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BROCHURE

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This brochure provides information about the qualifications and business practices of Dodge & Cox, an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). If you have any questions about the contents of this brochure, please contact us at (415) 981-1710. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply that an investment adviser has a certain level of skill or training.

Additional information about Dodge & Cox is available on the SEC's website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

This section identifies material changes since the last annual update of Dodge & Cox's brochure dated as of March 31, 2011.

- The section *Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading* includes enhanced disclosure relating to Dodge & Cox's gifts and entertainment policy and potential conflicts.
- The section *Brokerage Practices* has been updated to reflect that Dodge & Cox may use soft dollars to obtain third-party research and may engage in commission sharing arrangements.

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ADVISORY BUSINESS

FIRM DESCRIPTION

Dodge & Cox provides investment management services to institutions, individuals, and mutual funds and other pooled investment vehicles on a fully discretionary basis, subject to the investment objectives and investment guidelines of each client. Established in 1930, Dodge & Cox is an independent organization and manages investments from one office located in San Francisco. Ownership is limited to active employees of the firm. No one person owns more than 10% of the firm.

ADVISORY SERVICES

Investment management is our only business. Dodge & Cox provides equity, fixed income, and balanced account management services to our clients. In addition to separately managed accounts, Dodge & Cox manages the Dodge & Cox Funds, an SEC-registered investment company consisting of the following five series: Dodge & Cox Stock Fund, Dodge & Cox Balanced Fund, Dodge & Cox Income Fund, Dodge & Cox International Stock Fund, and Dodge & Cox Global Stock Fund. Dodge & Cox also serves as investment manager to Dodge & Cox Worldwide Funds plc, an investment company authorized and regulated by the Irish Financial Services Regulatory Authority pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, as amended. Dodge & Cox Worldwide Funds plc is an umbrella company consisting of four funds (the “Dodge & Cox Worldwide Funds”).

Our investment philosophy is built on traditional principles—we conduct our own research, employ a rigorous price discipline, and maintain a long-term investment horizon. Dodge & Cox follows a disciplined approach to investing in which investment ideas are considered by investment committees. Decisions are generally applied to all eligible fund and separate account clients after taking cash flows, investment guidelines and restrictions, and other account-specific circumstances into consideration. This process involves establishing target allocations and securities position limits that are applied across relevant client portfolios.

Please note that Dodge & Cox does not provide financial planning services. Accordingly, Dodge & Cox will provide investment management services only with respect to the securities, cash, and other investments held in a client’s account and, in making recommendations with respect to the account, Dodge & Cox will not consider any other securities, cash, or other investments owned by the client. In addition, Dodge & Cox does not provide tax, accounting, or legal services or advice.

ACTIVITIES DODGE & COX DOES NOT ENGAGE IN

Dodge & Cox does *not* engage in certain activities, thereby avoiding or limiting the conflicts of interest presented by some of those activities. For example, we do not manage or offer hedge funds; trade with affiliated broker-dealers; use solicitors; engage in proprietary trading; participate in wrap fee programs; or compensate employees on the basis of sales.

Securities Lending

We do not enter into securities lending arrangements with or on behalf of separately managed account clients. To the extent that a client chooses to enter into a securities lending agreement with a securities lending agent (which may be its custodian), the client should be aware that Dodge & Cox is not a party to the agreement and that securities lending presents certain risks, including, but not limited to, delayed settlement, failed delivery, and the inability to vote proxies or respond to corporate actions in a timely manner, which may hinder Dodge & Cox’s ability to manage a client’s portfolio effectively. We are not responsible for any losses or expenses caused directly or indirectly by a client’s securities lending arrangements.

Class Actions

We do not file claims or make decisions on a client's behalf in legal proceedings involving securities held in a separately managed account. Dodge & Cox will forward class action notification and proof-of-claim forms if instructed to do so by the client. In the event a client instructs Dodge & Cox to forward such materials to the client's custodian, the client should (i) ensure that the custodian is capable of filing, and has the proper authorization to file, proofs of claim on the client's behalf and (ii) determine whether and how to file a request for exclusion from a particular class action settlement.

Custodians and Broker-Dealers

We do not provide custody services and do not act as a broker-dealer in placing trades for a client's portfolio. Clients obtain statements from their custodians on at least a quarterly basis showing all transactions in the client's custodial account(s) during the period and listing assets held in each account as of the end of the period.

We do not assume responsibility for the acts or omissions of any custodian, broker-dealer, securities lending agent, or other third party.

CLIENT INVESTMENT GUIDELINES AND RESTRICTIONS

Our investment management services can be tailored to a client's needs. We manage portfolios subject to client-imposed investment guidelines and restrictions, provided they are clear and not unduly burdensome or restrictive. See *Investment Discretion* on p. 26 for more information. Dodge & Cox Funds or other commingled vehicles we manage are not subject to an individual investor's investment restrictions, but are managed in accordance with the Fund's prospectus or similar governing document.

ERISA Restrictions

To the extent a client account is subject to ERISA, the client must inform us of any employer securities the client is not permitted to own under ERISA. In addition, in order to rely on the class exemption for qualified professional asset managers, the client must provide us with a list of any "party in interest" as defined in Section 3(14) of ERISA and every affiliate with the authority to appoint or terminate Dodge & Cox as investment adviser or to negotiate the terms of an investment management agreement with Dodge & Cox with respect to the account.

ASSETS UNDER MANAGEMENT

As of December 31, 2011, we managed \$ 174,098,572,446 on a discretionary basis and \$850,472,536 on a non-discretionary basis.

FEES AND COMPENSATION

COMPENSATION FOR ADVISORY SERVICES

Dodge & Cox furnishes continuous investment management supervision to clients' securities portfolios. Such supervision, which is normally on a fully discretionary basis, is based on the investment objectives and investment guidelines of each client. Management fees for services are based on a percentage of assets under management.

Current annual fees for separate accounts are:

Equity and Balanced Accounts:

- .60% on the first \$25 million
- .40% thereafter

Core and Long Duration Fixed Income Accounts:

- .40% on the first \$10 million
- .30% on the next \$25 million
- .20% on the next \$25 million
- .15% on the next \$65 million
- .12% on the next \$575 million
- .10% thereafter

Intermediate Fixed Income Accounts:

- .35% on the first \$10 million
- .25% on the next \$20 million
- .15% on the next \$60 million
- .10% thereafter

Short-Term Fixed Income Accounts:

- .15% annual fee rate

Municipal Fixed Income Accounts:

- .35% on the first \$10 million
- .25% on the next \$20 million
- .20% on the next \$20 million
- .15% thereafter

Different fee schedules may apply to accounts with special mandates or service needs or accounts that do not meet the minimum initial account size. A lower fee schedule may apply to certain longstanding clients. In addition, Dodge & Cox may make charitable donations to nonprofit organizations that are clients or are supported by or affiliated with clients. Dodge & Cox's established fee schedules are not negotiable. To focus on providing investment management services to existing clients, Dodge & Cox may from time to time decline to accept new clients.

PAYMENT OF FEES

Management fees are generally billed and payable quarterly in arrears based on the value of the account as of the last business day of the quarter (or average of the month-ends) and are normally adjusted for cash flows. When an account is opened or terminated, the fee is pro-rated to the opening or termination date. The Investment Management Agreement between Dodge & Cox and the client generally, once executed, remains in effect until terminated by written notice from either party to the other. No such termination shall affect commitments actually entered into for the client by Dodge & Cox prior to termination.

