

# Investment Review

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- I. Investment Review
- II. Current Strategy and Outlook
- III. Update on Dodge & Cox
- IV. Supplemental Exhibits

## Howard County Retirement System

March 28, 2019

### Representing Dodge & Cox:

James H. Dignan, Vice President, Investment Committee Member, Client Portfolio Manager

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# Performance Results

February 28, 2019

## Howard County Retirement System

	Average Annual Total Returns for Periods Ended February 28, 2019				
	Year- to-Date	1 Year	3 Years	5 Years	Since 5/31/10
<b>Howard County Retirement System #4201</b>					
<b>Market Value<sup>(a)</sup> \$121,138,540</b>					
Total Portfolio (Gross of Fees)	1.86	3.22	4.14	3.30	4.35
Bloomberg Barclays U.S. Aggregate Bond Index	1.00	3.17	1.69	2.32	2.99
Difference (Gross)	0.86	0.05	2.45	0.98	1.36

<sup>(a)</sup>Total portfolio with accrued income.

Performance figures do not reflect the deduction of investment advisory fees and other expenses. Returns will be reduced by advisory fees and other expenses incurred in the management of your account. For example, if an annual management fee of .60% were deducted quarterly from your account, a ten-year annualized cumulative composite return of 10.00% would be reduced by .64% to 9.36%. Information on Dodge & Cox investment advisory fees can be found in its Form ADV Part 2A.

Performance figures for the portfolio and benchmark are annualized for periods greater than one year.

# Performance Attribution

One Year Ended February 28, 2019

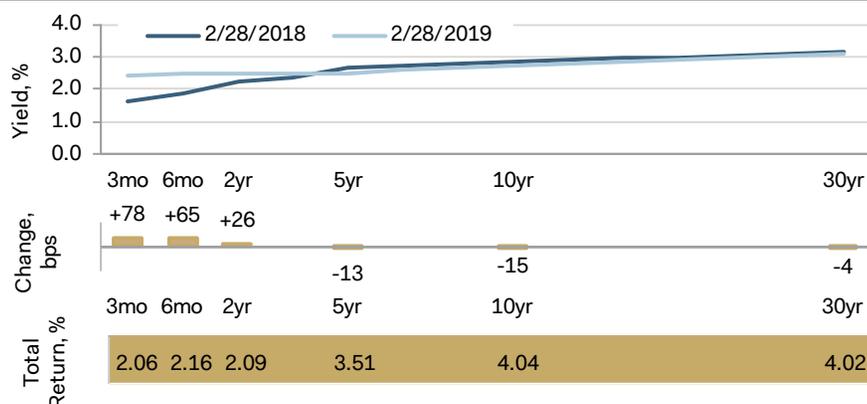
## Howard County Retirement System

Portfolio (gross of fees): 3.22%

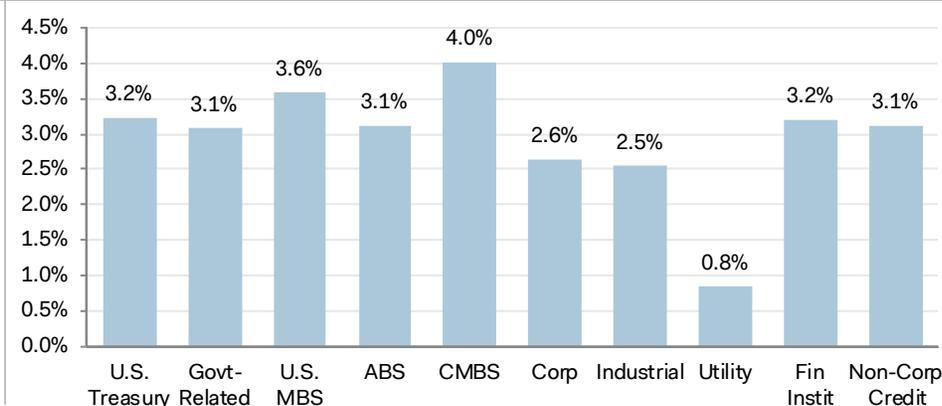
Bloomberg Barclays U.S. Aggregate Bond Index: 3.17%

