

## TO OUR SHAREHOLDERS

The Dodge & Cox Global Stock Fund had a total return of -3.4% for the six months ended June 30, 2018, compared to a return of 0.4% for the MSCI World Index. As fellow shareholders, we are disappointed by the Fund's recent performance.

## WHY HAS THE FUND UNDERPERFORMED?

The Fund's underperformance in the first half of 2018 is explained by a combination of industry positioning and poor stock selection. The Fund's overweight positions and holdings in the Financials sector, Europe, and emerging markets detracted significantly from relative performance. These areas of the market were particularly weak as macroeconomic concerns dominated headlines. Heightened rhetoric about tariffs and trade wars, the rise of populism, higher oil prices, and a strengthening U.S. dollar weighed on the outlook for continued global economic growth.

Stock selection, particularly in companies that are in the midst of some form of business restructuring, further hindered performance. In the Media industry, weak performers included Liberty Global<sup>a</sup> (European cable) and U.S.-based Comcast, Charter Communications, and DISH Network. Magnit (Russian food retailer) and Micro Focus International (UK software) also did poorly and were affected by company-specific issues that disrupted improvement plans. However, we believe the challenges these companies face are fixable over our three- to five-year investment horizon and that their management teams are tackling the issues with a sense of urgency.

## HOW ARE WE RESPONDING?

Since the Fund's inception in 2008, there have been periods of short-term underperformance. During these intervals, we ask ourselves: Have the fundamentals changed? If so, how has our investment thesis changed? Are we being adequately compensated for the thesis to work over our investment time horizon, such that we should hold or even add to our position? Or should we sell our position because the risk/reward profile is no longer attractive?

We answer these questions by using a "clean sheet of paper" approach to determine whether the long-term fundamentals have changed in relation to valuation. We rigorously employ our bottom-up analysis to assess concerns facing a company and its industry. We evaluate growth prospects and competitive dynamics by meeting with the management of our holdings and their competitors. And we vigorously debate the relative opportunities and risks as part of our team decision-making process.

In some cases, we conclude the thesis has changed and decide to sell. For example, we sold Saipem, an engineering and construction company focused on oil and gas, during the second quarter. The company is heavily tied to offshore oilfield activity, and we think a rebound in that market has been pushed back and Saipem's competitive position has weakened.

In other cases, we reaffirmed the merit of an investment and added to our position. For example, we added to Grupo Televisa, the dominant television content producer and pay-television operator in Mexico, earlier in the year. The shares had been weak due to concerns about lower ratings, changes to the company's advertising pricing model, and slowing cable subscriber growth. We think those are short-term challenges that should not overshadow the substantive changes a new and improved management team is making to improve content programming and capital allocation. Grupo Televisa was subsequently a strong contributor to performance during the second quarter.

## WHY ARE WE OPTIMISTIC?

The process of re-evaluating each of the Fund's holdings has reinforced our positive outlook for the portfolio. We have many different potential drivers of long-term performance, including those in:

- Financials—valuations have fallen yet fundamentals have improved;
- Health Care—fundamentals are stable, while attractive dividend yields and share buybacks enable us to be patient;
- Media—an attractively valued way to benefit from growing demand for communications and entertainment around the world;
- Emerging markets—valuations are reasonable for companies with strong franchises and above average growth;
- Energy—we are in the early innings of a recovery; and
- The previously mentioned companies involved in restructuring—we see potential for significant earnings and cash flow improvement.

<sup>a</sup> The use of specific examples does not imply that they are more or less attractive investments than the portfolio's other holdings.

We are particularly enthusiastic about the Fund's holdings in the Financials and Health Care sectors and Media industry, which collectively represent 59% of the portfolio and the three largest overweight positions in the Fund.<sup>b</sup>

### Financials

The Fund is overweight Financials (27% versus 17% for the MSCI World), with 21% domiciled in developed markets and 6% in emerging markets. Despite current macroeconomic concerns, we find the Fund's financial services holdings to be increasingly attractive investment opportunities. This sector exemplifies the recent trend of lower valuations despite improving fundamentals. Over the past year, the forward price-to-earnings ratio for the MSCI World Financials sector contracted from 12.8 to 11.3 times, while trailing earnings per share grew by 14%. The decline in valuation suggests a worsening outlook for earnings and capital generation. However, we reach a different conclusion when we evaluate the Fund's 21 financial services investments using our bottom-up approach. Management teams are actively cutting costs, exiting low-return businesses, strengthening balance sheets, and improving returns on equity. UniCredit, the largest bank in Italy, is a good example of this divergence between fundamentals and valuation.

