy drug pipeline. AstraZeneca represented 1.9% of the equity portfolio on June 30.

#### *Energy*

Oil prices dropped 16% over the past six months, weighing heavily on the outlook for profitability and growth in the Energy sector. While the short-term direction of oil prices is difficult to forecast, we believe the long-term fundamentals of supply and demand point to higher prices. The current demand for oil, which is about 98 million barrels a day, continues to grow about one percent per year, driven by growing transportation demand in the developing world. Oil fields deplete as the resource is extracted, reducing the global production base about two to three percent per year, so continuing investment is required to meet current demand and to prepare for future demand growth. We anticipate that 15 to 20 million barrels per day of additional production will be needed over the next five years to meet demand if these trends continue. However, upstream capital investment has declined to a 10-year low, fewer new projects are being approved, and North American unconventional resources (including shale) are unlikely to grow enough to bridge this eventual gap.

The equity portfolio remains modestly overweight the Energy sector (7.1% compared to 6.0% for the S&P 500). Amid depressed valuations for energy companies, we recently added to selected holdings, including Anadarko Petroleum (an independent oil and gas exploration and production company) and Schlumberger (the world's leading provider of oil services for drilling, production, and processing), among other holdings.

### Fixed Income Strategy

After a particularly dynamic year of valuation shifts and corresponding changes to portfolio positioning in 2016, the first six months of 2017 have been substantially less active. The portfolio continues to feature substantial positions in corporate bonds (40%) and Agency[d] MBS (32%) and smaller positions in government-related securities (6%), ABS (3%), and U.S. Treasuries (19%, which is roughly half the Bloomberg Barclays U.S. Aggregate Bond Index's (Bloomberg Barclays U.S. Agg) weighting). We have also maintained a defensive duration[e] position, roughly 73% of the Bloomberg Barclays U.S. Agg's duration, given our longer-term expectations for interest rates to rise more than currently implied by market valuations.

#### *Opportunistic Reductions to Credit, But Credit Remains Attractive*

The portfolio's credit[f] weighting remained relatively stable during the first half of 2017, although there were changes in credit composition during the period. The year-long recovery in investor sentiment regarding commodity-related and emerging market issuers provided attractive opportunities to trim Cemex, Kinder Morgan, and Rio Oil Finance Trust. We similarly capitalized on the overall improvement in market valuations to reduce exposure to credits facing secular headwinds or transformational risk, such as Macy's and Verizon. Notwithstanding the broader compression in credit spreads, we remained opportunistic in evaluating new additions for the credit portfolio. We added to the portfolio's TransCanada position through the purchase of a new subordinated security. We also invested in short-duration Ford Motor Credit securities, which we believe offer attractive relative value compared to other alternatives in the intermediate portion of the market.

The portfolio's taxable municipal holdings continued to perform well, particularly the State of Illinois general obligation (GO) bonds (a 1.3% position) which have outperformed over the past six months, despite recent volatility. The State passed a budget in July following a two-year impasse between the Republican governor and the Democrat-controlled General Assembly. The recent budget compromise included permanent income tax increases and spending reductions, both of which are credit positives. Taxable municipal securities remain a relatively small portion of the portfolio (4%) but offer attractive diversification benefits and better downside protection compared to corporate alternatives.

#### *Reducing Interest Rate Risk*

We continue to position the fixed income portfolio defensively vis-à-vis interest rate risk, with a duration that is 73% of the Bloomberg Barclays U.S. Agg's duration. We expect U.S. economic growth to continue at an annual rate of 2% or slightly higher. Despite marginally reduced optimism regarding the Trump administration's ability to implement its full agenda of regulatory reforms, tax reforms, and substantial fiscal stimulus, some success is likely to be achieved, which should support further U.S. economic growth. In addition, inflation measures are likely to firm amid a tight labor market. The combination of these factors should allow the Fed to continue its gradual hiking cycle and eventually begin to reduce its balance sheet, which should contribute to rising rates over our investment horizon.

### IN CLOSING

Since U.S. equity valuations are now near recent highs, we have adopted a tempered outlook for broader U.S. equity market returns. However, as an active manager with a value-oriented approach, we remain optimistic about the long-term prospects for the Fund to preserve and enhance purchasing power. On June 30, the portfolio's equity holdings collectively traded at 15.4 times forward earnings, a discount to the S&P 500, which traded at 18.6 times forward earnings.

In fixed income, yields remain low by historical standards, increasing the risk of low (or even negative) returns if yields rise substantially from current levels. In addition, the credit markets have performed extremely well over the past 16 months, a pace which is unlikely to be repeated in the near future. Notwithstanding somewhat challenged absolute return prospects in the near term, bonds serve a vital defensive role in the Fund by offering liquidity, income generation, downside protection, and low correlation to riskier asset classes.

Thank you for your continued confidence in our firm. As always, we welcome your comments and questions.

For the Board of Trustees,

Charles F. Pohl,
Chairman

Dana M. Emery,
President

July 31, 2017

(a) Yield premiums are one way to measure a security's valuation. Narrowing yield premiums result in a higher valuation. Widening yield premiums result in a lower valuation.

(b) Unless otherwise specified, all weightings and characteristics are as of June 30, 2017.

(c) The use of specific examples does not imply that they are more or less attractive investments than the portfolio's other holdings.

(d) 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.

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

(f) Credit securities refers to corporate bonds and government-related securities, as classified by Bloomberg.

## YEAR-TO-DATE PERFORMANCE REVIEW

The Fund underperformed the Combined Index by 1.1 percentage points year to date. The Fund's higher allocation to equities had a positive impact equity, security selection detracted from relative results.

### Equity Portfolio

- The portfolio's average overweight position (29% versus 14%) and holdings in the Financials sector (up 4% compared to up 7% for the S&P 500 sector) hurt relative performance. Goldman Sachs (down 7%) and Capital One Financial (down 4%) lagged.
- Poor returns from holdings in the Energy sector (down 21% compared to down 13% for the S&P 500 sector), combined with a higher average weighting (8% versus 7%), detracted from results.
- Information Technology was the strongest area of the market (up 17% for the S&P 500 sector), boosted by several large stocks not held in the portfolio. The performance of the portfolio's holdings in the sector (up 12%) was modest in comparison.

### Fixed Income Portfolio

- Security selection within credit was positive as certain emerging market-domiciled holdings performed well, including Cemex, Pemex, and Rio Oil Finance Trust. Other notable outperformers included Royal Bank of Scotland and Telecom Italia.
- The portfolio's overweight to corporate bonds and underweight to U.S. Treasuries added to relative returns given the strong performance of credit.
- The portfolio's Agency MBS holdings outperformed the MBS in the Bloomberg Barclays U.S. Agg after adjusting for duration differences.
- The portfolio's shorter relative duration (70% of the Bloomberg Barclays U.S. Agg's duration) detracted from relative returns.
- Certain corporate holdings underperformed, including Macy's and Verizon.

## KEY CHARACTERISTICS OF DODGE & COX

### Independent Organization

Dodge & Cox is one of the largest privately owned investment managers in the world. We remain committed to independence, with a goal of providing the highest quality investment management service to our existing clients.

### Over 85 Years of Investment Experience

Dodge & Cox was founded in 1930. We have a stable and well-qualified team of investment professionals, most of whom have spent their entire careers at Dodge & Cox.

### Experienced Investment Team

The U.S. Equity Investment Committee, which is responsible for determining the asset allocation of the Balanced Fund and managing the equity portion of the Balanced Fund, is an eight-member committee with an average tenure at Dodge & Cox of 24 years. The U.S. Fixed Income Investment Committee, which is responsible for managing the debt portion of the Balanced Fund, is an eight-member committee with an average tenure of 22 years.

### One Business with a Single Research Office

Dodge & Cox manages equity (domestic, international, and global), fixed income (domestic and global), and balanced investments, operating from one office in San Francisco.

### Consistent Investment Approach

Our team decision-making process involves thorough, bottom-up fundamental analysis of each investment.

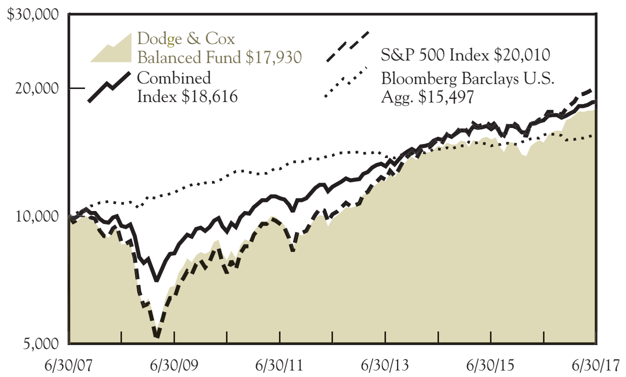
### Long-Term Focus and Low Expenses

We invest with a three- to five-year investment horizon, which has historically resulted in low turnover relative to our peers. We manage Funds that maintain low expense ratios.

**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 an 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. A low interest rate environment creates an elevated risk of future negative returns. Financial intermediaries may restrict their market making activities for certain debt securities, which may reduce the liquidity and increase the volatility of such securities. Please read the prospectus and summary prospectus for specific details regarding the Fund's risk profile.**

## GROWTH OF $10,000 OVER 10 YEARS

### FOR AN INVESTMENT MADE ON JUNE 30, 2007




## AVERAGE ANNUAL TOTAL RETURN

### FOR PERIODS ENDED JUNE 30, 2017

| | 1 Year | 5 Years | 10 Years | 20 Years |
|---|---|---|---|---|
| Dodge & Cox Balanced Fund | 20.01% | 12.73% | 6.01% | 8.52% |
| S&P 500 Index | 17.90 | 14.63 | 7.18 | 7.15 |
| Bloomberg Barclays U.S. Aggregate Bond Index (Bloomberg Barclays U.S. Agg) | -0.31 | 2.21 | 4.48 | 5.24 |
| Combined Index[(a)] | 10.34 | 9.65 | 6.41 | 6.71 |

**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. Performance is updated and published monthly. Visit the Fund's website at dodgeandcox.com or call 800-621-3979 for current performance figures.**

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.

