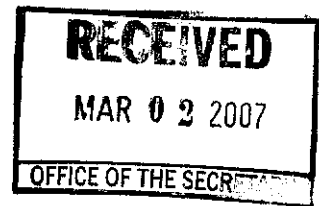


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Dodge & Cox Funds
555 California Street
San Francisco, California 94104

March 2, 2007

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549



Re: File No. S7-03-04
Investment Company Governance Proposals (Investment Company Act
Release Nos. 27395 and 27600 (the "Releases"))

Dear Ms. Morris:

The undersigned are all of the Trustees of Dodge & Cox Funds who are not "interested persons," within the meaning of the Investment Company Act of 1940 (the "Act"), of the Funds or their adviser. We write to oppose the Commission's proposal to require investment company boards, as a condition of their reliance on a number of exemptive rules under the Act, to appoint as board chairman a person who is not an "interested person."¹

By way of background, Dodge & Cox Funds is a Delaware business trust registered under the Act as an open-end management investment company. The trust has four portfolios (a Stock Fund, a Balanced Fund, an Income Fund and an International Stock Fund) which had aggregate net assets of approximately \$136.5 billion as of December 31, 2006. The trust's Board of Trustees currently consists of five Trustees who are not "interested persons," and three Trustees who are members of the senior management of Dodge & Cox, the Funds' investment adviser. One of the management representatives serves as Chairman of the Board.

In our view, the determination of who should serve as the chairman of the board of any particular fund or fund group is best made by the members of the board, in light of the circumstances of the particular fund or fund group. The board members themselves are the persons best situated to assess the needs of the funds and to determine which board member is best equipped to carry out the functions of chairman.

¹ This letter supplements the comment letter, dated April 29, 2004, that those of the undersigned who were then in office submitted in response to the Commission's original proposal.

In Investment Company Act Release No. 26323, proposing the requirement of a non-"interested" board chairman, the Commission expressed concern that an "interested" person who occupies the role of chairman may dominate the boardroom or control the agenda for board meetings to an extent that inhibits discussion and precludes consideration of any business other than that proposed by the chairman. In our experience, having an "interested" person as chairman has never prevented the board from considering any issue that any board member has wished to raise. Nor has any of us felt inhibited from expressing our views, including views that may have been at odds with the views of management. We think the risk, if any, of inappropriate dominance of fund boards by "interested" chairmen is effectively addressed by other governance practices that are already common in the mutual fund industry or that are required by existing Commission rule, such as a majority or supermajority of non-"interested" board members, separate meetings of the non-"interested" board members on a regular basis, independent legal counsel for the non-"interested" board members and periodic self-assessment by boards of their effectiveness.² These practices in effect put the non-"interested" board members, as a group, firmly in control in the boardroom. We doubt that adding the further requirement of a non-"interested" board chairman will do very much in practice to enhance the effectiveness of fund boards or of the non-"interested" members of those boards. Furthermore, in the absence of any clear definition of the role and powers of a board chairman, requiring a non-"interested" chairman could, in some instances, be contrary to the interests of investors. In particular, we are concerned that designating a non-"interested" board member as chairman might in some cases present a temptation for meddling by a relative amateur in the professional business of portfolio management.

We think our funds, which have always had an "interested" board chairman, have delivered excellent results to our shareholders. Our funds have superior long-term performance records and relatively low expense ratios. Our investment adviser has a strong sense of fiduciary duty to our shareholders, which if anything has been reinforced by the service of the adviser's most senior executives on the board of our funds and specifically in the role of board chairman. We think that the credibility of our funds' communications to our shareholders, in the form of detailed commentary from our board chairman and president in our quarterly shareholder reports, is significantly enhanced by the fact that our chairman and president write from the perspective not only of the fund boardroom, but also from the perspective of the senior management of the

² As an alternative to requiring that all boards appoint a non-"interested" chairman, the Commission might consider amending the proposed requirement for annual self-assessment by boards to add a requirement that the self-assessment include explicit consideration of whether the board should have a non-"interested" chairman. If the Commission deems it appropriate, this determination could be required to be made by the non-"interested" members of the board. We have ourselves, on several occasions over the past several years, considered, on our own initiative, in private sessions with our independent counsel, whether our funds would be best served by an "interested" or a non-"interested" chairman. It is our collective judgment, made without consultation with fund management, that, at least for the present, the interests of the funds and their shareholders continue to be best served by having the current, "interested" chairman remain in that role. We know that we are free to reconsider that decision at any time, and to reach a different conclusion if we deem it appropriate.

advisory organization that is responsible for, and accountable to our shareholders for, the performance of the funds. No non-"interested" chairman would be in a position to comment so effectively on the results of the funds' operations.

We believe that effective corporate governance of mutual funds depends upon the active participation of non-"interested" board members who are diligent, independent-minded and well-informed and who understand the role and responsibilities of non-"interested" board members. We support the Commission's efforts to promote such a culture and to enhance fund board members' understanding of the responsibilities of non-"interested" board members. We think it unlikely, however, that this goal will be enhanced by a requirement that every fund that relies upon the Commission's exemptive rules appoint a non-"interested" chairman. Rather, the goal of good corporate governance of mutual funds will be best served by requiring every board itself to make the important determination as to who can most effectively discharge the responsibilities of board chairman. In many instances, boards may determine that the chairman should be non-"interested." In our view, however, it would be undesirable for the Commission to foreclose the possibility of an "interested" chairman serving in those instances where, in the judgment of a fund's own board, an "interested" board member is the most appropriate person for that role.

In the Releases, the Commission requested comment with regard specifically to, among other things, the economic consequences of (including the measurable costs of compliance with) the proposed requirement of a non-"interested" chairman, and with regard to two Commission staff economic papers, one of which analyzes the current academic literature on the relation between the independence of mutual fund boards and board chairs, on the one hand, and funds' investment performance, fees and compliance, on the other. With regard to the costs of compliance with a requirement for a non-"interested" chairman, our view is that such a requirement is unwarranted and inappropriate, even if compliance could be achieved with little additional out-of-pocket cost to funds. In addition to any out-of-pocket or other readily measurable costs, however, we are concerned that imposing such a requirement on a board that has concluded that an "interested" chair is more appropriate would, as explained above, potentially undercut funds' ability to achieve their purpose of delivering effective, professional portfolio management to investors. With regard to the notion that having a non-"interested" chair might somehow lead to better investment returns for fund shareholders, we are deeply skeptical, at least insofar as the Dodge & Cox Funds are concerned, that such a requirement would have done anything to enhance the excellent long-term investment results the Funds have delivered to their shareholders.

The first Commission staff paper provides a nice review of the existing statistical literature that endeavors to test, by looking at large numbers of mutual funds, whether having a non-"interested" chairman improves fund performance or otherwise benefits investors. We see no convincing evidence in this review of the literature that a non-"interested" independent chair would improve Dodge & Cox Funds' performance or benefit investors. We understand, as shown in the second Commission staff paper, that the "power" of the statistical tests is likely to be weak and that the statistical results in the literature must therefore be used with caution. In sum, therefore, the Commission staff papers provide no reason for us to change our position stated in this letter and in our April 29, 2004 comment letter regarding non-"interested" chairman.

We thank you for the opportunity to express our views on this important issue.

Very truly yours,

William F. Ausfahl

Thomas A. Larsen

L. Dale Crandall

John B. Taylor

Will C. Wood