UniCredit declined 19% in the second quarter. Recent fears that a new anti-establishment Italian government would leave the Eurozone or repudiate debt have overshadowed the progress UniCredit has made in improving its balance sheet and profitability. From 2014 to 2017, UniCredit's non-performing loan ratio declined from 16.5% to 10.3%, and its adjusted return on tangible equity increased from 4.6% to 7.6% on a much bigger capital cushion. In spite of these improvements, the company's valuation declined from 0.7 times price to tangible book value to 0.6 times. Current valuation does not give credit for UniCredit's deep restructuring of its balance sheet and cost structure, and reflects market skepticism of management reaching its target of 9% return on tangible equity. However, we believe their target is achievable through internal self-help measures, and we added to the Fund's UniCredit position during the first half of 2018.

### Health Care

Health Care continues to be an attractive area of the market, where underlying fundamentals have remained stable while valuations have declined. The Fund is overweight Health Care (20% compared to 12% of the MSCI World). Six of the Fund's Health Care sector holdings are European pharmaceutical companies with global footprints. Despite pricing pressures in the U.S. market, profit margins have been resilient and free cash flow has been robust. Most of the Fund's current pharmaceutical holdings have returned one-third of their market capitalization in dividends and share buybacks over the past five years, while at the same time investing meaningfully in research and development (R&D).

We believe growth can accelerate due to improved R&D productivity in a variety of groundbreaking areas of innovation, including immuno-oncology and rare diseases. Nevertheless, valuations for the Fund's European pharmaceutical holdings have declined from an average of 17 times forward earnings in 2015 to 14 times on June 30, 2018, with an average dividend yield of 4%. At this lower valuation, we believe we are being compensated for our patience.

### Media

Within Consumer Discretionary, Media is an important overweight position: 12% of the Fund compared to 2% of the MSCI World on June 30. The media landscape is evolving due to new direct-to-consumer entrants, changes in consumer viewing and listening habits, shifting revenue streams, and industry consolidation. Uncertainty surrounding pending mergers and potential regulatory incursions (e.g., unbundling, forced wholesale access, price regulation on broadband) pose risks to the Fund's media investments.

Nevertheless, we recently added to Comcast and Charter Communications—the largest and second-largest cable providers in the United States—because we believe the market has overly penalized their share prices as a result of concerns about subscriber growth and potential bidding wars. Both companies have attractive valuations, difficult-to-replicate assets, and the potential to benefit from growth in data consumption. Comcast and Charter Communications also have de-facto local monopolies on broadband internet services in many parts of the United States and, despite talk of “cord cutting,” have potential to grow through increased broadband penetration and pricing power in residential and business services. Furthermore, their shareholder-friendly management teams are skilled capital allocators who seek to maximize value. Among the ten largest holdings in the Fund, Comcast and Charter Communications were 2.5% and 2.2% positions, respectively, on June 30.

### IN CLOSING

In many respects, the recent underperformance echoes what happened in 2015 when macroeconomic concerns also weighed heavily on the market. Back then, international equity markets were volatile due to fears of slowing growth in China, a stronger U.S. dollar, and growing populist sentiment in Europe that culminated in the Brexit decision the following June. The Fund trailed the MSCI World by seven percentage points in 2015, then outperformed the benchmark by 13 percentage points over the next seven quarters.

<sup>b</sup> Unless otherwise specified, all weightings and characteristics are as of June 30, 2018.

Although we do not know how the future will unfold, our investment team has successfully navigated a number of difficult periods in the market. The 2015-17 period illustrates the importance of employing a consistent process and staying the course with our convictions in the face of underperformance.

Starting points, as measured by valuation, matter for investment returns. With many of the Fund's holdings trading at lower valuations than they did six or nine months ago, we are increasingly optimistic about the potential for the current portfolio to generate strong returns over the long term. Our time-tested approach requires persistence, and we thank our fellow shareholders for your continued confidence in Dodge & Cox.