*Standard & Poor's, Standard & Poor's 500, and S&P 500® are trademarks of S&P Global Inc. Bloomberg is a registered trademark of Bloomberg Finance L.P. and its affiliates. Barclays® is a trademark of Barclays Bank PLC.*

(a) 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 (Bloomberg Barclays U.S. Agg), 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.

## FUND EXPENSE EXAMPLE

As a Fund shareholder, you incur ongoing Fund costs, including management fees and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses. The following example shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The example assumes a $1,000 investment held for the six months indicated.

### ACTUAL EXPENSES

The first line of the table below provides information about actual account values and expenses based on the Fund's actual returns. You may use the information in this line, together with your account balance, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

### HYPOTHETICAL EXAMPLE FOR COMPARISON WITH OTHER MUTUAL FUNDS

Information on the second line of the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio of the Fund and an assumed 5% annual rate of return before expenses (not the Fund's actual return). The amount under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other mutual funds.

| Six Months Ended June 30, 2017 | Beginning Account Value 1/1/2017 | Ending Account Value 6/30/2017 | Expenses Paid During Period* |
|---|---|---|---|
| Based on Actual Fund Return | $1,000.00 | $1,053.60 | $2.69 |
| Based on Hypothetical 5% Yearly Return | 1,000.00 | 1,022.17 | 2.65 |

* Expenses are equal to the Fund's annualized expense ratio of 0.53%, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

The expenses shown in the table highlight ongoing costs only and do not reflect any transactional fees or account maintenance fees. Though other mutual funds may charge such fees, please note that the Fund does not charge transaction fees (e.g., redemption fees, sales loads) or universal account maintenance fees (e.g., small account fees).

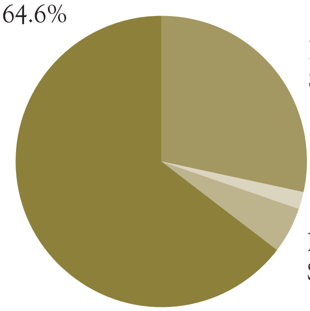
## GENERAL INFORMATION

| | |
|---|---|
| Net Asset Value Per Share | $106.18 |
| Total Net Assets (billions) | $15.9 |
| Expense Ratio | 0.53% |
| Portfolio Turnover Rate (1/1/17 to 6/30/17, unannualized) | 10% |
| 30-Day SEC Yield[a] | 1.74% |
| Fund Inception | 1931 |

*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, and by the U.S. Fixed Income Investment Committee, whose eight members' average tenure is 22 years.

## ASSET ALLOCATION




| EQUITY PORTFOLIO (69.7%) | Fund |
|---|---|
| Number of Common Stocks | **63** |
| Number of Preferred Stocks | **5** |
| Median Market Capitalization (billions)[b] | **$41** |
| Price-to-Earnings Ratio[b][c] | **15.4x** |
| Foreign Securities not in the S&P 500[d] | **6.8%** |

| FIVE LARGEST SECTORS (%) | Common | Preferred | Fund |
|---|---|---|---|
| Financials | 18.6 | 4.7 | **23.3** |
| Health Care | 13.0 | — | **13.0** |
| Information Technology | 11.5 | — | **11.5** |
| Consumer Discretionary | 10.5 | 0.4 | **10.9** |
| Energy | 4.9 | — | **4.9** |

| TEN LARGEST EQUITIES (%)[e] | Common | Preferred | Fund |
|---|---|---|---|
| Wells Fargo & Co. | 2.5 | 1.6 | **4.1** |
| JPMorgan Chase & Co. | 1.6 | 1.7 | **3.3** |
| Bank of America Corp. | 2.5 | 0.5 | **3.0** |
| Charles Schwab Corp. | 2.6 | — | **2.6** |
| Capital One Financial Corp. | 2.4 | — | **2.4** |
| Novartis AG (*Switzerland*) | 2.1 | — | **2.1** |
| Charter Communications, Inc. | 2.0 | — | **2.0** |
| Sanofi (*France*) | 2.0 | — | **2.0** |
| Goldman Sachs Group, Inc. | 1.9 | — | **1.9** |
| Alphabet, Inc. | 1.9 | — | **1.9** |

| FIXED INCOME PORTFOLIO (28.4%) | Fund |
|---|---|
| Number of Credit Issuers | **48** |
| Effective Duration (years) | **4.4** |

| SECTOR DIVERSIFICATION (%) | Fund |
|---|---|
| U.S. Treasury[g] | **5.3** |
| Government-Related | **1.7** |
| Securitized | **10.1** |
| Corporate | **11.3** |

| CREDIT QUALITY (%)[h] | Fund |
|---|---|
| U.S. Treasury/Agency/GSE[g] | **14.4** |
| Aaa | **0.5** |
| Aa | **1.0** |
| A | **0.8** |
| Baa | **9.2** |
| Ba | **2.1** |
| B | **0.0** |
| Caa | **0.4** |

| FIVE LARGEST CREDIT ISSUERS (%)[e] | Fund |
|---|---|
| Bank of America Corp. | **0.6** |
| Petroleos Mexicanos | **0.5** |
| State of California GO | **0.5** |
| Charter Communications, Inc. | **0.5** |
| Telecom Italia SPA | **0.5** |

(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) Excludes the Fund's preferred stock positions.
(c) Price-to-earnings (P/E) ratio is calculated using 12-month forward earnings estimates from third-party sources.
(d) Foreign stocks are U.S. dollar denominated.
(e) 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.
(f) Net Cash & Other includes cash, short-term investments, derivatives, receivables, and payables.
(g) Data as presented excludes the Fund's position in Treasury futures contracts.
(h) The credit quality distribution shown for the Fund is based on the middle of Moody's, S&P's, and Fitch ratings, which is the methodology used by Bloomberg in constructing its indices. If a security is rated by only two agencies, the lower of the two ratings is used. Please note the Fund applies the highest of Moody's, S&P's, and Fitch ratings to determine compliance with the quality requirements stated in its prospectus. The credit quality of the investments in the portfolio does not apply to the stability or safety of the Fund or its shares.