Clients are billed for management fees incurred for their accounts and Dodge & Cox does not have authority to deduct fees directly from client assets. If authorized by a particular client, fees may be billed directly to the client's account by sending a bill to both the client and the client's

custodian. In this situation, the client normally authorizes the custodian to pay fees directly from the client's custody account. In such cases, it is Dodge & Cox's understanding, as communicated to the client and its custodian, that the custodian sends quarterly (or more frequent) statements directly to the client or its representative showing all assets and transactions in the account, including fees paid to Dodge & Cox. Dodge & Cox generally receives either paper or electronic copies of the custodian's statements.

OTHER FEES AND EXPENSES

Dodge & Cox clients select the custodians for their accounts and are responsible for fees charged by the custodian to provide its services. Client accounts also incur brokerage and other transaction costs, which are charged directly against client assets, where applicable. Dodge & Cox *Brokerage Practices* are discussed in detail on p. 18 of this Brochure.

Cash balances in client separate accounts may be invested in unaffiliated short-term investment funds (STIFs) (which may include money market funds) designated by the client or its custodian. Since current information about STIF holdings is generally not available, Dodge & Cox does not attempt to assess the quality of the underlying assets of a STIF selected by a client or its custodian. Dodge & Cox does not provide any advisory fee credit for client assets invested in a STIF, which means that such assets will typically bear not only their proportionate share of the expenses of the STIF, but also management fees charged by Dodge & Cox.

FEES PAID IN ADVANCE

Dodge & Cox does not bill clients in advance for management fees. If a client chooses to make an advance payment for tax planning or other reasons, Dodge & Cox will reconcile the fee invoice with any money that was paid in advance and bill for, or provide a refund of, the difference, as applicable.

COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS

Neither Dodge & Cox nor its employees receive commissions or service fees for the sale of securities or other investment products that may be recommended or chosen for a client account. In some cases, separate account assets may be invested in one or more of the Dodge & Cox Funds. To the extent a separate account is invested in a Dodge & Cox Fund, the account is not assessed a management fee on those assets and will generally receive a credit for the Fund investment(s) on the applicable fee schedule. The portion of the separate account invested in Fund shares will, however, incur management and other fees imposed by the Fund. Certain clients holding shares of a Dodge & Cox Fund outside of a separate account may also be eligible for a credit on the applicable fee schedule. In order to receive the credit, clients must notify Dodge & Cox of their existing Fund investments and agree to periodically provide account information to Dodge & Cox. Please see *Recommendation of Dodge & Cox Funds* on p. 16 for more discussion of the potential conflicts of interest that may exist when separate accounts invest in the Dodge & Cox Funds. Please see *Other Financial Industry Activities and Affiliations* on p. 14 for more information on the Dodge & Cox Funds.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Not applicable. Dodge & Cox does not charge performance-based fees for managing client accounts.

TYPES OF CLIENTS

Dodge & Cox provides investment management services to individuals and institutions. Institutional clients may include banking or thrift institutions, investment companies, other pooled investment vehicles, pension and profit sharing plans, charitable organizations, corporations or other businesses, state or municipal government entities, insurance companies, and union or Taft-Hartley plans.

The minimum initial account size is as follows:

Separate Institutional:

Equity and Balanced Accounts: \$60 million

Core, Long-Duration, Intermediate, and Short-Term Fixed Income Accounts: \$75 million

Separate Insurance or Other Specialized Fixed Income Accounts: \$100 million

Private Client (including Municipal Fixed Income):

San Francisco Bay Area: \$10 million

Non-San Francisco Bay Area: \$20 million

Dodge & Cox may depart from these minimums on a case by case basis.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

GENERAL

Dodge & Cox manages client portfolios with an investment philosophy built on traditional principles—we conduct our own research, employ a rigorous price discipline, and maintain a long-term investment horizon. This section discusses in more detail the methods of analysis and investment strategies that Dodge & Cox uses when making investments in equity and fixed income securities. We also describe some of the risks involved with investing in particular types of securities.

All investing involves risks, including the permanent loss of capital. **Dodge & Cox does not guarantee the future performance of a client's account or any specific level of performance, the success of any investment decision or strategy that Dodge & Cox may use, or the success of the overall management of the account.** Clients should understand that investment decisions made for their accounts by Dodge & Cox are subject to various market, currency, economic, political, and business risks, and that those investment decisions will not always be profitable. Clients should be prepared to bear the risk of loss that accompanies investing in securities.

A client can lose money on the investments held in its account, or the account can underperform the market, its benchmark, or other investments for many reasons, including the following:

- *Issuer risk.* Securities held in a client's account may decline in value because of changes in the financial condition of, or other events affecting, the issuers of these securities.
- *Management risk.* Dodge & Cox's opinion about the intrinsic worth of a company or security may be incorrect, Dodge & Cox may not make timely purchases or sales of securities for the account, the account's investment objective may not be achieved, or the market may continue to undervalue the account's securities.
- *Equity risk.* Equity securities generally have greater price volatility than fixed income securities.
- *Market risk.* Stock prices may decline over short or extended periods due to general market conditions.
- *Liquidity risk.* Dodge & Cox may not be able to purchase or sell a security in a timely manner or at desired prices or achieve its desired weighting.
- *Non-U.S. Issuer Risk.* Foreign securities may decline in value because of political, economic, or market instability; the absence of accurate information about foreign companies; or unfavorable foreign government actions, including expropriation and nationalization. Non-U.S. securities are sometimes less liquid, more volatile, and harder to value than securities of U.S. issuers. Lack of uniform accounting, auditing, and financial reporting standards—often with less governmental regulation and oversight than U.S. companies—may increase risk. Some countries may have different legal systems that may make it difficult to vote proxies, exercise shareholder rights, and pursue legal remedies with respect to investments. These risks may be higher when investing in emerging market companies. Certain of these risks may also apply to securities of U.S. companies with significant non-U.S. operations. Global economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country or region may adversely impact issuers in a different country or region.

- *Interest rate risk.* Fixed income security prices may decline due to rising interest rates. Fixed income securities with longer maturities are generally subject to potentially greater price volatility than obligations with shorter maturities.
- *Credit risk.* A security's price may decline due to deterioration in the issuer's or a guarantor's financial condition. An account could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a forward contract, repurchase agreement, or a loan of portfolio securities is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. If an issuer defaults, or if the credit quality of an investment deteriorates or is perceived to deteriorate, the value of the investment could decline.
- *Call risk.* During periods of falling interest rates, issuers of callable bonds may repay securities with higher interest rates before maturity. This could cause an account to lose potential price appreciation and reinvest the proceeds at lower interest rates.
- *Mortgage and asset-backed securities risk.* Early repayment of principal (e.g., prepayment of principal due to sale of the underlying property, refinancing, or foreclosure) of mortgage-related securities (or other callable securities) can expose an account to a potential loss on any premium to face value paid and to a lower rate of return upon reinvestment of principal. In addition, changes in the rate of prepayment also affect the price and price volatility of a mortgage-related security. Securities issued by certain U.S. government sponsored enterprises (GSEs) (such as Fannie Mae, Freddie Mac, the Federal Home Loan Banks, and the Federal Farm Credit Banks) are not issued or guaranteed by the U.S. Treasury. In the event that these GSEs cannot meet their obligations, there can be no assurance that the U.S. government will (or will continue to) provide support, and an account's performance could be adversely impacted.
- *Municipal bond risk.* Like other debt securities, municipal bonds are subject to credit risk, interest rate risk and call risk. Obligations of issuers of municipal bonds are generally subject to the provisions of bankruptcy, insolvency, and other laws affecting the rights and remedies of creditors. However, the obligations of certain municipal issuers may not be enforceable through the exercise of traditional creditors' rights. The reorganization under the federal bankruptcy laws of a municipal bond issuer or payment obligor bonds may result in, among other things, the municipal bonds being cancelled without repayment or repaid only in part. In addition, Congress or state legislatures may seek to extend the time for payment of principal or interest, or both, or to impose other constraints upon enforcement of such obligations. Litigation and natural disasters, as well as adverse economic, business, legal, or political developments, may introduce uncertainties in the market for municipal bonds or materially affect the credit risk of particular bonds.