For the Board of Trustees,



Charles F. Pohl,  
Chairman



Dana M. Emery,  
President

August 1, 2018

- Objectives** ■ The Fund seeks long-term growth of principal and income.
- Strategy** ■ The Fund invests primarily in a diversified portfolio of equity securities issued by companies from at least three different countries, including emerging market countries. The Fund typically invests in medium-to-large well established companies based on standards of the applicable market. The Fund is not required to allocate its investments in set percentages in particular countries. Under normal circumstances, the Fund will invest at least 40% of its total assets in securities of non-U.S. companies.
- 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. Investing in non-U.S. securities may entail risk due to foreign economic and political developments; this risk may be higher when investing in emerging markets. Please read the prospectus for specific details regarding the Fund's risk profile.

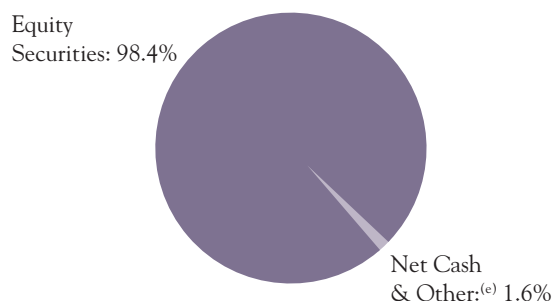
**GENERAL INFORMATION**

Net Asset Value Per Share	\$13.39
Total Net Assets (billions)	\$9.4
Expense Ratio	0.63%
Portfolio Turnover Rate (1/1/18 to 6/30/18, unannualized)	13%
30-Day SEC Yield <sup>(a)</sup>	1.31%
Active Share <sup>(b)</sup>	85%
Number of Companies	88
Fund Inception	2008

No sales charges or distribution fees

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

**ASSET ALLOCATION**



PORTFOLIO CHARACTERISTICS	Fund	MSCI World	REGION DIVERSIFICATION (%) <sup>(f)</sup>	Fund	MSCI World
Median Market Capitalization (billions)	\$44	\$13	United States	45.0	60.7
Weighted Average Market Capitalization (billions)	\$108	\$138	Europe (excluding United Kingdom)	24.8	16.3
Price-to-Earnings Ratio <sup>(c)</sup>	13.1x	15.3x	United Kingdom	10.1	6.4
Countries Represented	21	23	Pacific (excluding Japan)	9.1	4.3
Emerging Markets (Brazil, China, India, Mexico, Russia, South Africa, South Korea, Thailand)	16.3%	0.0%	Latin America	4.4	0.0
			Africa	2.5	0.0
			Canada	1.5	3.5
			Japan	1.0	8.6
			Middle East	0.0	0.2

TEN LARGEST HOLDINGS (%) <sup>(d)</sup>	Fund	SECTOR DIVERSIFICATION (%)	Fund	MSCI World
Alphabet, Inc. (United States)	2.7	Financials	26.9	16.8
Comcast Corp. (United States)	2.5	Health Care	20.1	12.2
Novartis AG (Switzerland)	2.4	Consumer Discretionary	18.6	12.7
Sanofi (France)	2.3	Information Technology	11.9	18.5
ICICI Bank, Ltd. (India)	2.3	Energy	7.2	6.8
GlaxoSmithKline PLC (United Kingdom)	2.3	Industrials	4.7	11.2
Charter Communications, Inc. (United States)	2.2	Materials	3.9	4.9
Samsung Electronics Co., Ltd. (South Korea)	2.1	Telecommunication Services	3.7	2.6
Roche Holding AG (Switzerland)	2.0	Consumer Staples	0.9	8.3
Express Scripts Holding Co. (United States)	2.0	Real Estate	0.5	3.0
		Utilities	0.0	3.0

<sup>(a)</sup> 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.

<sup>(b)</sup> Active share is a measure of how much an investment portfolio differs from its 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. The Global Stock Fund's total overlap with the MSCI World is the sum of each security's calculated overlap.

<sup>(c)</sup> Price-to-earnings (P/E) ratios are calculated using 12-month forward earnings estimates from third-party sources.

<sup>(d)</sup> 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.

<sup>(e)</sup> Net Cash & Other includes cash, short-term investments, derivatives, receivables, and payables.