## COMMON STOCKS: 64.6%

| | SHARES | VALUE |
|---|---|---|
| **CONSUMER DISCRETIONARY: 10.5%** | | |
| **AUTOMOBILES & COMPONENTS: 0.3%** | | |
| Harley-Davidson, Inc. | 893,400 | $ 48,261,468 |
| **CONSUMER DURABLES & APPAREL: 0.5%** | | |
| Coach, Inc. | 1,495,036 | 70,775,004 |
| **MEDIA: 7.9%** | | |
| Charter Communications, Inc., Class A[a] | 941,907 | 317,281,373 |
| Comcast Corp., Class A | 7,263,448 | 282,693,396 |
| DISH Network Corp., Class A[a] | 1,700,032 | 106,694,009 |
| News Corp., Class A | 1,022,304 | 14,005,565 |
| Time Warner, Inc. | 2,941,366 | 295,342,560 |
| Twenty-First Century Fox, Inc., Class A | 6,997,200 | 198,300,648 |
| Twenty-First Century Fox, Inc., Class B | 1,565,000 | 43,616,550 |
| | | 1,257,934,101 |
| **RETAILING: 1.8%** | | |
| Liberty Interactive Corp. QVC Group, Series A[a] | 2,565,850 | 62,965,959 |
| Target Corp. | 1,838,400 | 96,129,936 |
| The Priceline Group, Inc.[a] | 65,400 | 122,332,008 |
| | | 281,427,903 |
| | | 1,658,398,476 |
| **CONSUMER STAPLES: 1.0%** | | |
| **FOOD & STAPLES RETAILING: 1.0%** | | |
| Wal-Mart Stores, Inc. | 2,110,400 | 159,715,072 |
| **ENERGY: 4.9%** | | |
| Anadarko Petroleum Corp. | 3,126,892 | 141,773,283 |
| Apache Corp. | 2,920,139 | 139,962,262 |
| Baker Hughes, Inc. | 2,356,079 | 128,429,866 |
| Concho Resources, Inc.[a] | 575,900 | 69,989,127 |
| National Oilwell Varco, Inc. | 3,181,000 | 104,782,140 |
| Schlumberger, Ltd. (Curacao/United States) | 2,749,221 | 181,008,711 |
| Weatherford International PLC[a] (Ireland) | 4,970,000 | 19,233,900 |
| | | 785,179,289 |
| **FINANCIALS: 18.6%** | | |
| **BANKS: 7.1%** | | |
| Bank of America Corp. | 16,213,400 | 393,337,084 |
| BB&T Corp. | 1,994,584 | 90,574,059 |
| JPMorgan Chase & Co. | 2,754,100 | 251,724,740 |
| Wells Fargo & Co. | 7,249,606 | 401,700,669 |
| | | 1,137,336,552 |
| **DIVERSIFIED FINANCIALS: 9.6%** | | |
| American Express Co. | 2,571,000 | 216,581,040 |
| Bank of New York Mellon Corp. | 4,167,400 | 212,620,748 |
| Capital One Financial Corp. | 4,534,059 | 374,603,955 |
| Charles Schwab Corp. | 9,535,000 | 409,623,600 |
| Goldman Sachs Group, Inc. | 1,378,900 | 305,977,910 |
| | | 1,519,407,253 |
| **INSURANCE: 1.9%** | | |
| AEGON NV (Netherlands) | 12,485,240 | 63,799,576 |
| MetLife, Inc. | 4,266,000 | 234,374,040 |
| | | 298,173,616 |
| | | 2,954,917,421 |
| **HEALTH CARE: 13.0%** | | |
| **HEALTH CARE EQUIPMENT & SERVICES: 4.6%** | | |
| Cigna Corp. | 1,323,559 | 221,550,541 |
| Danaher Corp. | 468,100 | 39,502,959 |
| Express Scripts Holding Co.[a] | 3,500,668 | 223,482,645 |
| Medtronic PLC (Ireland) | 1,015,200 | 90,099,000 |
| UnitedHealth Group, Inc. | 858,772 | 159,233,504 |
| | | 733,868,649 |
| **PHARMACEUTICALS, BIOTECHNOLOGY & LIFE SCIENCES: 8.4%** | | |
| Alnylam Pharmaceuticals, Inc.[a] | 811,000 | 64,685,360 |
| AstraZeneca PLC ADR (United Kingdom) | 6,060,899 | 206,616,047 |
| Bristol-Myers Squibb Co. | 2,842,800 | $ 158,400,816 |
| Eli Lilly and Co. | 554,506 | 45,635,844 |
| Merck & Co., Inc. | 1,084,775 | 69,523,230 |
| Novartis AG ADR (Switzerland) | 3,986,300 | 332,736,461 |
| Roche Holding AG ADR (Switzerland) | 4,446,000 | 141,382,800 |
| Sanofi ADR (France) | 6,515,265 | 312,146,346 |
| | | 1,331,126,904 |
| | | 2,064,995,553 |
| **INDUSTRIALS: 3.3%** | | |
| **CAPITAL GOODS: 0.9%** | | |
| Johnson Controls International PLC (Ireland) | 3,445,297 | 149,388,078 |
| **TRANSPORTATION: 2.4%** | | |
| FedEx Corp. | 1,100,254 | 239,118,202 |
| Union Pacific Corp. | 1,243,000 | 135,375,130 |
| | | 374,493,332 |
| | | 523,881,410 |
| **INFORMATION TECHNOLOGY: 11.5%** | | |
| **SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT: 0.5%** | | |
| Maxim Integrated Products, Inc. | 1,665,291 | 74,771,566 |
| **SOFTWARE & SERVICES: 5.2%** | | |
| Alphabet, Inc., Class A[a] | 14,500 | 13,480,360 |
| Alphabet, Inc., Class C[a] | 316,395 | 287,517,629 |
| Dell Technologies, Inc., Class V[a] | 672,163 | 41,075,881 |
| DXC Technology Co. | 1,274,599 | 97,787,235 |
| Microsoft Corp. | 3,872,700 | 266,945,211 |
| Synopsys, Inc.[a] | 543,100 | 39,608,283 |
| VMware, Inc.[a] | 818,400 | 71,552,712 |
| | | 817,967,311 |
| **TECHNOLOGY, HARDWARE & EQUIPMENT: 5.8%** | | |
| Cisco Systems, Inc. | 5,918,100 | 185,236,530 |
| Corning, Inc. | 1,186,200 | 35,645,310 |
| Hewlett Packard Enterprise Co. | 16,964,512 | 281,441,254 |
| HP Inc. | 11,585,112 | 202,507,758 |
| Juniper Networks, Inc. | 1,849,329 | 51,559,292 |
| NetApp, Inc. | 1,176,891 | 47,134,485 |
| TE Connectivity, Ltd. (Switzerland) | 1,583,036 | 124,553,272 |
| | | 928,077,901 |
| | | 1,820,816,778 |
| **MATERIALS: 0.6%** | | |
| Celanese Corp., Series A | 1,042,532 | 98,977,988 |
| **TELECOMMUNICATION SERVICES: 1.2%** | | |
| Sprint Corp.[a] | 16,261,671 | 133,508,319 |
| Zayo Group Holdings, Inc.[a] | 1,610,000 | 49,749,000 |
| | | 183,257,319 |
| **TOTAL COMMON STOCKS** (Cost $6,316,417,618) | | **$10,250,139,306** |

## PREFERRED STOCKS: 5.1%

| | PAR VALUE | VALUE |
|---|---|---|
| **CONSUMER DISCRETIONARY: 0.4%** | | |
| **MEDIA: 0.4%** | | |
| NBCUniversal Enterprise, Inc. 5.25%[c] | $ 53,210,000 | $ 56,554,781 |
| **FINANCIALS: 4.7%** | | |
| **BANKS: 4.7%** | | |
| Bank of America Corp. 6.10% | 16,008,000 | 17,390,291 |
| Bank of America Corp. 6.25% | 52,470,000 | 56,798,775 |
| Citigroup, Inc. 5.95% | | |
| 7/29/49 | 5,175,000 | 5,504,906 |
| 12/31/49 | 77,327,000 | 82,858,200 |
| Citigroup, Inc. 6.25% | 50,886,000 | 56,451,656 |
| JPMorgan Chase & Co. 6.10% | 254,565,000 | 276,203,025 |

See accompanying Notes to Financial Statements

PREFERRED STOCKS (continued)

| | PAR VALUE | VALUE |
|---|---|---|
| Wells Fargo & Co. 5.875% | $227,645,000 | $ 250,857,961 |
| | | 746,064,814 |
| **TOTAL PREFERRED STOCKS** (Cost $739,142,989) | | **$ 802,619,595** |

DEBT SECURITIES: 28.4%

| | PAR VALUE | VALUE |
|---|---|---|
| **U.S. TREASURY: 5.3%** | | |
| U.S. Treasury Note/Bond | | |
| 0.875%, 4/15/19 | 40,000,000 | 39,651,560 |
| 0.875%, 5/15/19 | 37,500,000 | 37,154,288 |
| 1.625%, 7/31/19 | 102,715,000 | 103,188,413 |
| 1.625%, 3/15/20 | 50,000,000 | 50,154,300 |
| 1.625%, 11/30/20 | 6,585,000 | 6,580,371 |
| 1.75%, 12/31/20 | 96,775,000 | 97,043,357 |
| 1.125%, 2/28/21 | 127,255,000 | 124,665,106 |
| 1.125%, 7/31/21 | 56,610,000 | 55,172,616 |
| 1.75%, 11/30/21 | 130,000,000 | 129,654,720 |
| 1.875%, 1/31/22 | 90,500,000 | 90,606,066 |
| 1.875%, 2/28/22 | 35,790,000 | 35,829,154 |
| 1.75%, 5/31/22 | 66,339,000 | 65,942,492 |
| | | 835,642,443 |
| | | 835,642,443 |
| **GOVERNMENT-RELATED: 1.7%** | | |
| **FEDERAL AGENCY: 0.0%** | | |
| Small Business Admin. — 504 Program | | |
| Series 1997-20I 1, 6.90%, 9/1/17 | 47,734 | 48,124 |
| Series 1998-20D 1, 6.15%, 4/1/18 | 94,420 | 95,420 |
| Series 1998-20I 1, 6.00%, 9/1/18 | 100,351 | 101,321 |
| Series 1999-20F 1, 6.80%, 6/1/19 | 119,116 | 121,914 |
| Series 2000-20D 1, 7.47%, 4/1/20 | 649,382 | 673,849 |
| Series 2000-20E 1, 8.03%, 5/1/20 | 103,193 | 107,662 |
| Series 2000-20G 1, 7.39%, 7/1/20 | 256,485 | 265,883 |
| Series 2000-20I 1, 7.21%, 9/1/20 | 145,549 | 150,799 |
| Series 2001-20E 1, 6.34%, 5/1/21 | 454,714 | 477,894 |
| Series 2001-20G 1, 6.625%, 7/1/21 | 508,534 | 535,172 |
| Series 2003-20J 1, 4.92%, 10/1/23 | 1,821,443 | 1,930,968 |
| Series 2007-20F 1, 5.71%, 6/1/27 | 2,387,607 | 2,567,598 |
| | | 7,076,604 |
| **FOREIGN AGENCY: 0.7%** | | |
| Petroleo Brasileiro SA (Brazil) | | |
| 4.375%, 5/20/23 | 20,950,000 | 19,755,850 |
| Petroleos Mexicanos (Mexico) | | |
| 4.25%, 1/15/25 | 22,685,000 | 22,061,162 |
| 6.50%, 3/13/27[c] | 18,400,000 | 19,766,200 |
| 6.625%, 6/15/35 | 9,425,000 | 9,743,094 |
| 6.375%, 1/23/45 | 20,125,000 | 19,621,875 |
| 5.625%, 1/23/46 | 16,675,000 | 14,782,388 |
| | | 105,730,569 |
| **LOCAL AUTHORITY: 1.0%** | | |
| New Jersey Turnpike Authority RB | | |
| 7.102%, 1/1/41 | 12,436,000 | 18,250,576 |
| State of California GO | | |
| 7.50%, 4/1/34 | 13,470,000 | 19,607,067 |
| 7.55%, 4/1/39 | 22,525,000 | 34,389,368 |
| 7.30%, 10/1/39 | 13,730,000 | 20,056,921 |
| 7.625%, 3/1/40 | 5,540,000 | 8,463,735 |
| State of Illinois GO | | |
| 5.665%, 3/1/18 | 28,485,000 | 28,950,730 |
| 5.877%, 3/1/19 | 10,225,000 | 10,580,625 |
| 5.10%, 6/1/33 | 22,615,000 | 21,170,354 |
| | | 161,469,376 |
| | | 274,276,549 |
| **SECURITIZED: 10.1%** | | |
| **ASSET-BACKED: 1.0%** | | |
| **Auto Loan: 0.1%** | | |
| Ford Credit Auto Owner Trust | | |
| Series 2015-1 A, 2.12%, 7/15/26[c] | 16,450,000 | 16,514,787 |
| **Credit Card: 0.3%** | | |
| American Express Master Trust | | |
| Series 2017-4 A, 1.64%, 12/15/21 | $ 44,759,000 | $ 44,707,241 |
| **Other: 0.4%** | | |
| Rio Oil Finance Trust (Brazil) | | |
| 9.25%, 7/6/24[c] | 27,990,276 | 28,417,127 |
| 9.75%, 1/6/27[c] | 36,532,617 | 37,263,270 |
| | | 65,680,397 |
| **Student Loan: 0.2%** | | |
| SLM Student Loan Trust (Private Loans) | | |
| Series 2014-A A2A, 2.59%, 1/15/26[c] | 5,250,000 | 5,286,918 |
| Series 2012-B A2, 3.48%, 10/15/30[c] | 3,711,294 | 3,748,964 |
| Series 2012-E A2A, 2.09%, 6/15/45[c] | 10,776,005 | 10,783,930 |
| Series 2012-C A2, 3.31%, 10/15/46[c] | 5,806,054 | 5,868,686 |
| | | 25,688,498 |
| | | 152,590,923 |
| **CMBS: 0.1%** | | |
| **Agency CMBS: 0.1%** | | |
| Fannie Mae Multifamily DUS | | |
| Pool AL8144, 2.404%, 10/1/22 | 7,916,079 | 8,037,956 |
| Pool AL9086, 2.484%, 7/1/23 | 3,076,533 | 3,080,872 |
| | | 11,118,828 |
| | | 11,118,828 |
| **MORTGAGE-RELATED: 9.0%** | | |
| **Federal Agency CMO & REMIC: 1.2%** | | |
| Dept. of Veterans Affairs | | |
| Series 1995-1 1, 6.987%, 2/15/25 | 284,088 | 311,491 |
| Series 1995-2C 3A, 8.793%, 6/15/25 | 131,756 | 155,564 |
| Series 2002-1 2J, 6.50%, 8/15/31 | 8,255,419 | 9,339,038 |
| Fannie Mae | | |
| Trust 2002-33 A1, 7.00%, 6/25/32 | 1,764,790 | 2,048,351 |
| Trust 2009-66 ET, 6.00%, 5/25/39 | 2,750,358 | 2,951,588 |
| Trust 2009-30 AG, 6.50%, 5/25/39 | 2,123,039 | 2,353,146 |
| Trust 2001-T7 A1, 7.50%, 2/25/41 | 1,317,874 | 1,540,241 |
| Trust 2001-T5 A3, 7.50%, 6/19/41 | 559,104 | 667,490 |
| Trust 2001-T8 A1, 7.50%, 7/25/41 | 1,401,448 | 1,630,737 |
| Trust 2001-T4 A1, 7.50%, 7/25/41 | 1,352,118 | 1,579,384 |
| Trust 2001-W3 A, 6.424%, 9/25/41 | 911,395 | 995,285 |
| Trust 2001-T10 A2, 7.50%, 12/25/41 | 1,077,991 | 1,265,513 |
| Trust 2013-106 MA, 4.00%, 2/25/42 | 8,901,889 | 9,403,756 |
| Trust 2002-W6 2A1, 6.083%, 6/25/42 | 1,419,882 | 1,646,372 |
| Trust 2002-W8 A2, 7.00%, 6/25/42 | 1,818,793 | 2,136,687 |
| Trust 2003-W2 1A1, 6.50%, 7/25/42 | 3,029,510 | 3,514,184 |
| Trust 2003-W2 1A2, 7.00%, 7/25/42 | 1,133,781 | 1,351,765 |
| Trust 2003-W4 4A, 6.703%, 10/25/42 | 1,464,364 | 1,698,799 |
| Trust 2012-121 NB, 7.00%, 11/25/42 | 2,250,088 | 2,594,093 |
| Trust 2013-98 FA, 1.766%, 9/25/43 | 8,814,178 | 8,903,357 |
| Trust 2004-T1 1A2, 6.50%, 1/25/44 | 1,756,540 | 2,018,965 |
| Trust 2004-W2 5A, 7.50%, 3/25/44 | 3,046,485 | 3,592,359 |
| Trust 2004-W8 3A, 7.50%, 6/25/44 | 496,584 | 583,512 |
| Trust 2005-W4 1A2, 6.50%, 8/25/45 | 4,717,761 | 5,454,861 |
| Trust 2009-11 MP, 7.00%, 3/25/49 | 4,604,823 | 5,365,915 |
| Freddie Mac | | |
| Series 1078 GZ, 6.50%, 5/15/21 | 75,285 | 78,468 |
| Series 16 PK, 7.00%, 8/25/23 | 1,647,963 | 1,798,162 |
| Series T-48 1A4, 5.538%, 7/25/33 | 26,676,450 | 29,191,263 |
| Series 314 F2, 1.769%, 9/15/43 | 18,969,038 | 19,100,386 |
| Series T-51 1A, 6.50%, 9/25/43 | 179,587 | 208,819 |
| Series T-59 1A1, 6.50%, 10/25/43 | 9,648,323 | 11,389,230 |
| Series 4281 BC, 4.50%, 12/15/43 | 55,917,741 | 60,254,883 |
| | | 195,123,664 |