Please also refer to *Types and Risks of Equity Investments*, *Types and Risks of Fixed Income Investments*, and *Additional Discussion of U.S. Treasury Futures* below for additional risk information. The Dodge & Cox Funds prospectus and statement of additional information, and the Dodge & Cox Worldwide Funds' prospectus, also contain additional information about these and other risks.

Dodge & Cox follows a disciplined approach to investing in which investment ideas are considered by investment committees and decisions are applied to all eligible clients (including the Dodge & Cox Funds, the Dodge & Cox Worldwide Funds, and separate account clients) within a particular strategy. This process involves establishing target allocations and securities position limits that are applied across all relevant client portfolios. As a result, clients with similar objectives are likely to have common holdings. However, private client accounts generally hold fewer portfolio positions than institutional separate accounts. It is possible that certain investment

opportunities that would be available to a portfolio manager with a different approach or with smaller client accounts may not be available to Dodge & Cox clients due to Dodge & Cox's approach and the aggregate size of its client accounts. For example, Dodge & Cox may not be able to establish significant portfolio positions in limited investment opportunities or add significantly to existing securities positions. In addition, Dodge & Cox may not be able to quickly dispose of certain securities holdings.

An account's balance between stocks and fixed income securities can limit its potential for capital appreciation (relative to an all-stock account) or limit its capital preservation potential (relative to an all-fixed income account). A separate account client that also holds shares of a Dodge & Cox Fund may have security positions in the account that overlap with the Fund's portfolio.

For taxable clients, Dodge & Cox may enter into transactions intended to reduce a client's net realized taxable gains. Such transactions, which may or may not achieve their desired result, can temporarily increase or decrease a client's holdings of, and exposure to, one or more specific securities. Please note that Dodge & Cox does not provide tax advice.

INVESTMENT COMMITTEE STRUCTURE

Our investment process is team based and consists of three primary phases:

- Idea generation and initial research;
- Sector committee review, discussions, and approval; and
- Investment committee review and approval.

The duration of each phase will vary with each investment under consideration.

We generally purchase securities only when (i) our analysis shows that they offer attractive relative value and long-term total return potential and (ii) we have the opportunity to establish a meaningful position in the securities at those valuations. If both criteria are met, the investment idea is approved and implemented across eligible portfolios on an equitable basis.

Existing holdings are monitored on an ongoing basis. Securities are generally sold when our analysis shows that we are no longer being compensated for the security's risks, the risk/reward profile of another investment is more compelling, or a sale is mandated by a change in the needs or objectives of the client. As in the case with new investments, the decision to sell an existing holding generally goes through an extensive review process.

Dodge & Cox has five investment committees: the Investment Policy Committee, Fixed Income Investment Policy Committee, International Investment Policy Committee, Global Investment Policy Committee, and Private Client Group Policy Committee. A brief description of each committee follows. Information about committee members is contained in the Dodge & Cox Brochure Supplement, which is available upon request from Dodge & Cox.

Dodge & Cox requires that all staff involved in determining or giving investment advice to clients have, either through educational or work experience, a thorough knowledge of the investment management business. While there are no specific educational requirements, most investment professionals have advanced degrees and hold the CFA[®] designation.

The Investment Policy Committee (IPC) is the key domestic equity investment management decision-making body and is responsible for establishing the investment strategy for domestic equity portfolios, including the Dodge & Cox Stock Fund and the Dodge & Cox Worldwide Funds plc – U.S. Stock Fund. The IPC is also responsible for asset allocation decisions among equity, fixed income, and cash in the Dodge & Cox Balanced Fund and institutional balanced accounts. The IPC consists of nine senior portfolio managers and analysts.

The Fixed Income Investment Policy Committee (FIIPC) is the key fixed income decision-making body and establishes the investment strategy for fixed income portfolios, including the

Dodge & Cox Income Fund and the fixed income portion of balanced accounts. The FIIPC consists of ten senior portfolio managers and analysts. The primary functions of the FIIPC are to (i) set and review fixed income strategy; (ii) evaluate and approve new types of fixed income securities; (iii) oversee the fixed income research process; and (iv) oversee implementation of fixed income strategy. As part of its mandate to set and review fixed income strategy, FIIPC responsibilities include setting target duration ranges for fixed income and balanced accounts, approving all new types of fixed income securities, and approving all initial buy decisions of corporate bond issuers with credit ratings below “BBB.”

The International Investment Policy Committee (IIPC) is the key international equity investment management decision-making body, consisting of nine senior portfolio managers and analysts. The IIPC meets regularly to (i) set Dodge & Cox International Stock Fund and Dodge & Cox Worldwide Funds plc – International Stock Fund investment strategy; (ii) review and approve research recommendations for additions to or deletions from the international equity buy list and source of funds list; and (iii) oversee the implementation of investment strategy.

The Global Investment Policy Committee (GIPC) is the key management decision-making body that sets and oversees the implementation of Dodge & Cox’s global equity investment strategy. The GIPC consists of seven senior portfolio managers and analysts and meets regularly to (i) set Dodge & Cox Global Stock Fund and Dodge & Cox Worldwide Funds plc – Global Stock Fund investment strategy; (ii) review and approve research recommendations for additions to or deletions from the global equity buy list and source of funds list; and (iii) oversee the implementation of investment strategy.

The Private Client Group Policy Committee (PCGPC) is the investment management decision-making body for separately managed accounts within the Private Client Group and is responsible for making equity buy and sell decisions, overseeing portfolio diversification, and reviewing fixed income and equity allocations for balanced accounts. The PCGPC consists of seven senior portfolio managers and meets regularly to discuss issues and strategies specific to individual private client accounts, consulting on specific investments with the IPC, IIPC, and GIPC, as well as members of the fixed income department who focus on municipal securities.

EQUITY INVESTING

Individual company research drives the selection of stocks for the equity portfolios we manage. Our independent and bottom-up research process is critical to forming a well-founded thesis for each of our investments. Our team of global research analysts, organized by industry, conducts detailed primary research which provides us the necessary perspective about industry dynamics to assess company fundamentals and compare valuations. Our long-term horizon enables us to focus our research efforts on the factors—such as franchise strength, competitive dynamics, growth opportunities, and management quality—that we believe ultimately determine business success. We make a conscious effort to maintain representation in most major economic sectors and to avoid concentrating a portfolio in any one particular sector or industry. A strong price discipline is also an essential characteristic of our investment strategy.