Difference: 0.05%

### Treasury Yield Changes



### Bloomberg Barclays U.S. Aggregate Bond Index Sector Returns



Factor	Effect	Details
<b>Security Selection</b>	Positive	Outperformers: Bank of America capital securities, Citigroup capital securities, Rio Oil Finance Trust, Verizon Underperformers: Pemex, Telecom Italia, Enel, TransCanada The portfolio's nominal yield advantage benefited returns The portfolio's Agency MBS holdings underperformed the MBS in the benchmark
<b>Asset Allocation</b>	Negative	Underweight to U.S. Treasuries detracted
<b>Duration</b>	Neutral	Duration positioning did not significantly impact returns
<b>Yield Curve</b>	Neutral	Yield curve positioning did not significantly impact relative returns

Source: Bloomberg LP, POINT. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Performance figures do not reflect the deduction of investment advisory fees and other expenses. Returns will be reduced by advisory fees and other expenses incurred in the management of your account. For example, if an annual management fee of .60% were deducted quarterly from your account, a ten-year annualized cumulative composite return of 10.00% would be reduced by .64% to 9.36%. Information on Dodge & Cox investment advisory fees can be found in its Form ADV Part 2A.

# Fixed Income Investment Philosophy

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## Strategy

Using fundamental research, we construct and manage a diversified portfolio of generally investment-grade fixed income securities with the goal of producing above-market returns over a three-to-five year time period.

## Research Intensive

- Independent Research Staff
- Emphasize individual security and market sector selection

## Incremental Yield

- Seek to build portfolios with higher yields than the overall bond market<sup>(a)</sup>
- Compounding of interest is an important source of total return

## Long-Term View

- Three-to-five year investment horizon
- Historically low portfolio turnover

## Analyze Portfolio Risk

- Diversify portfolio by various investment themes
- Maintain high-average-quality portfolio

<sup>(a)</sup> Total return (which includes both yield and change in principal value) will fluctuate with market conditions.

The above is not a complete analysis of every material fact concerning any market, industry or investment. Opinions expressed are subject to change without notice. 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.

# Core Fixed Income Portfolio Management

Effective January 15, 2019

Portfolios are constructed on a bottom-up basis pursuant to a rigorous review and approval process, overseen by the U.S. Fixed Income Investment Committee (USFIIC), with active input from our Global Industry Analysts, Fixed Income Analysts, Portfolio Managers, and Traders.

## U.S. Fixed Income Investment Committee Members<sup>(a)</sup>

Dana Emery	35	Adam Rubinson	16
Thomas Dugan	24	Anthony Brekke	15
Larissa Roesch	21	Nils Reuter	15
James Dignan	19	Michael Kiedel	10
Lucy Johns	16	<b>Average Tenure:</b>	<b>19</b>

Set portfolio strategy and oversee implementation

- Consider suitability of new ideas relative to investment objectives and risk tolerance
- Determine target duration and yield curve positioning
- Review issue and sector exposures in the context of cross-sector risk/reward dynamics

## Sector Committees

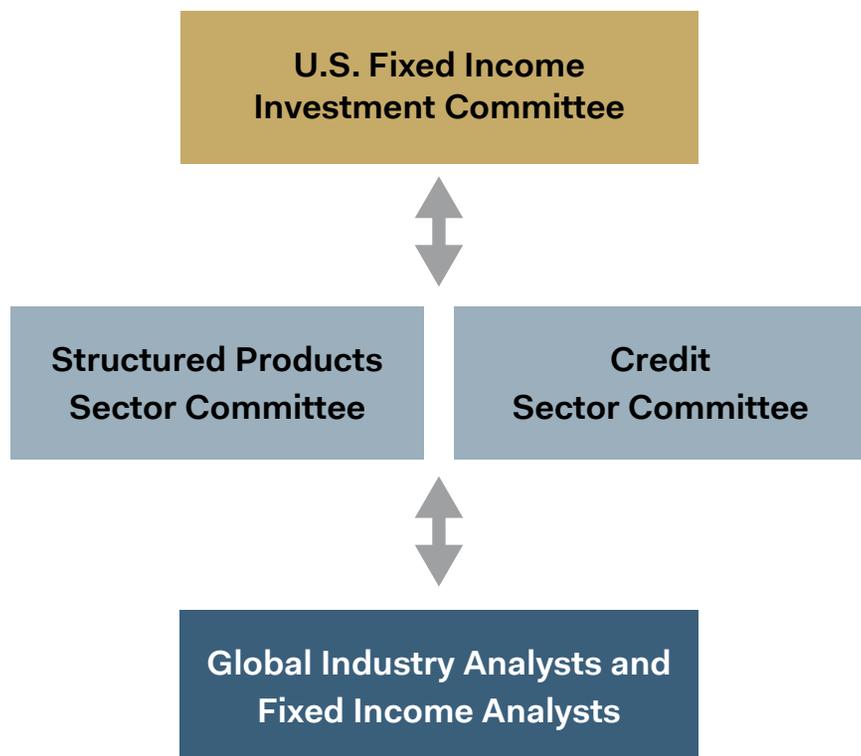
Thoroughly vet new issuers and securities, approve them, and set targets with USFIIC oversight