DEBT SECURITIES (continued)

| | PAR VALUE | VALUE |
|---|---|---|
| **Federal Agency Mortgage Pass-Through: 7.8%** | | |
| Fannie Mae, 15 Year | | |
| 6.00%, 7/1/17-3/1/22 | $ 295,076 | $ 306,832 |
| 6.50%, 4/1/18-11/1/18 | 13,855 | 13,908 |
| 7.00%, 11/1/18 | 2,463 | 2,480 |
| 4.50%, 1/1/25-1/1/27 | 12,285,403 | 12,955,259 |
| 3.50%, 11/1/25-12/1/29 | 30,971,311 | 32,242,040 |
| 4.00%, 9/1/26-3/1/29 | 74,020,480 | 77,888,547 |
| Fannie Mae, 20 Year | | |
| 4.00%, 11/1/30-2/1/37 | 54,225,420 | 57,563,949 |
| 4.50%, 1/1/31-12/1/34 | 84,970,889 | 91,322,446 |
| 3.50%, 6/1/35-4/1/37 | 95,732,135 | 99,177,186 |
| Fannie Mae, 30 Year | | |
| 6.50%, 12/1/28-8/1/39 | 19,753,592 | 22,484,974 |
| 5.50%, 7/1/33-8/1/37 | 12,913,992 | 14,464,795 |
| 6.00%, 9/1/36-8/1/37 | 17,569,423 | 20,043,921 |
| 7.00%, 4/1/37-8/1/37 | 6,095,330 | 7,104,888 |
| 4.50%, 1/1/39-4/1/46 | 208,281,641 | 224,491,113 |
| Fannie Mae, 40 Year | | |
| 4.50%, 6/1/56 | 50,215,968 | 54,073,195 |
| Fannie Mae, Hybrid ARM | | |
| 2.601%, 9/1/34 | 1,160,332 | 1,216,478 |
| 2.891%, 12/1/34 | 1,654,608 | 1,730,893 |
| 2.874%, 1/1/35 | 1,980,978 | 2,057,601 |
| 3.20%, 1/1/35 | 1,284,028 | 1,338,796 |
| 2.942%, 8/1/35-9/1/45 | 5,556,993 | 5,711,519 |
| 2.815%, 9/1/36 | 147,560 | 152,064 |
| 3.40%, 5/1/37 | 1,238,180 | 1,283,333 |
| 4.321%, 7/1/39 | 1,798,150 | 1,894,243 |
| 3.765%, 11/1/40 | 2,578,511 | 2,678,409 |
| 3.546%, 12/1/40 | 5,102,874 | 5,306,234 |
| 2.623%, 11/1/43 | 5,337,313 | 5,508,911 |
| 2.701%, 4/1/44 | 14,179,285 | 14,631,013 |
| 2.809%, 11/1/44 | 22,545,606 | 23,182,338 |
| 2.808%, 12/1/44 | 15,514,809 | 15,946,990 |
| 2.829%, 12/1/45 | 22,252,914 | 22,809,208 |
| 2.643%, 1/1/46 | 19,239,532 | 19,607,282 |
| 3.189%, 6/1/47 | 15,026,400 | 15,450,196 |
| 3.158%, 7/1/47 | 20,111,039 | 20,658,960 |
| Freddie Mac, Hybrid ARM | | |
| 3.795%, 5/1/34 | 2,115,113 | 2,253,294 |
| 2.752%, 10/1/35 | 2,231,665 | 2,358,080 |
| 3.292%, 4/1/37 | 2,319,428 | 2,450,173 |
| 3.059%, 9/1/37 | 1,357,493 | 1,448,038 |
| 6.231%, 1/1/38 | 453,838 | 482,124 |
| 3.775%, 2/1/38 | 5,346,228 | 5,715,495 |
| 4.681%, 7/1/38 | 291,631 | 312,313 |
| 3.266%, 10/1/38 | 1,544,343 | 1,631,255 |
| 3.594%, 10/1/41 | 1,223,886 | 1,271,529 |
| 2.581%, 8/1/42 | 9,311,413 | 9,636,396 |
| 2.954%, 5/1/44 | 14,774,892 | 15,201,518 |
| 2.962%, 5/1/44 | 1,904,706 | 1,954,774 |
| 2.961%, 6/1/44 | 4,448,006 | 4,566,619 |
| 3.095%, 6/1/44 | 5,464,858 | 5,619,362 |
| 3.085%, 1/1/45 | 28,326,200 | 29,150,042 |
| 2.753%, 10/1/45 | 11,733,033 | 11,975,411 |
| 2.81%, 10/1/45 | 13,211,906 | 13,521,124 |
| 3.249%, 7/1/47 | 11,290,262 | 11,592,904 |
| Freddie Mac Gold, 15 Year | | |
| 6.50%, 8/1/17-9/1/18 | 9,362 | 9,385 |
| 6.00%, 2/1/18 | 1,090 | 1,090 |
| 4.50%, 9/1/24-9/1/26 | 8,285,076 | 8,789,160 |
| 4.00%, 3/1/25-11/1/26 | 31,444,182 | 33,005,701 |
| Freddie Mac Gold, 20 Year | | |
| 6.50%, 10/1/26 | 3,737,807 | 4,102,490 |
| 4.50%, 4/1/31-6/1/31 | 10,404,178 | 11,158,203 |
| Freddie Mac Gold, 30 Year | | |
| 7.75%, 7/25/21 | $ 189,249 | $ 198,298 |
| 7.47%, 3/17/23 | 77,580 | 83,281 |
| 6.50%, 12/1/32-4/1/33 | 5,681,449 | 6,530,886 |
| 7.00%, 11/1/37-9/1/38 | 4,769,196 | 5,414,814 |
| 5.50%, 12/1/37 | 672,110 | 750,350 |
| 6.00%, 2/1/39 | 1,741,704 | 1,968,193 |
| 4.50%, 9/1/41-6/1/47 | 160,416,571 | 172,013,995 |
| Ginnie Mae, 30 Year | | |
| 7.97%, 4/15/20-1/15/21 | 193,532 | 205,729 |
| 7.50%, 11/15/24-10/15/25 | 664,776 | 746,890 |
| | | 1,241,418,917 |
| | | 1,436,542,581 |
| | | 1,600,252,332 |