The consistency of our team and long tenure of our investment professionals at Dodge & Cox has allowed us to build and retain deep institutional knowledge of each industry. All investment decisions are based on the judgment and analysis of our team of investment professionals, not on outside recommendations. Research analysts have global industry coverage responsibilities and are all located together on one floor in our office in San Francisco to promote collaboration. We encourage regular and frequent interaction among our analysts and portfolio managers (many of whom maintain significant research responsibilities) to obtain feedback and suggestions for additional due diligence, and to leverage the perspectives and experience of our senior investment professionals. We believe the collegial environment fostered by having close interaction among

all of our investment professionals in one office is key to the development of our research capabilities and the implementation of a consistent investment philosophy.

Types and Risks of Equity Investments

Equity investments for separate accounts are primarily made in a company's common stock that is exchange listed or traded over the counter in the United States. Investments may also be made in, but are not limited to, preferred stock, publicly traded REITs, mutual fund shares, and depository receipts (which trade in the United States but represent ownership of shares of a non-U.S. issuer). Of the general risks described above, equity investments are generally subject to issuer risk, management risk, liquidity risk, equity risk, market risk, and, where applicable, non-U.S. issuer risk.

FIXED INCOME INVESTING

The portfolio management team devotes the greatest percentage of its time to security selection. The first phase of our process involves the generation of investment ideas by our fixed income team consisting of portfolio managers, analysts, and traders, and our global research analysts who are a critical shared resource between the equity and fixed income portfolio management teams. Various members of the investment team conduct initial research on the idea under consideration and initiate informal internal discussions. When researching a corporate credit idea, for example, we analyze the corporate credit fundamentals, yield spread relationships, structural features of securities, and indenture agreements. We may also have calls with company management, competitors, and suppliers.

The second phase entails more formal discussion of current and potential portfolio holdings at our sector committee meetings. Sector teams are composed of the portfolio managers, analysts, and traders specializing in that sector, joined by other investment team members when appropriate. Each team includes several policy committee members. Topics may include a detailed review of strategy within the sector, review of a specific investment idea, or discussion of an existing holding when new information has come to light which may affect our investment thesis (e.g., material price change, change in business fundamentals and/or environment, upcoming corporate action, etc.). A typical meeting will include debate and analysis of the idea, review of the financials (if a corporate investment), and review of the analyst's financial projections across various scenarios, with particular attention paid to the downside case. We analyze prospective investment returns over a broad range of interest rate, spread, and (if applicable) prepayment environments, and discuss market considerations (supply, execution ability) for the particular idea. Once the investment idea or proposed action is approved at the sector committee level, the recommendation is presented to our Fixed Income Investment Policy Committee for a final analysis and decision.

Types and Risks of Fixed Income Investments

Fixed income investments are primarily made in corporate securities, mortgage-backed securities, and asset-backed securities. Dodge & Cox may also invest client assets in other fixed income securities. These other securities include, but are not limited to, commercial paper; certificates of deposit; municipal securities; repurchase agreements; convertible securities; debt securities issued by publicly traded partnerships; when-issued, forward-commitment, or delayed-delivery securities; U.S. government securities; and U.S. Treasury futures. Of the general risks described above, fixed income investments may be subject to issuer risk, management risk, liquidity risk, interest rate risk, credit risk, call risk, mortgage and asset-backed securities risk, and, where applicable, non-U.S. issuer risk, and municipal bond risk.

Additional Discussion of U.S. Treasury Futures

Dodge & Cox may use U.S. Treasury futures contracts for a variety of purposes in connection with the management of the interest rate exposure of client portfolios. Dodge & Cox's use of such contracts for a portfolio could include, but not be limited to, adjusting the overall interest rate

exposure, or “duration,” of the portfolio; changing the exposure of the portfolio to different parts of the yield curve; offsetting the impact of special situations that affect specific securities (e.g., tender offers); and maintaining portfolio interest rate exposure as large portfolio contributions or withdrawals occur. Dodge & Cox’s use of Treasury futures is subject to a client’s investment guidelines and the client’s completion of the necessary documentation with a futures commission merchant.

While transactions in Treasury futures may reduce certain risks, these transactions themselves entail certain other risks. Unanticipated changes in interest rates or securities prices may result in a poorer overall performance for a portfolio than if it had not entered into any Treasury futures transactions. In the event of adverse price movements, a portfolio may be required to make daily cash payments to maintain its required margin. If the portfolio has insufficient cash, it may have to sell portfolio securities to meet daily margin requirements at a time when the portfolio manager would not otherwise elect to do so. In addition, a portfolio may be required to deliver or take delivery of instruments underlying the Treasury futures it holds. A portfolio may suffer losses if it is unable to close out its position because of an illiquid secondary market, and there is no assurance that a portfolio will be able to close out its position when Dodge & Cox considers it appropriate or desirable to do so. In general, derivatives, including Treasury futures, may involve risks different from, and potentially greater than, those of the underlying securities. To the extent a portfolio uses Treasury futures, it is exposed to additional volatility and potential losses resulting from leverage. Losses (or gains) involving Treasury futures contracts can sometimes be substantial—in part because a relatively small price movement in a Treasury futures contract may result in an immediate and substantial loss (or gain) for a portfolio.

DISCIPLINARY INFORMATION

Not applicable.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

MATERIAL RELATIONSHIPS WITH RELATED FINANCIAL INDUSTRY FIRMS

Dodge & Cox is the investment manager and administrator of the Dodge & Cox Funds (consisting of Dodge & Cox Stock Fund, Dodge & Cox Balanced Fund, Dodge & Cox Income Fund, Dodge & Cox International Stock Fund, and Dodge & Cox Global Stock Fund). Dodge & Cox Funds is registered as an open-end management investment company under the Investment Company Act of 1940. The management fee paid to Dodge & Cox by each Fund varies as described in the Funds' current prospectus. Such management fees range up to 0.60% of aggregate net assets on an annual basis.

Dodge & Cox also serves as investment manager to Dodge & Cox Worldwide Funds plc, an investment company authorized and regulated by the Irish Financial Services Regulatory Authority pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, as amended. The management fee paid by each Fund varies as described in the Dodge & Cox Worldwide Funds' current prospectus. Such management fees range up to 0.60% of aggregate net assets on an annual basis.

Please see *Recommendation of Dodge & Cox Funds* on p. 16 for a discussion of the potential conflicts of interest that may exist when a separate account managed by Dodge & Cox invests in the Dodge & Cox Funds or the Dodge & Cox Worldwide Funds.

Dodge & Cox has a UK subsidiary—Dodge & Cox Worldwide Investments Ltd.—that is registered with the UK Financial Services Authority and acts as the distributor of the Dodge & Cox Worldwide Funds. We do not believe that this arrangement creates any material conflict of interest with Dodge & Cox clients.