<sup>(f)</sup> The Fund may classify a company in a different category than the MSCI World. The Fund generally classifies a company based on its country of incorporation, but may designate a different country in certain circumstances.

## Average Annual Total Return<sup>1</sup>

For periods ended  
June 30, 2018

	1 Year	3 Years	5 Years	10 Years
Dodge & Cox Global Stock Fund	5.84%	7.34%	10.04%	7.25%
MSCI World Index	11.09	8.48	9.94	6.26

dodgeandcox.com

Returns represent past performance and do not guarantee future results. Investment return and share price will fluctuate with market conditions, and investors may have a gain or loss when shares are sold. Fund performance changes over time and currently may be significantly lower than stated above. Performance is updated and published monthly. Visit the Fund's website at [dodgeandcox.com](http://dodgeandcox.com) or call 800-621-3979 for current month-end performance figures.

The Dodge & Cox Global Stock Fund had a total return of -0.7% for the second quarter of 2018, compared to 1.7% for the MSCI World Index. For the six months ended June 30, 2018, the Fund had a total return of -3.4%, compared to 0.4% for the MSCI World.

### INVESTMENT COMMENTARY

As fellow shareholders, we are disappointed by the Fund's recent results. The Fund's overweight positions and holdings in the Financials sector, Europe, and emerging markets detracted significantly from relative performance. These areas of the market were particularly weak as macroeconomic concerns dominated the quarter's headlines. Heightened rhetoric about tariffs and trade wars, the rise of populism, higher oil prices, and a strengthening U.S. dollar weighed on the outlook for continued global economic growth.

Financials—often viewed as a proxy for macroeconomic sentiment—were the worst performers in the global market during the quarter. The MSCI World Financials sector was down 4%. The sector was also weak (down 6%) during the first six months of 2018. The Fund is overweight Financials (27% versus 17% for the MSCI World), with 21% domiciled in developed markets and 6% in emerging markets. Despite current macro concerns, we find the Fund's financial services holdings to be increasingly attractive investment opportunities. We pay close attention to macro factors; however, our research process places more emphasis on individual company fundamentals relative to valuation, which we view as a more reliable signal in determining long-term investment merit. Doing so enables us to focus on what expectations—macro or otherwise—are already priced in a stock.

The basis for our optimism is that valuations have declined, yet company fundamentals have improved. Over the past year, the forward price-to-earnings ratio for the MSCI World Financials sector contracted from 12.8 to 11.3 times, while trailing earnings per share grew by 14%. The decline in valuation suggests a worsening outlook for earnings and capital generation. But we reach a different conclusion when we evaluate the Fund's 21 financial services investments using our bottom-up approach. Management teams are actively cutting costs, exiting low-return businesses, strengthening balance sheets, and improving returns on equity. UniCredit, the largest bank in Italy, and Itau Unibanco, the second largest bank in Brazil, are good examples of this divergence between fundamentals and valuation.

UniCredit declined 19% in the second quarter. Recent fears that a new anti-establishment Italian government would leave the Eurozone or repudiate debt have overshadowed the progress UniCredit has made in improving its balance sheet and profitability. From 2014 to 2017, UniCredit's non-performing loan ratio declined from 16.5% to 10.3%, and its adjusted return on tangible equity increased from 4.6% to 7.6% on a much bigger capital cushion. In spite of these improvements, the company's valuation declined from 0.7 times price to tangible book value to 0.6 times. Current valuation does not give credit for UniCredit's deep restructuring of its balance sheet and cost structure, and reflects market skepticism of management reaching its target of 9% return on tangible equity, which is largely based on self-help measures.

Similarly, Itau Unibanco declined 32% in the second quarter (21% in local currency), as a weakening currency and higher fuel prices caused concern about inflation and weaker economic growth in Brazil. While we acknowledge these risks, we are comforted by the fact that the management team has successfully navigated significant economic volatility in the past and generated an average return on equity of 26% over the last 20 years. Recent data show loan growth recovering after a severe recession from 2015-16, and the long-term outlook for higher credit penetration remains promising.

Since the Fund's inception in 2008, there have been periods of short-term underperformance. During these intervals, we ask ourselves: Have the fundamentals changed, and if so, how has our investment thesis changed? Are we being adequately compensated for the thesis to work over our investment time horizon, such that we should hold or even add to our position? Or should we sell our position because the risk/reward profile is no longer attractive? We answer these questions by using a "clean sheet of paper" approach to determine whether the long-term fundamentals have changed in relation to valuation. Our analysis has led us to selectively add to Financials over the past six months (including UniCredit) because we see improving fundamentals and lower valuations.