Monitor portfolio holdings and relative value across fixed income markets on an ongoing basis

## Analyst Team

Research and propose new investment ideas

- Extensive coverage of global companies and industries
- Prepare detailed financial analysis and projections
- Thorough review of security structure, terms, and conditions



<sup>(a)</sup>Dodge & Cox tenure as of May 2018.

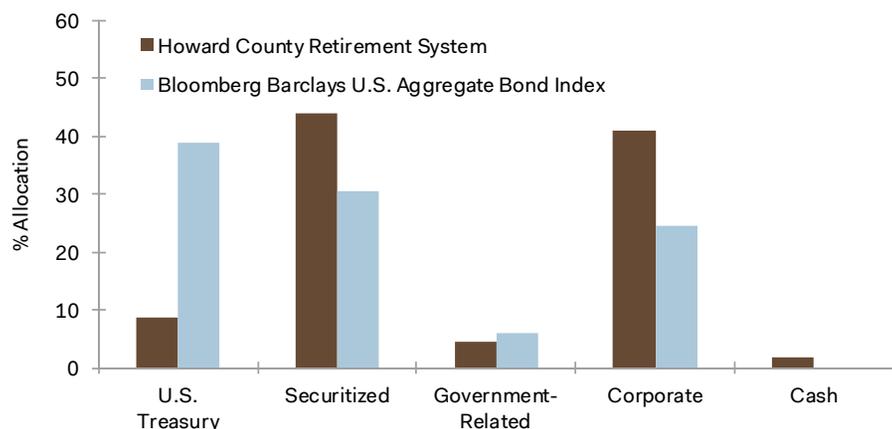
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# Portfolio Structure

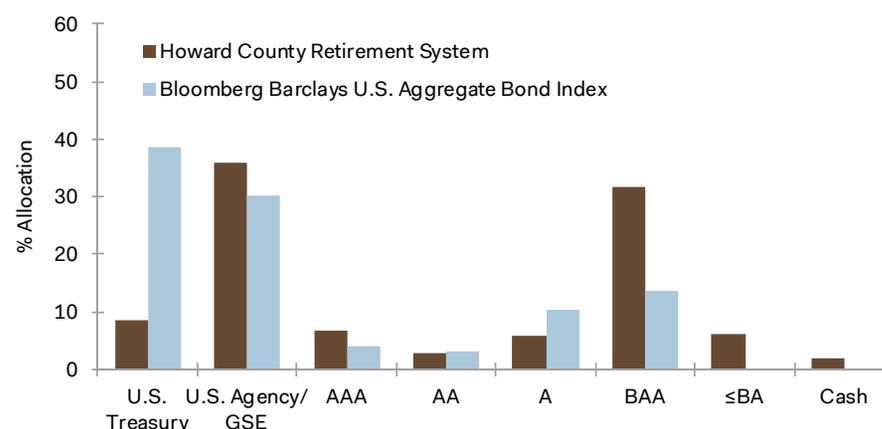
February 28, 2019

## Howard County Retirement System

### Sector Composition



### Quality Composition



### Weighted-Average Summary Characteristics

	Howard County Retirement System	Bloomberg Barclays U.S. Aggregate Bond Index
Yield-to-Worst <sup>(a)</sup>	3.86%	3.21%
Quality <sup>(b)</sup>	A+	AA
Effective Duration	4.5 Years	5.9 Years

<sup>(a)</sup>Yield and principal value fluctuate with market conditions. <sup>(b)</sup>In calculating a portfolio's weighted average quality, Dodge & Cox translates each security's rating from an alpha value to a numerical value (if a security is unrated, Dodge & Cox assigns a rating in accordance with our internal policy), calculates a weighted average numerical rating, and then translates the resulting number back into an alpha value based on the same scale. All cash and portfolio holdings are included in this calculation. Both Dodge & Cox and the Bloomberg Barclays Index apply a methodology using a linear numerical scoring system. Other methodologies could produce a lower weighted-average quality. The portfolio's weighted average quality is not a rating of the portfolio by an independent rating agency and should not be considered an assessment of the stability or safety of the portfolio. Portfolio quality composition reflects the ratings methodology stated in applicable guidelines.

Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge, POINT. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice.

# Portfolio Composition by Theme

February 28, 2019

## Howard County Retirement System

### Credit 45.4%

Build portfolio yield and enhance relative total return potential

#### Corporate Credit<sup>(a)</sup> 41.1%

Anheuser-Busch InBev SA/NV	CVS Health Corp.	Naspers, Ltd.
AT&T, Inc.	Dell Technologies, Inc.	RELX PLC
Bank of America Corp.	Dominion Energy, Inc.	Royal Bank of Scotland Group PLC
Barclays PLC	DowDuPont, Inc.	Telecom Italia SPA
Bayer AG	Elanco Animal Health, Inc. <sup>(b)</sup>	TransCanada Corp.
BNP Paribas SA	Enel SPA	Twenty-First Century Fox, Inc.
Boston Properties, Inc.	Equity Residential	Ultrapar Participacoes SA
Burlington Northern Santa Fe LLC <sup>(b)</sup>	Ford Motor Credit Co. LLC <sup>(b)</sup>	Union Pacific Corp.
Capital One Financial Corp.	Fox Corp.	United Technologies Corp.
Cemex SAB de CV	HSBC Holdings PLC	Unum Group
Charter Communications, Inc.	Imperial Brands PLC	Verizon Communications, Inc.
Cigna Corp.	JPMorgan Chase & Co.	Wells Fargo & Co.
Citigroup, Inc.	Kinder Morgan, Inc.	Xerox Corp.
Comcast Corp.	Lloyds Banking Group PLC	Zoetis, Inc.
Cox Enterprises, Inc.	Macy's, Inc.	

#### Non-Corporate Credit 4.4%

Provide attractive risk/reward and diversification versus corporates

New Jersey Turnpike Authority RB	2.1%
State of California GO	
State of Illinois GO	
Petroleo Brasileiro SA	2.3%
Petroleos Mexicanos	

### Securitized 44.0%

Seek attractive total return in the intermediate part of the curve

#### Mortgage-Backed Securities 35.9%

Seasoned Pass-Throughs	25.9%
Collateralized Mortgage Obligations	4.2%
"Hybrid" ARMs	5.8%

#### Asset-Backed Securities 8.1%

Auto Loans	0.5%
Credit Cards	0.9%
Student Loans	5.4%
Rio Oil Finance Trust	1.3%

### U.S. Government and Cash 10.5%

Balance yield curve exposure, provide liquidity

#### U.S. Treasury and Agency 8.7%

Various U.S. Treasury Notes	8.7%
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#### Cash 1.8%

<sup>(a)</sup>Except as noted, investments grouped by parent company. Actual securities may be issued by the listed parent company or one of its subsidiaries. <sup>(b)</sup>Subsidiary.

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# Portfolio Credit Holdings by Sector<sup>(a)</sup>