OTHER ARRANGEMENTS WITH UNAFFILIATED SERVICE PROVIDERS

Dodge & Cox has entered into a number of "Service Agreements" with unaffiliated defined contribution employee benefit plan service providers and recordkeepers (e.g., recordkeepers of 401(k) plans) pursuant to which (i) the recordkeepers provide certain recordkeeping and/or administrative services intended to facilitate the investment of employee benefit plan participants' assets in the Dodge & Cox Funds and the maintenance of participants' accounts and (ii) Dodge & Cox pays an administrative fee out of its own assets to the service providers/recordkeepers to be credited towards the recordkeeping and administrative expenses of the employee benefit plans. Dodge & Cox does not promote the services of any unaffiliated recordkeepers to investors or prospective investors in the Dodge & Cox Funds, and we do not believe that these arrangements create any material conflict of interest with Dodge & Cox clients. For the Dodge & Cox Stock Fund, Dodge & Cox International Stock Fund, Dodge & Cox Global Stock Fund, and Dodge & Cox Balanced Fund, Dodge & Cox pays an annual administrative fee of 0.10% of the market value of the plan's account; for the Dodge & Cox Income Fund, Dodge & Cox pays an annual administrative fee of 0.08%. Please see "Payments to Financial Intermediaries" in the Funds' prospectus for further information.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

CODE OF ETHICS

Dodge & Cox has adopted the Dodge & Cox Group Code of Ethics (the “Code”) pursuant to Rule 17j-1 of the Investment Company Act of 1940 and Rule 204A-1 of the Investment Advisers Act of 1940. The Code incorporates substantially all of the recommendations of the Investment Company Institute’s “Report of the Advisory Group on Personal Investing.” A copy of the Code is available to clients and prospective clients upon request.

Personal securities transactions by employees of Dodge & Cox are subject to the restrictions and procedures described in the Code. The Code encourages employees to manage their personal investments in such a manner that does not distract the employee from his or her professional responsibilities or create the appearance of a conflict of interest. The Code requires Dodge & Cox employees to pre-clear all transactions in securities, unless specifically exempted. Subject to certain exceptions, the Code also prohibits employees from engaging in short-term trading at a gain (e.g., purchase and sale of the same (or equivalent) security, including shares of the Dodge & Cox Funds, within 60 calendar days) without pre-approval. Employees may invest in securities held by client accounts managed by Dodge & Cox to the extent that they comply with the Code. Such transactions may be different from or be inconsistent with Dodge & Cox’s recommendations to clients. Dodge & Cox’s Chief Compliance Officer regularly reviews reports of personal securities transactions to determine compliance under the Code.

The Code also contains Dodge & Cox’s “Policy Statement on Insider Trading,” which was adopted in accordance with Section 204A of the Investment Advisers Act of 1940. The policy statement establishes procedures designed to prevent the misuse of material nonpublic information by Dodge & Cox and its employees. From time to time, Dodge & Cox and its employees may come into possession of material nonpublic and other confidential information that, if disclosed, might affect an investor’s decision to buy, sell, or hold a security. Under applicable law, Dodge & Cox and its directors, officers, and employees are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client of Dodge & Cox. Accordingly, should Dodge & Cox or any of its employees come into possession of material nonpublic or other confidential information with respect to any company, they will be prohibited from communicating such information to, or using such information for the benefit of, their respective clients, and Dodge & Cox and its employees will have no responsibility or liability for failing to disclose such information to, or use such information for the benefit of, their respective clients as a result of following their policies and procedures designed to comply with applicable law.

From time to time, Dodge & Cox employees may receive gifts and/or entertainment in connection with their employment at or work with Dodge & Cox. To reduce the potential for conflict between an employee’s personal interests and the interests of Dodge & Cox clients, Dodge & Cox has adopted a gifts and entertainment policy in its Code based on the principle that employees should not accept or solicit anything of value that is intended or designed to cause, or would be reasonably judged to have the likely effect of causing, such employee to act in a manner that is inconsistent with the best interest of Dodge & Cox clients.

Under the policy, any employee who receives a gift of material value in connection with the employee’s employment at or work with Dodge & Cox is not permitted to retain the gift. The policy also prohibits an employee from accepting any lavish or extensive business entertainment from any broker/dealer, consultant, bank, corporation, or supplier of goods or services to Dodge & Cox or client accounts. From time to time, employees are offered complimentary tickets to sporting and other events. Complimentary tickets that do not constitute “lavish or extensive”

business entertainment may be accepted with appropriate notice to the applicable supervisor and code compliance officer.

In addition, the Code restricts outside business activities such as service on a board of directors and other activities that may create conflicts of interest.

RECOMMENDATION OF DODGE & COX FUNDS

In some cases Dodge & Cox may deem it appropriate to invest a portion of a client's separate account assets into the Dodge & Cox Funds. This may occur when, for example, the Fund provides a more efficient and cost-effective way to diversify an account or when we offer a particular strategy only through a Dodge & Cox Fund. Assets of separate accounts invested in the Funds are not subject to the advisory fee otherwise applicable to the account. Rather, those assets are subject only to the Fund fees and charges applicable to all shareholders in the Fund, as set forth in the Fund's current prospectus. As a result, Dodge & Cox will receive advisory fees paid by shareholders of a Fund. The Fund's fees, which are paid to Dodge & Cox, may be more than the separate account advisory fees otherwise applicable to the account. Accordingly, Dodge & Cox may have a potential conflict of interest to the extent that we recommend investments in one of the Funds rather than in unaffiliated mutual funds or other securities because Dodge & Cox receives investment advisory fees from the Funds but not from unaffiliated mutual funds or other investments. Dodge & Cox will invest separate account assets in a Dodge & Cox Fund only where specifically permitted by the account guidelines and consistent with the client's objectives.

For non-U.S. separate account clients, Dodge & Cox may in some cases deem it appropriate to invest a portion of a client's separate account assets into the Dodge & Cox Worldwide Funds, which has the same implications as an investment in the Dodge & Cox Funds as described above.

PERSONAL TRADING

Dodge & Cox may recommend for its clients various publicly traded or restricted securities whose shares may be owned by Dodge & Cox employees. Dodge & Cox is not obligated to purchase or sell or to recommend for purchase or sale for any client any security which Dodge & Cox or its employees may purchase or sell for its or their own account(s) or for the account of any client. Dodge & Cox may give advice and take action with respect to any of its clients or for its own account which may differ from or be inconsistent with the timing or nature of action(s) taken for other clients. Transactions in a specific security may not be recommended or effected for all client accounts for which such transaction will be recommended or effected at the same time or at the same price. Aside from a Profit Sharing Plan and Trust for employees that is invested in the Dodge & Cox Funds and other unaffiliated investment companies, Dodge & Cox normally does not purchase securities for its own account other than short-term fixed income securities.

Dodge & Cox employees may invest in the same securities that Dodge & Cox recommends to clients to the extent permitted under the Code. The Code requires pre-clearance of personal securities transactions, subject to limited exceptions, and avoids or minimizes conflicts of interest by restricting the type and timing of employee trades.

POTENTIAL CONFLICTS

Potential conflicts of interest may arise in connection with investment committee members' management of multiple accounts, including potential conflicts of interest related to the knowledge and timing of trades, investment opportunities, broker-dealer selection, and investments. Investment committee members and research analysts may be privy to the size, timing, and possible market impact of the firm's trades. It is possible that investment committee members could use this information to benefit themselves and the accounts they manage, to the possible detriment of other Dodge & Cox accounts. It is possible that an investment opportunity may be suitable for accounts managed by investment committee members, but may not be available in sufficient quantities for other accounts to participate fully. Similarly, there may be

limited opportunity to sell an investment held by multiple accounts. Investment committee members and other portfolio managers of separate accounts may manage separate accounts of relatives, which could provide an incentive to favor those accounts over others. Research analysts may be invited to dinners and events with company management in conjunction with performing their research responsibilities, which could provide an incentive to favor those companies over other investments. As noted above, acceptance of gifts and entertainment is subject to the restrictions in the Code.