| | PAR VALUE | VALUE |
|---|---|---|
| **CORPORATE: 11.3%** | | |
| **FINANCIALS: 4.1%** | | |
| Bank of America Corp. | | |
| 7.625%, 6/1/19 | 14,175,000 | 15,638,427 |
| 5.625%, 7/1/20 | 19,324,000 | 21,160,244 |
| 4.20%, 8/26/24 | 5,825,000 | 6,043,146 |
| 6.625%, 5/23/36[b] | 37,275,000 | 45,097,718 |
| Barclays PLC (United Kingdom) | | |
| 4.375%, 9/11/24 | 23,275,000 | 23,556,441 |
| 4.836%, 5/9/28 | 4,525,000 | 4,626,342 |
| BNP Paribas SA (France) | | |
| 4.25%, 10/15/24 | 31,175,000 | 32,516,959 |
| 4.375%, 9/28/25[c] | 13,700,000 | 14,202,132 |
| 4.375%, 5/12/26[c] | 8,000,000 | 8,285,360 |
| Boston Properties, Inc. | | |
| 3.85%, 2/1/23 | 7,800,000 | 8,205,171 |
| 3.125%, 9/1/23 | 17,550,000 | 17,764,847 |
| 3.80%, 2/1/24 | 5,000,000 | 5,187,465 |
| Capital One Financial Corp. | | |
| 3.50%, 6/15/23 | 21,006,000 | 21,424,755 |
| 4.20%, 10/29/25 | 10,175,000 | 10,260,816 |
| Cigna Corp. | | |
| 7.875%, 5/15/27 | 21,888,000 | 29,372,361 |
| 8.30%, 1/15/33 | 8,845,000 | 12,300,556 |
| Citigroup, Inc. | | |
| 4.00%, 8/5/24 | 5,925,000 | 6,098,561 |
| 7.542%, 10/30/40[b] | 37,080,925 | 38,564,162 |
| Equity Residential | | |
| 3.00%, 4/15/23 | 14,775,000 | 14,835,637 |
| 2.85%, 11/1/26 | 6,000,000 | 5,769,960 |
| HSBC Holdings PLC (United Kingdom) | | |
| 4.30%, 3/8/26 | 4,600,000 | 4,895,421 |
| 6.50%, 5/2/36 | 27,355,000 | 35,066,976 |
| 6.50%, 9/15/37 | 21,490,000 | 27,818,375 |
| JPMorgan Chase & Co. | | |
| 8.75%, 9/1/30[b] | 23,042,000 | 34,476,593 |
| Lloyds Banking Group PLC (United Kingdom) | | |
| 4.50%, 11/4/24 | 19,575,000 | 20,386,208 |
| 4.65%, 3/24/26 | 11,100,000 | 11,567,177 |
| Navient Corp. | | |
| 4.625%, 9/25/17 | 9,550,000 | 9,573,875 |
| 8.45%, 6/15/18 | 21,054,000 | 22,169,862 |
| Royal Bank of Scotland Group PLC (United Kingdom) | | |
| 6.125%, 12/15/22 | 44,666,000 | 48,896,183 |
| 6.00%, 12/19/23 | 4,000,000 | 4,412,928 |
| Unum Group | | |
| 7.19%, 2/1/28 | 8,305,000 | 9,902,865 |
| 7.25%, 3/15/28 | 2,030,000 | 2,581,376 |
| 6.75%, 12/15/28 | 11,368,000 | 13,871,666 |

See accompanying Notes to Financial Statements

## DEBT SECURITIES (continued)

| | PAR VALUE | VALUE |
|---|---|---|
| Wells Fargo & Co. | | |
| 1.873%, 12/6/19 | $ 11,575,000 | $ 11,710,404 |
| 2.15%, 12/6/19 | 22,800,000 | 22,906,658 |
| 4.30%, 7/22/27 | 21,995,000 | 23,064,837 |
| | | 644,212,464 |
| **INDUSTRIALS: 6.8%** | | |
| AT&T, Inc. | | |
| 5.35%, 9/1/40 | 27,575,000 | 29,233,223 |
| 4.75%, 5/15/46 | 7,000,000 | 6,873,622 |
| 5.65%, 2/15/47 | 5,175,000 | 5,706,090 |
| 4.50%, 3/9/48 | 24,560,000 | 23,152,884 |
| BHP Billiton, Ltd. (Australia) | | |
| 6.75%, 10/19/75[b][c] | 19,800,000 | 22,623,282 |
| Burlington Northern Santa Fe LLC[e] | | |
| 5.72%, 1/15/24 | 3,598,989 | 3,965,348 |
| 5.342%, 4/1/24 | 7,331,181 | 7,980,199 |
| 5.629%, 4/1/24 | 11,444,876 | 12,559,447 |
| Cemex SAB de CV (Mexico) | | |
| 6.00%, 4/1/24[c] | 10,575,000 | 11,236,995 |
| 5.70%, 1/11/25[c] | 22,475,000 | 23,851,594 |
| 6.125%, 5/5/25[c] | 8,100,000 | 8,727,750 |
| Charter Communications, Inc. | | |
| 8.75%, 2/14/19 | 7,840,000 | 8,623,553 |
| 8.25%, 4/1/19 | 21,815,000 | 24,066,090 |
| 4.125%, 2/15/21 | 2,260,000 | 2,363,106 |
| 4.908%, 7/23/25 | 11,600,000 | 12,532,779 |
| 6.55%, 5/1/37 | 11,000,000 | 13,148,993 |
| 6.75%, 6/15/39 | 2,110,000 | 2,585,474 |
| 6.484%, 10/23/45 | 12,070,000 | 14,504,567 |
| 5.375%, 5/1/47[c] | 4,100,000 | 4,343,351 |
| Cox Enterprises, Inc. | | |
| 3.25%, 12/15/22[c] | 6,240,000 | 6,226,166 |
| 2.95%, 6/30/23[c] | 37,166,000 | 36,244,989 |
| 3.85%, 2/1/25[c] | 24,125,000 | 24,308,905 |
| CRH PLC (Ireland) | | |
| 3.875%, 5/18/25[c] | 17,100,000 | 17,772,235 |
| Dell Technologies, Inc. | | |
| 4.42%, 6/15/21[c] | 25,415,000 | 26,790,536 |
| 5.45%, 6/15/23[c] | 14,966,000 | 16,238,619 |
| Dillard's, Inc. | | |
| 7.875%, 1/1/23 | 8,660,000 | 10,030,298 |
| 7.75%, 7/15/26 | 50,000 | 57,913 |
| 7.75%, 5/15/27 | 540,000 | 622,492 |
| 7.00%, 12/1/28 | 15,135,000 | 16,765,176 |
| Dow Chemical Co. | | |
| 7.375%, 11/1/29 | 17,000,000 | 22,829,708 |
| 9.40%, 5/15/39 | 5,677,000 | 9,551,677 |
| Ford Motor Credit Co. LLC[e] | | |
| 2.681%, 1/9/20 | 13,000,000 | 13,086,476 |
| 5.75%, 2/1/21 | 12,700,000 | 13,973,213 |
| 5.875%, 8/2/21 | 12,945,000 | 14,434,076 |
| 4.25%, 9/20/22 | 9,593,000 | 10,076,545 |
| 4.375%, 8/6/23 | 7,900,000 | 8,310,476 |
| Imperial Brands PLC (United Kingdom) | | |
| 3.75%, 7/21/22[c] | 10,475,000 | 10,904,695 |
| 4.25%, 7/21/25[c] | 44,175,000 | 46,630,821 |
| Kinder Morgan, Inc. | | |
| 4.30%, 6/1/25 | 11,050,000 | 11,489,436 |
| 5.50%, 3/1/44 | 25,893,000 | 26,758,318 |
| 5.40%, 9/1/44 | 18,119,000 | 18,297,273 |
| Macy's, Inc. | | |
| 6.90%, 1/15/32 | 42,110,000 | 43,698,052 |
| 6.70%, 7/15/34 | 5,890,000 | 6,103,813 |
| Naspers, Ltd. (South Africa) | | |
| 6.00%, 7/18/20[c] | 16,900,000 | 18,252,000 |
| 5.50%, 7/21/25[c] | $ 20,075,000 | $ 21,470,213 |
| 4.85%, 7/6/27[c] | 14,200,000 | 14,235,500 |
| RELX PLC (United Kingdom) | | |
| 3.125%, 10/15/22 | 17,458,000 | 17,495,971 |
| Telecom Italia SPA (Italy) | | |
| 7.175%, 6/18/19 | 27,527,000 | 30,038,839 |
| 5.303%, 5/30/24[c] | 25,025,000 | 26,839,312 |
| 7.20%, 7/18/36 | 11,596,000 | 13,444,113 |
| 7.721%, 6/4/38 | 7,062,000 | 8,545,020 |
| Time Warner, Inc. | | |
| 7.625%, 4/15/31 | 15,500,000 | 21,143,271 |
| 7.70%, 5/1/32 | 16,944,000 | 23,590,250 |
| TransCanada Corp. (Canada) | | |
| 5.625%, 5/20/75[b] | 20,570,000 | 21,728,297 |
| 5.875%, 8/15/76[b] | 4,500,000 | 4,883,400 |
| 5.30%, 3/15/77[b] | 18,885,000 | 19,413,780 |
| Twenty-First Century Fox, Inc. | | |
| 6.15%, 3/1/37 | 15,000,000 | 18,760,635 |
| 6.65%, 11/15/37 | 4,638,000 | 6,125,346 |
| Ultrapar Participacoes SA (Brazil) | | |
| 5.25%, 10/6/26[c] | 15,050,000 | 15,027,425 |
| Union Pacific Corp. | | |
| 6.176%, 1/2/31 | 8,438,236 | 9,797,509 |
| Verizon Communications, Inc. | | |
| 4.272%, 1/15/36 | 11,847,000 | 11,446,903 |
| 4.522%, 9/15/48 | 7,000,000 | 6,636,847 |
| 5.012%, 4/15/49[c] | 49,149,000 | 49,705,612 |
| Vulcan Materials Co. | | |
| 7.50%, 6/15/21 | 20,340,000 | 24,002,441 |
| Xerox Corp. | | |
| 6.35%, 5/15/18 | 16,835,000 | 17,461,110 |
| 4.50%, 5/15/21 | 13,311,000 | 13,941,369 |
| Zoetis, Inc. | | |
| 3.25%, 2/1/23 | 2,150,000 | 2,203,234 |
| 4.50%, 11/13/25 | 17,545,000 | 19,156,561 |
| | | 1,084,625,213 |
| **UTILITIES: 0.4%** | | |
| Dominion Energy, Inc. | | |
| 4.104%, 4/1/21 | 5,300,000 | 5,562,292 |
| 5.75%, 10/1/54[b] | 22,950,000 | 24,556,500 |
| Enel SPA (Italy) | | |
| 6.80%, 9/15/37[c] | 13,700,000 | 17,571,044 |
| 6.00%, 10/7/39[c] | 13,352,000 | 15,897,051 |
| | | 63,586,887 |
| | | 1,792,424,564 |
| **TOTAL DEBT SECURITIES** (Cost $4,314,864,994) | | **$ 4,502,595,888** |