February 28, 2019

## Howard County Retirement System Bloomberg Barclays U.S. Aggregate Bond Index (Benchmark)

Corporate: Financial Institutions		Corporate: Industrial		Corporate: Utility		Non-Corporate Credit			
<b>Banking</b>	<b>12.4</b>	<b>Basic Industry</b>	<b>0.8</b>	<b>Technology</b>	<b>0.7</b>	<b>Electric</b>	<b>1.6</b>	<b>Sovereign</b>	<b>0.0</b>
	5.7		0.8		1.9		1.5		1.0
Bank of America Corp.		DowDuPont, Inc.		Dell Technologies, Inc.		Dominion Energy, Inc.			
Barclays PLC				Xerox Corp.		Enel SPA		<b>Supranational</b>	<b>0.0</b>
BNP Paribas SA		<b>Capital Goods</b>	<b>1.5</b>						1.5
Capital One Financial Corp.			1.3	<b>Transportation</b>	<b>1.2</b>	<b>Natural Gas</b>	<b>0.0</b>		
Citigroup, Inc.		Cemex SAB de CV			0.6		0.1	<b>Foreign Agency</b>	<b>2.3</b>
HSBC Holdings PLC		United Technologies Corp.		Burlington Northern Santa Fe LLC <sup>(b)</sup>					1.4
JPMorgan Chase & Co.				Union Pacific Corp.		<b>Other Utility</b>	<b>0.0</b>	Petroleo Brasileiro SA	
Lloyds Banking Group PLC		<b>Consumer Cyclical</b>	<b>2.2</b>				0.0	Petroleos Mexicanos	
Royal Bank of Scotland Group PLC			1.8	<b>Communications</b>	<b>11.5</b>				
Wells Fargo & Co.		Ford Motor Credit Co. LLC <sup>(b)</sup>			2.3			<b>Local Government</b>	<b>2.1</b>
		Macy's, Inc.		AT&T, Inc.					0.9
<b>Brokerage</b>	<b>0.0</b>	<b>Consumer Non-Cyclical</b>	<b>4.8</b>	Charter Communications, Inc.				New Jersey Turnpike Authority RB	
	0.2		4.1	Comcast Corp.				State of California GO	
		Anheuser-Busch InBev SA/NV		Cox Enterprises, Inc.				State of Illinois GO	
<b>Finance Companies</b>	<b>0.0</b>	Bayer AG		Fox Corp.					
	0.2	Cigna Corp.		Naspers, Ltd.					
		CVS Health Corp.		RELX PLC					
<b>Insurance</b>	<b>0.8</b>	CVS Health Corp.		Telecom Italia SPA					
	1.1	Elanco Animal Health, Inc. <sup>(b)</sup>		Twenty-First Century Fox, Inc.					
Cigna Corp.		Imperial Brands PLC		Verizon Communications, Inc.					
Unum Group		Zoetis, Inc.							
				<b>Other Industrial</b>	<b>0.0</b>				
<b>REITs</b>	<b>1.2</b>	<b>Energy</b>	<b>2.4</b>		0.1				
	0.6		2.2						
Boston Properties, Inc.		Kinder Morgan, Inc.							
Equity Residential		TransCanada Corp.							
		Ultrapar Participacoes SA							
<b>Other Financial</b>	<b>0.0</b>								
	0.0								
<b>Portfolio Total</b>	<b>14.4</b>				<b>25.1</b>		<b>1.6</b>		<b>4.4</b>
<b>Benchmark Total</b>	<b>8.0</b>				<b>15.0</b>		<b>1.7</b>		<b>4.8</b>
									<b>29.4</b>