BROKERAGE PRACTICES

FACTORS CONSIDERED IN SELECTING OR RECOMMENDING BROKER-DEALERS FOR CLIENT TRANSACTIONS AND DETERMINING THE REASONABLENESS OF THEIR COMPENSATION

General

Dodge & Cox's objective in selecting broker-dealers and effecting portfolio transactions in securities is to seek best execution with respect to portfolio transactions. In deciding what constitutes best execution, the determinative factor is *not* simply quantitative, e.g., the lowest possible transaction cost, but also whether the transaction represents the best qualitative execution. We believe that the selection and monitoring of the broker-dealers through which we execute client transactions is critical to achieving the best results for our clients. In selecting broker-dealers, Dodge & Cox will consider and weigh all factors believed relevant to seeking best execution.

Dodge & Cox seeks to obtain best execution of clients' trades through monitoring and effectively managing the quality of trade decisions. Because determining best execution involves qualitative judgments on a variety of factors, Dodge & Cox does not use a single basis of measurement that can be applied to all trades. Rather, Dodge & Cox views best execution as a process that should be evaluated over time as part of an overall relationship with a broker-dealer rather than on a trade-by-trade basis. Therefore, we focus on establishing the appropriate level of oversight, checks and balances, and documentation of best execution processes.

Equity

In addition to placing and executing orders through traditional broker-dealers, Dodge & Cox utilizes electronic trading platforms to seek best execution. Electronic communication networks (ECNs) and passive liquidity seeking tools (crossing networks) may be used, among other reasons, to (i) minimize both explicit and implicit execution costs, (ii) seek fragmented liquidity, and (iii) preserve anonymity. Factors used to select broker-dealers and/or electronic trading platforms to execute equity transactions include, but are not limited to, our knowledge of negotiated commission rates; the nature of the security being traded; the size and type of the transaction; research and brokerage services provided by the broker-dealer; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality; the execution, clearance, and settlement capabilities as well as the reputation and perceived operational/financial soundness of the broker-dealer; our knowledge of actual or apparent operational problems of any broker-dealer; the broker-dealer's historical transaction and execution services; and the reasonableness of spreads or commissions.

Dodge & Cox's Brokerage Committee (consisting of equity traders, securities analysts, portfolio managers, and legal and compliance personnel) evaluates and approves Dodge & Cox's equity trading practices, policies and procedures, and the broker-dealer selection process for equity trading. The Brokerage Committee meets periodically and reviews a variety of matters, including soft dollar considerations, internal research analysis, allocation procedures, current commission rates, and the execution capabilities of the various broker-dealers that are utilized in the execution of orders.

Fixed Income

Dodge & Cox buys and sells fixed income securities through broker-dealers that make markets in the relevant securities or security types. As fixed income trades are typically executed on a principal basis, the broker-dealers through whom we execute client trades generally do not charge explicit commissions or commission equivalents (i.e., separately identifiable mark-ups and mark-downs) in such transactions.

When effecting a fixed income securities transaction in the secondary market, Dodge & Cox generally will select broker-dealers who are deemed likely to provide best execution for the specific transaction based on certain factors. These factors may include, but are not limited to, access to offerings; market familiarity; integrity (ability to maintain confidentiality); history of competitive pricing; trade settlement capability; expertise; financial condition (credit risk); and reliability and willingness to commit capital.

There are many occasions when it is neither practical nor feasible to solicit bids or offers from multiple broker-dealers. Such occasions may include, but are not limited to, those where we (i) wish to participate in a primary (new) offering of an issue and are limited to purchasing the securities from the specific underwriter(s) that have been given the mandate to sell the securities by the issuer; (ii) seek to purchase or sell securities with very specific characteristics and are limited in our selection of broker-dealers because there are few broker-dealers who are able to offer such securities for purchase or are willing to buy them; or (iii) seek to minimize the market impact of a transaction.

The Fixed Income Trade Execution Committee (consisting of fixed income traders, portfolio managers, and legal and compliance personnel) evaluates and approves Dodge & Cox's fixed income trading practices, policies and procedures, and the broker-dealer selection and approval process. The Committee meets periodically to review and assess market developments, policies and procedures, and compliance testing, among other things.

Commission Rates or Equivalents Policy

Dodge & Cox strives to be aware of current commission rates or commission equivalents (collectively "commissions") of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of our accounts. We actively negotiate commissions based upon:

- the nature of the security being traded;
- the size and type of the transaction;
- the nature and character of the markets for the security to be purchased or sold;
- the activity existing and expected in the market for the particular security; and
- the nature and quality of research and brokerage services provided.

Dodge & Cox does not select broker-dealers solely on the basis of purported or "posted" commissions, nor do we always seek in advance competitive bidding for the most favorable commission applicable to any particular portfolio transaction. Although we generally seek competitive commissions, we will not necessarily select a broker-dealer based on the lowest commission charged in a given transaction. Dodge & Cox may not pay the lowest available commission when we believe that a broker-dealer charging a higher commission offers greater liquidity or improved price or execution; we may also select a broker-dealer in recognition of research and/or brokerage services provided or expected to be provided.

"Soft-Dollar" or Research/Execution Policy

Dodge & Cox may receive research and brokerage services from broker-dealers with which we effect transactions. The research services received may be produced by the broker-dealer effecting the trade ("proprietary research"), or by a third party broker-dealer that is not involved in effecting the trade ("third party research"). All research and brokerage services knowingly acquired with soft dollars in connection with broker-dealer relationships are required by Dodge & Cox policy to constitute eligible research and brokerage for purposes of Section 28(e) of the Securities Exchange Act of 1934.

Research services received by Dodge & Cox include, without limitation, information on the economy, industries, groups of securities, and individual companies; statistical information and databases; accounting and tax law interpretations; political developments; legal and regulatory

developments affecting portfolio securities; pricing and appraisal services; industry consultants; issuer disclosure services; credit, risk measurement, and performance analysis; and analysis of corporate responsibility issues. Research services may also include providing opportunities to meet with company executives, which allows Dodge & Cox analysts to gather information about a specific company, industry, or sector and to directly evaluate the strengths and weaknesses of an issuer's management team.

When Dodge & Cox receives broker-dealer research services in connection with client brokerage commissions, we receive a benefit because we do not have to produce or pay for the research services ourselves. Thus, we may have an incentive to select a broker-dealer based on our interest in receiving the research provided by that broker-dealer rather than on clients' interest in receiving most favorable execution.

We believe that the research and brokerage services provided by broker-dealers and their ability to achieve quality execution are important for, and assist us in fulfilling our overall responsibilities to, our clients. The receipt of broker-dealer investment research and information and related services permits us to supplement our own research and analysis and provides access to the views and information of individuals and research staffs of other firms, including persons having special expertise on certain companies, industries, areas of the economy, market factors, or other areas. Therefore, broker-dealers selected by Dodge & Cox may be paid commissions for effecting transactions for our clients in excess of the amounts other broker-dealers would have charged for effecting these transactions if we determine in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to our discretionary accounts. In addition, in connection with the purchase of securities in certain fixed-price offerings, we may designate that a portion of the selling concession be paid to a broker-dealer that provides research services to Dodge & Cox.