## EQUITY INDEX PUT OPTIONS PURCHASED: 0.6%

| | CONTRACTS | VALUE |
|---|---|---|
| S&P 500 Index, 12/15/17 at $2,275 | 633,819 | $ 25,226,586 |
| S&P 500 Index, 12/21/18 at $2,375 | 150,000 | 23,505,297 |
| S&P 500 Index, 6/15/18 at $2,375 | 450,000 | 51,817,502 |
| **TOTAL EQUITY INDEX PUT OPTIONS PURCHASED** (Cost $160,030,157) | | **$ 100,549,385** |

## SHORT-TERM INVESTMENTS: 1.9%

| | PAR VALUE | VALUE |
|---|---|---|
| **MONEY MARKET FUND: 0.1%** | | |
| State Street Institutional Treasury Plus Money Market Fund | $ 15,856,875 | $ 15,856,875 |



See accompanying Notes to Financial Statements

## SHORT-TERM INVESTMENTS (continued)

| | PAR VALUE | VALUE |
|---|---|---|
| **REPURCHASE AGREEMENT: 1.8%** | | |
| Fixed Income Clearing Corporation[d] 0.60%, dated 6/30/17, due 7/3/17, maturity value $281,292,064 | $281,278,000 | $ 281,278,000 |
| **TOTAL SHORT-TERM INVESTMENTS** (Cost $297,134,875) | | **$ 297,134,875** |
| **TOTAL INVESTMENTS** (Cost $11,827,590,633) | 100.6% | **$15,953,039,049** |
| OTHER ASSETS LESS LIABILITIES | (0.6%) | (91,937,253) |
| NET ASSETS | 100.0% | $15,861,101,796 |

(a) Non-income producing

(b) Hybrid security

(c) Security exempt from registration under Rule 144A of the Securities Act of 1933. The security may be resold in transactions exempt from registration, normally to qualified institutional buyers. As of June 30, 2017, all such securities in total represented $641,590,250 or 4.0% of net assets. These securities have been deemed liquid by Dodge & Cox, investment manager, pursuant to procedures approved by the Fund's Board of Trustees.

(d) Repurchase agreement is collateralized by U.S. Treasury Notes 1.25%-1.375%, 6/30/23-7/31/23. Total collateral value is $286,907,537.

(e) Subsidiary (see below)

In determining a company's country designation, the Fund generally references the country of incorporation. In cases where the Fund considers the country of incorporation to be a "jurisdiction of convenience" chosen primarily for tax purposes or in other limited circumstances, the Fund uses the country designation of an appropriate broad-based market index. In those cases, two countries are listed—the country of incorporation and the country designated by an appropriate index, respectively.

Debt securities are grouped by parent company unless otherwise noted. Actual securities may be issued by the listed parent company or one of its subsidiaries.

ADR: American Depositary Receipt
ARM: Adjustable Rate Mortgage
CMO: Collateralized Mortgage Obligation
DUS: Delegated Underwriting and Servicing
GO: General Obligation
RB: Revenue Bond
REMIC: Real Estate Mortgage Investment Conduit

## FUTURES CONTRACTS

| Description | Number of Contracts | Expiration Date | Notional Amount | Unrealized Appreciation/ (Depreciation) |
|---|---|---|---|---|
| 10 Year U.S. Treasury Note— Short Position | 1,334 | Sep 2017 | $(167,458,688) | $ 272,915 |
| Long Term U.S. Treasury Bond— Short Position | 741 | Sep 2017 | (122,913,375) | (2,218,939) |
| | | | | $(1,946,024) |

## STATEMENT OF ASSETS AND LIABILITIES
(unaudited)

| | June 30, 2017 |
|---|---|
| **ASSETS:** | |
| Investments, at value (cost $11,667,560,476) | $15,953,039,049 |
| Cash held at broker | 4,424,000 |
| Receivable for investments sold | 12,937,535 |
| Receivable from broker for variation margin | 1,455,225 |
| Receivable for Fund shares sold | 9,499,488 |
| Dividends and interest receivable | 54,706,282 |
| Prepaid expenses and other assets | 31,725 |
| | 16,036,093,304 |
| **LIABILITIES:** | |
| Collateral payable for option contracts | 102,180,000 |
| Payable for investments purchased | 60,832,487 |
| Payable for Fund shares redeemed | 4,815,651 |
| Management fees payable | 6,510,902 |
| Accrued expenses | 652,468 |
| | 174,991,508 |
| **NET ASSETS** | $15,861,101,796 |
| **NET ASSETS CONSIST OF:** | |
| Paid in capital | $11,326,003,032 |
| Undistributed net investment income | 2,544,275 |
| Undistributed net realized gain | 409,052,097 |
| Net unrealized appreciation | 4,123,502,392 |
| | $15,861,101,796 |
| Fund shares outstanding (par value $0.01 each, unlimited shares authorized) | 149,372,846 |
| Net asset value per share | $ 106.18 |

## STATEMENT OF OPERATIONS
(unaudited)

| | Six Months Ended June 30, 2017 |
|---|---|
| **INVESTMENT INCOME:** | |
| Dividends (net of foreign taxes of $4,287,101) | $ 103,431,977 |
| Interest | 96,426,432 |
| | 199,858,409 |
| **EXPENSES:** | |
| Management fees | 39,060,375 |
| Custody and fund accounting fees | 132,598 |
| Transfer agent fees | 800,011 |
| Professional services | 96,948 |
| Shareholder reports | 149,989 |
| Registration fees | 108,536 |
| Trustees' fees | 130,000 |
| ADR depository services fees | 673,109 |
| Miscellaneous | 135,688 |
| | 41,287,254 |
| **NET INVESTMENT INCOME** | 158,571,155 |
| **REALIZED AND UNREALIZED GAIN (LOSS):** | |
| Net realized gain (loss) | |
| Investments | 425,827,092 |
| Futures contracts | (7,334,272) |
| Option contracts | (223,936) |
| Net change in unrealized appreciation/depreciation | |
| Investments | 305,474,689 |
| Futures contracts | (3,410,331) |
| Option contracts | (59,480,774) |
| Net realized and unrealized gain | 660,852,468 |
| **NET CHANGE IN NET ASSETS FROM OPERATIONS** | $ 819,423,623 |

## STATEMENT OF CHANGES IN NET ASSETS
(unaudited)

| | Six Months Ended June 30, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| **OPERATIONS:** | | |
| Net investment income | $ 158,571,155 | $ 342,632,985 |
| Net realized gain | 418,268,884 | 652,399,623 |
| Net change in unrealized appreciation/depreciation | 242,583,584 | 1,209,354,799 |
| | 819,423,623 | 2,204,387,407 |
| **DISTRIBUTIONS TO SHAREHOLDERS FROM:** | | |
| Net investment income | (158,421,260) | (342,522,606) |
| Net realized gain | (235,339,962) | (577,591,290) |
| Total distributions | (393,761,222) | (920,113,896) |
| **FUND SHARE TRANSACTIONS:** | | |
| Proceeds from sale of shares | 986,602,960 | 1,311,438,514 |
| Reinvestment of distributions | 373,059,416 | 873,912,502 |
| Cost of shares redeemed | (1,305,785,901) | (2,357,390,650) |
| Net change from Fund share transactions | 53,876,475 | (172,039,634) |
| Total change in net assets | 479,538,876 | 1,112,233,877 |
| **NET ASSETS:** | | |
| Beginning of period | 15,381,562,920 | 14,269,329,043 |
| End of period (including undistributed net investment income of $2,544,275 and $2,394,380, respectively) | $15,861,101,796 | $15,381,562,920 |
| **SHARE INFORMATION:** | | |
| Shares sold | 9,325,656 | 13,426,666 |
| Distributions reinvested | 3,559,314 | 8,834,100 |
| Shares redeemed | (12,340,967) | (24,554,403) |
| Net change in shares outstanding | 544,003 | (2,293,637) |



See accompanying Notes to Financial Statements

## NOTE 1—ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Dodge & Cox Balanced Fund (the "Fund") is one of the series constituting the Dodge & Cox Funds (the "Trust" or the "Funds"). The Trust is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The Fund commenced operations on June 26, 1931, and seeks regular income, conservation of principal, and an opportunity for long-term growth of principal and income. Risk considerations and investment strategies of the Fund are discussed in the Fund's Prospectus.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which require the use of estimates and assumptions by management. Actual results may differ from those estimates. Significant accounting policies are as follows:

***Security valuation*** The Fund's net assets are normally valued as of the scheduled close of trading on the New York Stock Exchange (NYSE), generally 4:00 p.m. Eastern Time, each day that the NYSE is open for business. Portfolio securities and other financial instruments for which market quotes are readily available are valued at market value. Listed securities are generally valued using the official quoted close price or the last sale on the exchange that is determined to be the primary market for the security.