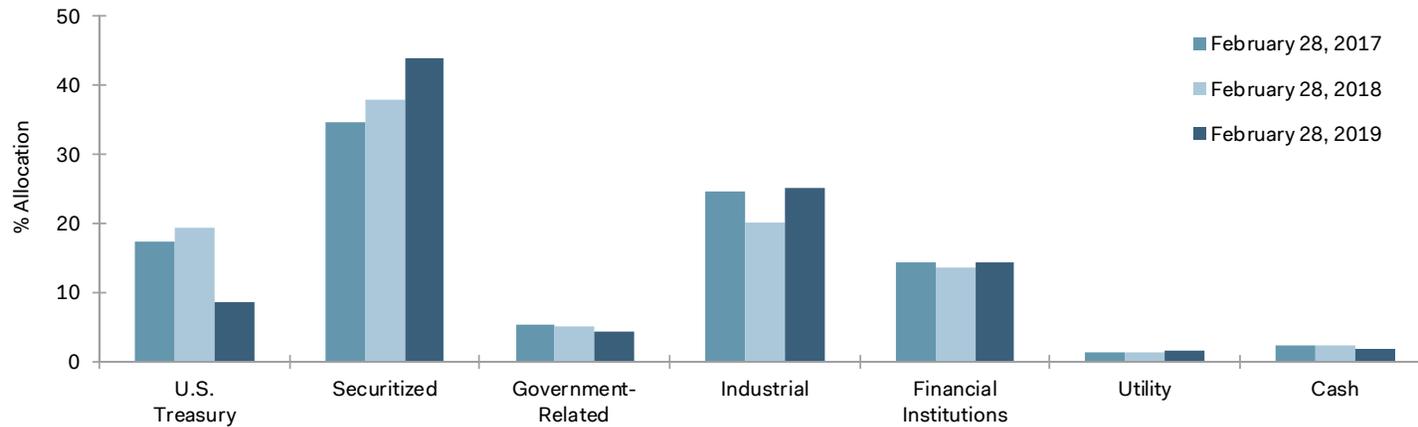
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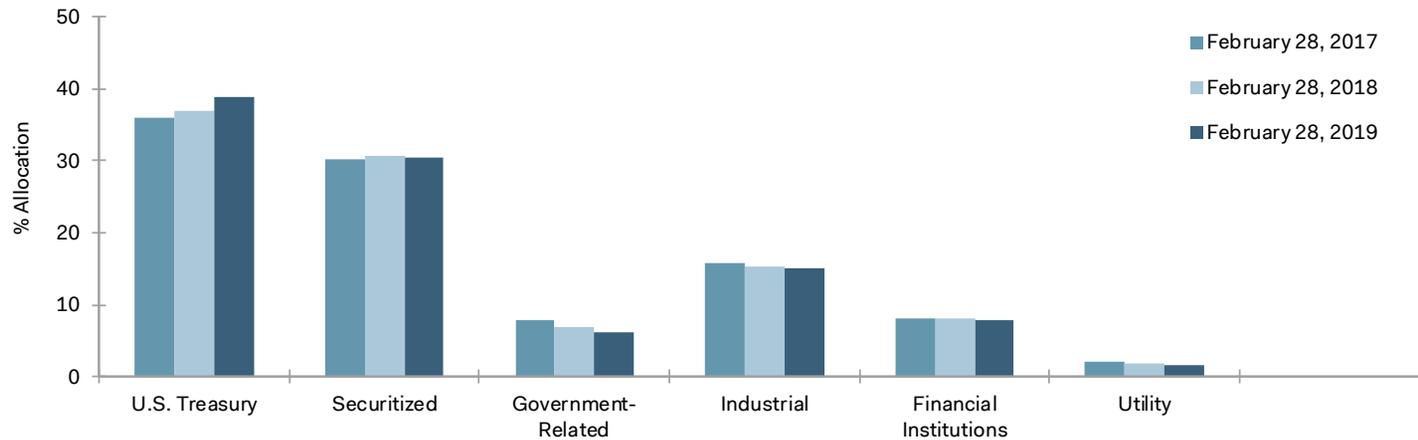
# Changes in the Portfolio

February 28, 2019

## Howard County Retirement System



## Bloomberg Barclays U.S. Aggregate Bond Index



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# Ten Largest Credit Holdings<sup>(a)</sup>

February 28, 2019

## Howard County Retirement System

Issuer <sup>(b)</sup>	% of Portfolio	Duration	Yield-to-Worst (%) <sup>(c)</sup>	Ratings		
				Moody's	S&P	Fitch
Charter Communications, Inc.	2.68	9.3	5.17	Ba1	BBB-	BBB-
Wells Fargo & Co.	1.85	3.2	3.20	Aa3	A	A+
HSBC Holdings PLC	1.82	8.1	4.35	A3	A-	A+
Ford Motor Credit Co. LLC <sup>(d)</sup>	1.77	2.3	4.42	Baa3	BBB	BBB
Telecom Italia SPA	1.74	3.9	5.38	Ba1	BB+	BBB-
Petroleos Mexicanos	1.69	8.7	7.44	Baa3	BBB+	BBB-
BNP Paribas SA	1.61	5.2	4.25	Baa2	BBB+	A
Bank of America Corp.	1.50	4.2	3.58	Baa1	A-	A+
Verizon Communications, Inc.	1.46	14.0	4.60	Baa1	BBB+	A-
Cox Enterprises, Inc.	1.39	5.0	3.79	Baa2	BBB	BBB+
<b>Portfolio Weight of Ten Largest Credit Holdings</b>	<b>17.50</b>					

<sup>(a)</sup>Weighted average statistics, with the exception of % of portfolio. <sup>(b)</sup>Except as noted, investments grouped by parent company. Actual securities may be issued by the listed parent company or one of its subsidiaries. <sup>(c)</sup>Yield and principal value fluctuate with market conditions.

<sup>(d)</sup>Subsidiary.