Research services acquired with soft dollars are subject to internal analysis before being incorporated into Dodge & Cox's investment process. Dodge & Cox research analysts periodically assess the quality of research provided and evaluate broker-dealers based on the relevance, depth, and breadth of research coverage. While research analysts may suggest commission targets for particular broker-dealers, and broker-dealers may state in advance the amount of brokerage commissions they expect to receive for certain research or brokerage services, Dodge & Cox traders are not required to meet any such targets. Dodge & Cox has not entered into any written or unwritten agreements that would contractually obligate it to direct a specific amount of brokerage transactions or commissions to any broker-dealer. While Dodge & Cox evaluates the quality and relative value of broker-dealer services, we do not believe it is practicable to assign a specific cash (*i.e.*, hard dollar) value to all the research or execution services received or to allocate the relative costs or benefits of those services among clients.

We may use brokerage commissions to acquire research and related services from third party vendors and broker-dealers through commission-sharing arrangements (CSAs). CSAs are agreements between an investment adviser and a broker-dealer in which the executing broker allocates a portion of brokerage commissions to a "commission pool," which can be used to acquire third party research from another broker. Dodge & Cox may also use "step-outs" or similar transactions with broker-dealers. In a step-out arrangement, the investment adviser executes a trade through one broker-dealer but instructs that broker-dealer to step-out all or a portion of the trade to a second broker-dealer that provides research and/or brokerage services to Dodge & Cox. This second broker-dealer will clear and settle, and receive commissions for, the stepped-out portion of the trade.

Research services may benefit more than one account, but each and every research service does not necessarily benefit each and every account we manage, and brokerage commissions paid by one account may apply towards payment for research services that may not be used in the

service of that account. In addition, research can be used by all investment personnel, regardless of whether they work directly on client accounts with trading activity that generates client commissions.

We may also use hard dollars out of our own assets to pay for third party research.

Client-Directed Brokerage Transactions

Clients may limit Dodge & Cox's discretionary authority in any or all of the situations described above. In particular, a client may occasionally direct Dodge & Cox to use a particular broker-dealer, or broker-dealers, to execute portfolio transactions for its account. To the extent a client directs the use of a particular broker-dealer or broker-dealers, Dodge & Cox may not be in a position to negotiate commission rates or price, or select broker-dealers on the basis of best execution. Additionally, transactions for a client that directs brokerage may not be aggregated or added to a block trade for execution purposes with orders for the same securities for other accounts managed by Dodge & Cox. **As a result, directed brokerage transactions may result in higher commissions, less favorable net prices, and/or less favorable execution than would be the case if Dodge & Cox were authorized to select broker-dealers to execute transactions for the client's account.** In the event that a purchase or sale order is placed for multiple Dodge & Cox accounts, orders for accounts giving Dodge & Cox full brokerage discretion will generally be placed ahead of directed brokerage orders.

AGGREGATION OF ORDERS AND SECURITY ALLOCATION FOR CLIENT ACCOUNTS

General

Decisions to purchase or sell a security or security type are typically applied to a number of client accounts, and orders are usually aggregated, or "blocked," and executed in a single transaction or series of transactions. This approach is intended to facilitate equitable treatment of client accounts and provide more efficient execution, consistent with Dodge & Cox's obligation to seek best execution on client transactions. Exceptions may be made under certain circumstances, such as when purchasing securities for a new account or when a client has directed a sale. If there is an insufficient supply of securities to fill the aggregated orders, Dodge & Cox will allocate the securities in accordance with policies and procedures designed to provide reasonable assurance that allocation decisions are made on a fair and equitable basis. These policies and procedures also apply to the allocation of new issues and initial public offerings. The initial step in the allocation process is to identify accounts eligible for the investment opportunity. For a proposed sale, accounts that hold the security are eligible, subject to review of client guidelines as described below. For a proposed buy, client objectives and guidelines are reviewed. If an account's guidelines do not permit the relevant security to be held, or if a security does not fit a client's objectives, the account is excluded from the eligibility list. All accounts participating in the block that receive an allocation receive the same average price execution per executing broker-dealer. Generally, all transaction costs are shared on a pro rata basis.

Equity Allocation Policy

If an equity order is only partially filled, it is allocated among the participating accounts (i) pro rata based upon each account's portion of the original order amount, (ii) according to a random order sequence, and (iii) subject to a minimum share allocation if only a small percentage of the block is filled. Orders that result in small or minimum allocations can under certain circumstances cause an account to incur additional trade ticket charges from its custodian bank if it receives multiple partial allocations. In seeking best execution, Dodge & Cox does not consider fees that may be assessed by a client's custodian.

Pro rata allocations of partially filled orders may be subject to adjustment under certain circumstances, for example, to avoid having a client hold odd lots or a de minimis number of shares. In such cases, Dodge & Cox will adjust the number of shares that would otherwise be

allocated to each account by reallocating the shares in a manner that Dodge & Cox deems fair and equitable to clients over time. Dodge & Cox receives no additional compensation of any kind as a result of such “blocked” orders. An account may be excluded from a block trade for various reasons, including, but not limited to, client directed brokerage or liquidation instructions, individual client tax considerations, and investment guidelines requirements or restrictions. In addition, an account may not be included in a block trade if a portfolio manager submits an order after the block is formed or due to the timing of various investment committee decisions. Securities may be reallocated prior to settlement if it is discovered that one or more accounts were mistakenly left out of (or included in) an initial allocation.

Fixed Income Allocation Policy

In allocating fixed income securities, traders review Dodge & Cox-established portfolio targets with respect to existing portfolio composition including, for example, security, issuer, or program concentration; sector and/or industry concentration; credit rating concentration; average portfolio credit rating; portfolio duration; and various other factors. An account will be removed from the allocation if the purchase (or sale) of the security would run counter to account objectives or guidelines or Dodge & Cox target weightings with respect to any of these considerations.

If the available amount of the security is insufficient to bring all eligible accounts to target weighting, a prioritization order is established to allocate the available supply equitably. Fixed income traders, along with a senior manager, participate in the discussion of the appropriate prioritization factors. Typically, the prioritization is based upon a portfolio’s distance from the investment committee’s “target” for the specific security, issuer, or overall sector. Secondary factors, including a portfolio’s distance from an industry or program/collateral type target, portfolio duration, portfolio cash position, source of funds, portfolio yield curve positioning, avoidance of an illiquid position size in an account, and an account’s investment guidelines and restrictions, among others, may be considered as well. Securities may be reallocated prior to settlement if it is discovered that one or more accounts were mistakenly left out of (or included in) an initial allocation.

Limits on Ownership

Dodge & Cox monitors the aggregate ownership of individual equity securities across all client accounts. Prudential, regulatory and/or legal considerations may limit aggregate ownership levels. These limits may affect how much of a security can be purchased for or held in client accounts and could disadvantage an account that, in the absence of an aggregate ownership limit, would have purchased or held a security (or more of that security). Such limits could also cause Dodge & Cox to sell securities that we would prefer to hold.