Debt securities, certain preferred stocks, and derivatives traded over the counter, are valued using prices received from independent pricing services which utilize dealer quotes, recent transaction data, pricing models, and other inputs to arrive at market-based valuations. Pricing models may consider quoted prices for similar securities, interest rates, cash flows (including prepayment speeds), and credit risk. Exchange-traded derivatives are valued at the settlement price determined by the relevant exchange. Short-term securities less than 60 days to maturity may be valued at amortized cost if amortized cost approximates current value. Mutual funds are valued at their respective net asset values. Security values are not discounted based on the size of the Fund's position and may differ from the value a Fund receives upon sale of the securities. All securities held by the Fund are denominated in U.S. dollars.

If market quotations are not readily available or if normal valuation procedures produce valuations that are deemed unreliable or inappropriate under the circumstances existing at the time, the investment will be valued at fair value as determined in good faith by or under the direction of the Fund's Board of Trustees. The Board of Trustees has appointed Dodge & Cox, the Fund's investment manager, to make fair value determinations in accordance with the Dodge & Cox Funds Valuation Policies ("Valuation Policies"), subject to Board oversight. Dodge & Cox has established a Pricing Committee that is comprised of representatives from Treasury, Legal, Compliance, and Operations. The Pricing Committee is responsible for implementing the Valuation Policies, including determining the fair value of securities and other investments when necessary. The Pricing Committee considers relevant indications of value that are reasonably available to it in determining the fair value assigned to a particular security, such as the value of similar financial instruments, trading volumes, contractual restrictions on disposition, related corporate actions, and changes in economic conditions. In doing so, the Pricing Committee employs various methods for calibrating fair valuation approaches, including a regular review of key inputs and assumptions, back-testing, and review of any related market activity.

Valuing securities through a fair value determination involves greater reliance on judgment than valuation of securities based on readily available market quotations. In some instances, lack of information and uncertainty as to the significance of information may lead to a conclusion that a prior valuation is the best indication of a security's value. When fair value pricing is employed, the prices of securities used by the Fund to calculate its NAV may differ from quoted or published prices for the same securities.

***Security transactions, investment income, expenses, and distributions*** Security transactions are recorded on the trade date. Realized gains and losses on securities sold are determined on the basis of identified cost.

Dividend income and corporate action transactions are recorded on the ex-dividend date, or when the Fund first learns of the dividend/corporate action if the ex-dividend date has passed. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Dividends characterized as return of capital for U.S. tax purposes are recorded as a reduction of cost of investments and/or realized gain.

Interest income is recorded on the accrual basis. Interest income includes coupon interest, amortization of premium and accretion of discount on debt securities, and gain/loss on paydowns. The ability of the issuers of the debt securities held by the Fund to meet their obligations may be affected by economic developments in a specific industry, state, or region. Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivables when the collection of all or a portion of interest has become doubtful. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectibility of interest is reasonably assured.

Expenses are recorded on the accrual basis. Some expenses of the Trust can be directly attributed to a specific series. Expenses which cannot be directly attributed are allocated among the Funds in the Trust using methodologies determined by the nature of the expense.

Distributions to shareholders are recorded on the ex-dividend date.

***Foreign taxes*** The Fund may be subject to foreign taxes which may be imposed by certain countries in which the Fund invests. The Fund endeavors to record foreign taxes based on applicable foreign tax law. Withholding taxes are incurred on certain foreign dividends and are accrued at the time the associated dividend is recorded. The Fund files withholding tax reclaims in certain jurisdictions to recover a portion of amounts previously withheld. The Fund records a reclaim receivable based on, among other things, a jurisdiction's legal obligation to pay reclaims as well as payment history and market convention. In consideration of recent decisions rendered by European courts, the Fund has filed for additional reclaims related to prior years. A corresponding receivable is established when both the amount is known and significant contingencies or uncertainties regarding collectability are removed. These amounts, if any, are reported in "dividends and interest receivable" on the Statement of Assets and Liabilities.

***Repurchase agreements*** Repurchase agreements are transactions under which a Fund purchases a security from a dealer counterparty and agrees to resell the security to that counterparty on a specified future date at the same price, plus a specified interest rate. The Fund's repurchase agreements are secured by U.S. government or agency securities. It is the Fund's policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest, at all times. In the event of default by the counterparty, the Fund has the contractual right to liquidate the collateral securities and to apply the proceeds in satisfaction of the obligation.

***Futures Contracts*** Futures contracts involve an obligation to purchase or sell (depending on whether the Fund has entered a long or short futures contract, respectively) an asset at a future date, at a price set at the time of the contract. Upon entering into a futures contract, the Fund is required to deposit an amount of cash or liquid assets (referred to as initial margin) in a segregated account with the clearing broker. Subsequent payments (referred to as variation margin) to and from the clearing broker are made on a daily basis based on changes in the market value of futures contracts. Futures contracts are traded publicly and their market value changes daily. Changes in the market value of open futures contracts are recorded as unrealized appreciation or depreciation in the Statement of Operations. Realized gains and losses on futures contracts are recorded in the Statement of Operations at the closing or expiration of the contracts. Cash deposited with a broker as initial margin is recorded on the Statement of Assets and Liabilities. A receivable and/or payable to brokers for daily variation margin is also recorded on the Statement of Assets and Liabilities.

Investments in futures contracts may include certain risks, which may be different from, and potentially greater than, those of the underlying securities. To the extent the Fund uses futures, it is exposed to additional volatility and potential losses resulting from leverage.

The Fund has maintained short Treasury futures contracts to assist with the management of the portfolio's interest rate exposure. During the six months ended June 30, 2017, these Treasury futures contracts had notional values ranging from 1% to 3% of net assets.

***Equity Index Put Options***. An equity index put option gives its holder the right (but not the obligation) to sell the future value of an equity stock index, such as the S&P 500 index, at a predetermined strike price. A put option has value at its expiration if the index price is lower than the strike price. The buyer of an equity index put option pays a premium amount to purchase the contract, but has no payment obligations thereafter. Changes in the value of open equity index put options are recorded as unrealized appreciation or depreciation in the Statement of Operations. Realized gains or losses are recorded in the Statement of Operations at the closing or expiration of the options. Cash collateral received from the broker is recorded on the Statement of Assets and Liabilities.

The Fund has entered into over-the-counter equity index put options to hedge against a general downturn in the equity markets. During the six months ended June 30, 2017, these equity index put options had notional values ranging from 0% to 1% of net assets.

***Indemnification*** Under the Trust's organizational documents, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust. In addition, in the normal course of business the Trust enters into contracts that provide general indemnities to other parties. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred.

## NOTE 2—VALUATION MEASUREMENTS

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below.

- Level 1: Quoted prices in active markets for identical securities
- Level 2: Other significant observable inputs (including quoted prices for similar securities, market indices, interest rates, credit risk, forward exchange rates, etc.)
- Level 3: Significant unobservable inputs (including Fund management's assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's holdings at June 30, 2017:

| Classification[a] | LEVEL 1 (Quoted Prices) | LEVEL 2 (Other Significant Observable Inputs) |
|---|---|---|
| **Securities** | | |
| Common Stocks[b] | $10,250,139,306 | $ — |
| Preferred Stocks | — | 802,619,595 |
| Debt Securities | | |
| U.S. Treasury | — | 835,642,443 |
| Government-Related | — | 274,276,549 |
| Securitized | — | 1,600,252,332 |
| Corporate | — | 1,792,424,564 |
| Short-term Investments | | |
| Money Market Fund | 15,856,875 | — |
| Repurchase Agreement | — | 281,278,000 |
| Total Securities | $10,265,996,181 | $5,586,493,483 |
| **Other Financial Instruments** | | |
| Equity Index Put Options | | |
| Purchased | $ — | $ 100,549,385 |
| Futures Contracts | | |
| Appreciation | 272,915 | — |
| Depreciation | (2,218,939) | — |

(a) There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2017. There were no Level 3 securities at June 30, 2017 and December 31, 2016, and there were no transfers to Level 3 during the period.

(b) All common stocks held in the Fund are Level 1 securities. For a detailed break-out of common stocks by major industry classification, please refer to the Portfolio of Investments.

## NOTE 3—RELATED PARTY TRANSACTIONS

***Management fees*** Under a written agreement approved by a unanimous vote of the Board of Trustees, the Fund pays an annual management fee of 0.50% of the Fund's average daily net assets to Dodge & Cox, investment manager of the Fund.

***Fund officers and trustees*** All officers and two of the trustees of the Trust are officers or employees of Dodge & Cox. The Trust pays a fee only to those trustees who are not affiliated with Dodge & Cox.

## NOTE 4—INCOME TAX INFORMATION AND DISTRIBUTIONS TO SHAREHOLDERS

A provision for federal income taxes is not required since the Fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute all of its taxable income to shareholders. Distributions are determined in accordance with income tax regulations, and such amounts may differ from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book to tax differences at year end to reflect tax character.