We have a stable team that has successfully navigated a number of challenging periods together. We are applying the lessons from previous market cycles to structure our current portfolio in ways that we believe will enable it to generate strong returns over the long term. Our approach requires persistence and a willingness to stay the course in the face of challenging times. We thank our fellow shareholders for your continued confidence in Dodge & Cox.

Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit [dodgeandcox.com](http://dodgeandcox.com) or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

### SECOND QUARTER PERFORMANCE REVIEW

The Fund underperformed the MSCI World by 2.5 percentage points during the quarter.

#### KEY DETRACTORS FROM RELATIVE RESULTS

- Weak relative returns from holdings in the Financials sector (down 8% compared to down 4% for the MSCI World sector), combined with an average overweight position in that sector (28% versus 17%), impaired results. Itau Unibanco (down 32%), Societe Generale (down 19%), UniCredit (down 19%), and Barclays (down 14%) had a particularly negative impact.
- Modest returns in the Information Technology sector (up 2% compared to up 6% for the MSCI World sector), combined with an average underweight position (12% versus 18% in the Index) also impeded results. Hewlett Packard Enterprise (down 16%) and Samsung Electronics (down 11%) were notable detractors.
- Additional negative returns were also generated by Petrobras (down 31%), MTN Group (down 22%), and Liberty Global (down 13%).

#### KEY CONTRIBUTORS TO RELATIVE RESULTS

- The Fund's average overweight position in the Media industry (13% versus 2% for the MSCI World Index) bolstered results. Altice Europe (up 108%<sup>2</sup>), Twenty-First Century Fox (up 35%), and Grupo Televisa (up 19%) were notable contributors.
- The Fund's average underweight position in the Industrials sector (5% versus 11% in the MSCI World sector) contributed significantly to the performance.
- Relative returns in the Materials sector (up 7% compared to up 2% for the MSCI World sector) had a positive impact. Linde (up 17%) was a strong performer.
- The Fund's modest overweight position in the Energy sector (average 8% versus 7% in the MSCI World sector) also aided performance. Notable contributors included Apache (up 22%), Anadarko Petroleum (up 22%), and Suncor Energy (up 19%).

### YEAR-TO-DATE PERFORMANCE REVIEW

The Fund underperformed the MSCI World by 3.8 percentage points year to date.

#### KEY DETRACTORS FROM RELATIVE RESULTS

- Weak returns from holdings in the Financials sector (down 9% versus down 6% for the MSCI World sector), combined with an average overweight position (28% versus 18%), hindered performance. ICICI Bank (down 18%) was a notable detractor.
- The Fund's relative returns in the Information Technology sector (up 1% compared to up 9% for the MSCI World sector) and average underweight position (13% versus 18%) hurt results. Micro Focus International (down 48%) and Samsung Electronics (down 12%) detracted from results.
- Additional detractors included Magnit (down 33%), MTN Group (down 26%), and Liberty Global (down 21%).

#### KEY CONTRIBUTORS TO RELATIVE RESULTS

- Relative returns in the Energy sector (up 15% compared to up 7% for the MSCI World sector) had a positive impact. Anadarko Petroleum (up 38%) and Suncor Energy (up 13%) were strong performers.
- The Fund's average underweight position in the Industrials sector (5% versus 12% for the MSCI World sector) contributed to returns.
- Additional contributors included Twenty-First Century Fox (up 45%), Target (up 19%), and GlaxoSmithKline (up 16%).

<sup>1</sup> The Fund's total returns include the reinvestment of dividend and capital gain distributions, but have not been adjusted for any income taxes payable by shareholders on these distributions or on Fund share redemptions. Index returns include dividends but, unlike Fund returns, do not reflect fees or expenses. The MSCI World Index is a broad-based, unmanaged equity market index aggregated from 23 developed market country indices, including the United States and Canada. 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. All returns are stated in U.S. dollars, unless otherwise noted.

<sup>2</sup> Total return since Altice rights issuance on May 22, 2018 for the Altice USA spin-off.

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