REVIEW OF ACCOUNTS

Dodge & Cox reviews client accounts on a regular basis. Each separate account is assigned a portfolio manager, backup portfolio manager, and client service associate. Portfolio managers are available to meet or speak with each client as often as needed (generally quarterly or annually). On average, each equity portfolio manager works with approximately 50 accounts and each fixed income portfolio manager works with approximately 20 accounts.

Policy targets for separate accounts are set by the investment committees as described on p. 9. The portfolio manager assigned to an account regularly reviews account positioning relative to the policy targets of the relevant investment committee, in accordance with the specific objectives and restrictions of the account. With fixed income accounts, account positioning relative to targets is also regularly reviewed by the fixed income trading desks as they go about the day-to-day business of allocating securities to and from client accounts (see *Fixed Income Allocation Policy* on p. 22 for more details).

Accounts come up for special review whenever there is incremental cash flow or a specific decision is made by an investment committee that directly affects the account. Whenever an account is reviewed, the portfolio manager considers such matters as any changes in policy targets; the objectives and investment guidelines of the client; the current structure of the portfolio; if appropriate, the tax consequences of any transactions; and the effect on the portfolio of any known additions or withdrawals from the account in the future. Because of these considerations and others such as transaction costs and custody costs, private client accounts managed by Dodge & Cox may not hold the same number of securities or same issues as institutional accounts.

Dodge & Cox generally provides separate account clients with one or more of the following written reports for their accounts:

- Transaction Statements - A monthly report of securities transactions.
- Appraisals - A quarterly appraisal listing the portfolio holdings, costs, market values, and estimated annual income.
- Year-End Tax Information - Taxable clients receive an annual schedule of capital gains and losses.
- Investment Reports - A quarterly report on investment performance.

CLIENT REFERRALS AND OTHER COMPENSATION

Dodge & Cox does not compensate any person or entity for referring clients to Dodge & Cox (apart from nominal administrative fees).

Dodge & Cox may make payments to investment consultants for analytical services or research in their (or their affiliate's) capacity as broker-dealers in connection with executing trades on behalf of Dodge & Cox clients. To assist in identifying any potential conflicts of interest, Dodge & Cox maintains a list of entities determined to be investment consultants. This list is available to clients, prospective clients, and their authorized representatives upon request. To avoid potential conflicts of interest, individuals or entities that have been referred to Dodge & Cox by an investment consultant should request that the consultant disclose any pre-existing or former relationships with Dodge & Cox and any potential conflicts of interest in connection with the referral. Additionally, Dodge & Cox should be notified of any conflicts of interest disclosed by the consultant.

CUSTODY

Dodge & Cox separate account clients select their own custodians to hold the cash and securities in their accounts. A client custodian may be a broker-dealer, bank, or other financial institution that satisfies the SEC's definition of "qualified custodian." Dodge & Cox is not a qualified custodian and does not provide custody services.

Clients receive account statements directly from their custodian and should carefully review those statements. Clients should also compare the account statements received from their custodian with the account statements received from Dodge & Cox.

INVESTMENT DISCRETION

Generally, Dodge & Cox is retained on a discretionary basis and is authorized to make the following determinations in accordance with the client's specified investment objectives and investment guidelines without client consultation or consent before a transaction is effected:

- Which securities to buy or sell;
- The total amount of securities to buy or sell;
- The broker-dealer through whom securities are bought or sold; and
- The securities prices and commission rates at which securities transactions for client accounts are effected.

Dodge & Cox does, however, occasionally accept advisory accounts with limited discretion or where investments are client directed pursuant to the Investment Management Agreement.

Dodge & Cox normally receives investment guidelines for new accounts that set forth the objectives of the client and any specific investment restrictions and limitations. The guidelines typically describe the types of securities that are eligible for (or prohibited from) the account, the investment strategy, and, for balanced accounts, the general allocation between equity and fixed income investments. If the guidelines permit an investment in the Dodge & Cox Funds or the Dodge & Cox Worldwide Funds, the terms of the Fund prospectus govern the Fund investment. With respect to guidelines that contain restrictions on investing in specific industries or that are based on socially responsible criteria, Dodge & Cox generally relies on a third party screening service and/or company classification system to identify companies that fall within a particular restriction. To the extent a company is not covered by the screening service and/or company classification system, Dodge & Cox may be unable to apply such guidelines and would notify the client accordingly.

Investment discretion and investment authorization are described in the Investment Management Agreement signed by Dodge & Cox and the client. Investment guidelines, which are generally included as an exhibit to the agreement, are typically reviewed by investment, compliance, and legal personnel.

VOTING CLIENT SECURITIES

CLIENTS WHO DELEGATE PROXY VOTING AUTHORITY TO DODGE & COX

Dodge & Cox maintains a policy of voting proxies that we believe best serves the interest of our clients. As an investment adviser, Dodge & Cox is primarily concerned with seeking to maximize the value of its clients' investment portfolios. For all clients that have assigned proxy voting responsibility to Dodge & Cox, the firm normally votes in support of company management, but votes against proposals that Dodge & Cox believes would negatively impact the long-term value of shares of a company. If a client has delegated proxy voting authority to Dodge & Cox, the client may not direct our vote in a particular solicitation, though the client can revoke Dodge & Cox's proxy voting authority at any time with respect to all proxies.

While Dodge & Cox uses its best efforts to vote proxies, in certain circumstances it may be impractical or impossible to do so. For example, when a client has loaned securities to a third party, such securities are generally not available for voting by Dodge & Cox. Dodge & Cox may also be prohibited from voting certain shares or may be required to vote in proportion to other shareholders under applicable U.S. or foreign regulatory requirements or company governance provisions.

Dodge & Cox is sensitive to conflicts of interest that may arise in the proxy decision making process. Dodge & Cox has developed proxy policies and procedures to serve the best interests of clients and, accordingly, will generally vote pursuant to those proxy policies and procedures when conflicts of interest arise. When there are proxy voting proposals that give rise to conflicts of interest not addressed by Dodge & Cox's proxy voting policies and procedures, Dodge & Cox's Proxy Policy Committee and senior management may consult with an independent consultant or outside counsel to resolve material conflicts of interest.

Special considerations are made for stocks traded on foreign exchanges. Specifically, if voting a proxy requires the security to be "blocked" or frozen from trading, Dodge & Cox may elect not to exercise its voting rights.

Separate account clients can obtain a copy of Dodge & Cox's proxy voting policies and procedures and information about how Dodge & Cox voted proxies related to securities held in the client's account by contacting the Client Service Associate assigned to their account. Information regarding Dodge & Cox's voting of proxies on behalf of the Dodge & Cox Funds for the most recent twelve-month period ending June 30 is available at www.dodgeandcox.com or the SEC's web site at www.sec.gov.

CLIENTS WHO DO NOT DELEGATE PROXY VOTING AUTHORITY TO DODGE & COX

For clients that have not delegated proxy voting responsibility to Dodge & Cox, we have no involvement in the voting process. Such clients should contact their custodians about receiving their proxies or other solicitations.

FINANCIAL INFORMATION

Not applicable. Dodge & Cox does not require or solicit prepayment of any fees from clients. Dodge & Cox knows of no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients and has never been the subject of a bankruptcy petition.