Book to tax differences are primarily due to differing treatments of wash sales, net short-term realized gain (loss), certain dividends, and futures contracts. At June 30, 2017, the cost of investments for federal income tax purposes was $11,835,238,566.

Distributions during the periods noted below were characterized as follows for federal income tax purposes:

| | Six Months Ended June 30, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| Ordinary income | $ 182,883,648 | $ 353,285,575 |
| | *($1.236 per share)* | *($2.414 per share)* |
| Long-term capital gain | $ 210,877,574 | $ 566,828,321 |
| | *($1.431 per share)* | *($3.884 per share)* |

At June 30, 2017, the tax basis components of distributable earnings were as follows:

| | |
|---|---|
| Unrealized appreciation | $4,478,394,185 |
| Unrealized depreciation | (360,593,702) |
| Net unrealized appreciation | 4,117,800,483 |
| Undistributed ordinary income | 14,398,537 |
| Undistributed long-term capital gain | 402,899,744 |

Fund management has reviewed the tax positions for open periods (three years and four years, respectively, from filing the Fund's Federal and State tax returns) as applicable to the Fund, and has determined that no provision for income tax is required in the Fund's financial statements.

## NOTE 5—LOAN FACILITIES

Pursuant to an exemptive order issued by the Securities and Exchange Commission (SEC), the Fund may participate in an interfund lending facility (Facility). The Facility allows the Fund to borrow money from or loan money to the Funds. Loans under the Facility are made for temporary or emergency purposes, such as to fund shareholder redemption requests. Interest on borrowings is the average of the current repurchase agreement rate and the bank loan rate. There was no activity in the Facility during the period.

All Funds in the Trust participate in a $500 million committed credit facility (Line of Credit) with State Street Bank and Trust Company, to be utilized for temporary or emergency purposes to fund shareholder redemptions or for other short-term liquidity purposes. The maximum amount available to the Fund is $250 million. Each Fund pays an annual commitment fee on its pro-rata portion of the Line of Credit. For the six months ended June 30, 2017, the Fund's commitment fee amounted to $50,906 and is reflected as a Miscellaneous Expense in the Statement of Operations. Interest on borrowings is charged at the prevailing rate. There were no borrowings on the Line of Credit during the period.

## NOTE 6—PURCHASES AND SALES OF INVESTMENTS

For the six months ended June 30, 2017, purchases and sales of securities, other than short-term securities and U.S. government securities, aggregated $828,872,086 and $1,343,859,426, respectively. For the six months ended June 30, 2017, purchases and sales of U.S. government securities aggregated $733,676,419 and $407,251,572, respectively.

### NOTE 7—NEW ACCOUNTING GUIDANCE

In October 2016, the SEC issued a new rule, *Investment Company Reporting Modernization*, which, among other provisions, amends Regulation S-X to require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Compliance with the guidance is required for financial statements for fiscal periods ending on or after August 1, 2017. Management is currently assessing the impact of this rule to the Fund's financial statements and other filings and does not expect any impact to the Fund's net assets or results of operations.

In March 2017, the Financial Accounting Standards Board issued an update to amend the amortization period for certain purchased callable debt securities held at a premium. The amendments shorten the amortization period for premiums to the earliest call date, but do not require an accounting change for securities held at a discount. The amendments are effective for financial statements for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Management is evaluating the impact, if any, of this guidance on the Fund's financial statements and disclosures.

### NOTE 8—SUBSEQUENT EVENTS

Fund management has determined that no material events or transactions occurred subsequent to June 30, 2017, and through the date of the Fund's financial statements issuance, which require additional disclosure in the Fund's financial statements.

### NOTE 9—ADDITIONAL DERIVATIVES INFORMATION

The Fund has entered into over-the-counter derivatives, such as put options (each, a "Derivative"). Each Derivative is subject to a negotiated master agreement (based on a form published by the International Swaps and Derivatives Association ("ISDA")) governing all Derivatives between the Fund and the relevant dealer counterparty. The master agreements specify (i) events of default and other events permitting a party to terminate some or all of the Derivatives thereunder and (ii) the process by which those Derivatives will be valued for purposes of determining termination payments. If some or all of the Derivatives under a master agreement are terminated because of an event of default or similar event, the values of all terminated Derivatives must be netted to determine a single payment owed by one party to the other. Some master agreements contain collateral terms requiring the parties to post collateral in respect of some or all of the Derivatives thereunder based on the net market value of those Derivatives, subject to a minimum exposure threshold. To the extent amounts owed to the Fund by its counterparties are not collateralized, the Fund is at risk of those counterparties' non-performance. The Fund attempts to mitigate counterparty credit risk by entering into Derivatives only with counterparties it believes to be of good credit quality and by monitoring the financial stability of those counterparties.

For financial reporting purposes, the Fund does not offset financial assets and liabilities that are subject to a master netting arrangement in the Statement of Assets and Liabilities. Derivatives are presented in the Statement of Assets and Liabilities as investments. Collateral held by the Fund for derivatives are reported gross and presented as "Collateral for option contracts" in the Statement of Assets and Liabilities.

The netting of assets and liabilities and the offsetting of collateral pledged or received are based on contractual netting/set-off provisions in the ISDA master agreement. The following table presents the Fund's net exposure for derivative instruments that are subject to enforceable master netting arrangements as of June 30, 2017. The net amount represents the receivable from (payable to) the counterparty in the event of a default.

| Counterparty | Gross Derivative Assets | Gross Derivative Liabilities | Cash Collateral Received[(a)] | Net Amount |
|---|---|---|---|---|
| Goldman Sachs | $ 39,195,058 | $ — | $ (39,195,058) | $ — |
| JPMorgan | 61,354,327 | — | (61,354,327) | — |
| | **$ 100,549,385** | **$ —** | **$ (100,549,385)** | **$ —** |

(a) Cash collateral received in excess of derivative assets/liabilities, if any, is not presented in this table. The total cash collateral is presented on the Fund's Statement of Assets and Liabilities.

## FINANCIAL HIGHLIGHTS (unaudited)

| SELECTED DATA AND RATIOS (for a share outstanding throughout each period) | Six Months Ended June 30, | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| **Net asset value, beginning of period** | $103.35 | $94.42 | $102.48 | $98.30 | $78.06 | $67.45 |
| **Income from investment operations:** | | | | | | |
| Net investment income | 1.07 | 2.34 | 2.06 | 2.03 | 1.66 | 1.65 |
| Net realized and unrealized gain (loss) | 4.43 | 12.89 | (4.99) | 6.59 | 20.30 | 10.62 |
| Total from investment operations | 5.50 | 15.23 | (2.93) | 8.62 | 21.96 | 12.27 |
| **Distributions to shareholders from:** | | | | | | |
| Net investment income | (1.07) | (2.34) | (2.06) | (2.03) | (1.65) | (1.66) |
| Net realized gain | (1.60) | (3.96) | (3.07) | (2.41) | (0.07) | — |
| Total distributions | (2.67) | (6.30) | (5.13) | (4.44) | (1.72) | (1.66) |
| **Net asset value, end of period** | $106.18 | $103.35 | $94.42 | $102.48 | $98.30 | $78.06 |
| **Total return** | 5.36% | 16.55% | (2.88)% | 8.85% | 28.37% | 18.32% |
| **Ratios/supplemental data:** | | | | | | |
| Net assets, end of period (millions) | $15,861 | $15,382 | $14,269 | $15,465 | $14,404 | $12,217 |
| Ratios of expenses to average net assets | 0.53%[(a)] | 0.53% | 0.53% | 0.53% | 0.53% | 0.53% |
| Ratios of net investment income to average net assets | 2.03%[(a)] | 2.41% | 2.03% | 2.00% | 1.85% | 2.21% |
| Portfolio turnover rate | 10% | 24% | 20% | 23% | 25% | 16% |

(a) Annualized

See accompanying Notes to Financial Statements

## FUND HOLDINGS

The Fund provides a complete list of its holdings four times each fiscal year, as of the end of each quarter. The Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-CSR (second and fourth quarters) and Form N-Q (first and third quarters). Shareholders may view the Fund's Forms N-CSR and N-Q on the SEC's website at sec.gov. Forms N-CSR and N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling 202-551-8090 (direct) or 800-732-0330 (general SEC number). A list of the Fund's quarter-end holdings is also available at dodgeandcox.com on or about 15 days following each quarter end and remains available on the website until the list is updated in the subsequent quarter.

## PROXY VOTING

For a free copy of the Fund's proxy voting policies and procedures, please call 800-621-3979, visit the Fund's website at dodgeandcox.com, or visit the SEC's website at sec.gov. Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ending June 30 is also available at dodgeandcox.com or at sec.gov.

## HOUSEHOLD MAILINGS

The Fund routinely mails shareholder reports and summary prospectuses to shareholders and, on occasion, proxy statements. In order to reduce the volume of mail, when possible, only one copy of these documents will be sent to shareholders who are part of the same family and share the same residential address.

If you have a direct account with the Funds and you do not want the mailing of shareholder reports and summary prospectuses combined with other members in your household, contact the Funds at 800-621-3979. Your request will be implemented within 30 days.

## TRUSTEES AND EXECUTIVE OFFICERS



**Additional information about the Trust's Trustees and Officers is available in the Trust's Statement of Additional Information (SAI). You can get a free copy of the SAI by visiting the Funds' website at dodgeandcox.com or calling 800-621-3979.**

# Balanced Fund

**dodgeandcox.com**

For Fund literature, transactions, and account information, please visit the Funds' website.

or write or call:

DODGE & COX FUNDS
c/o Boston Financial Data Services
P.O. Box 8422
Boston, Massachusetts 02266-8422
(800) 621-3979

INVESTMENT MANAGER
Dodge & Cox
555 California Street, 40th Floor
San Francisco, California 94104
(415) 981-1710