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# Mortgage-Backed Securities Investing at Dodge & Cox

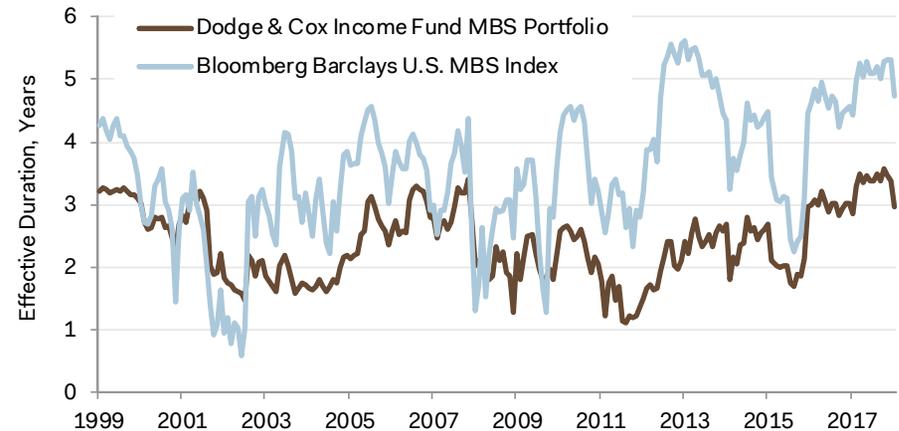
December 31, 2018

## Dodge & Cox Income Fund

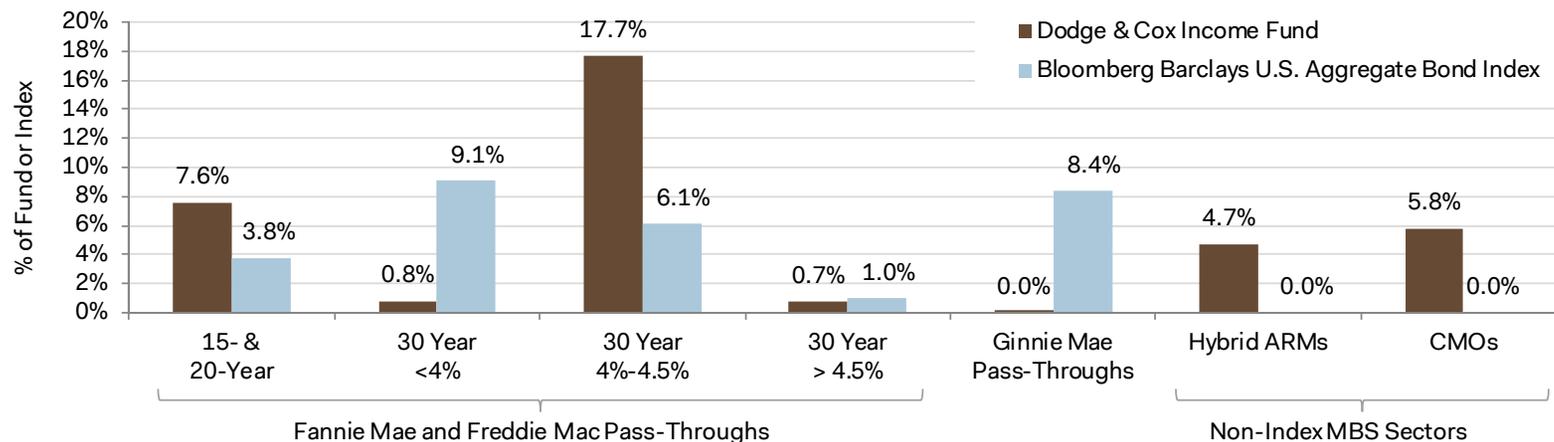
### Key Elements of our MBS Strategy

- Provides portfolio with incremental yield, high credit quality, and strong liquidity in the intermediate part of the yield curve.
- Utilizes in-house fundamental research on borrower, loan, and program characteristics to identify attractive total return opportunities over a robust range of interest rate scenarios.
- Focuses on GSE- and Agency-guaranteed collateral, opportunistically investing in non-Index Agency MBS.
- Seeks to avoid highly volatile securities with pronounced asymmetric return profiles.
- Calibrates overall MBS allocation based on relative value, incorporating dynamic scenario analysis of potential total returns vs. similar-duration alternatives.

### More Stable Duration vs. the Benchmark



### The Portfolio's Mortgage Holdings Differ from the Benchmark

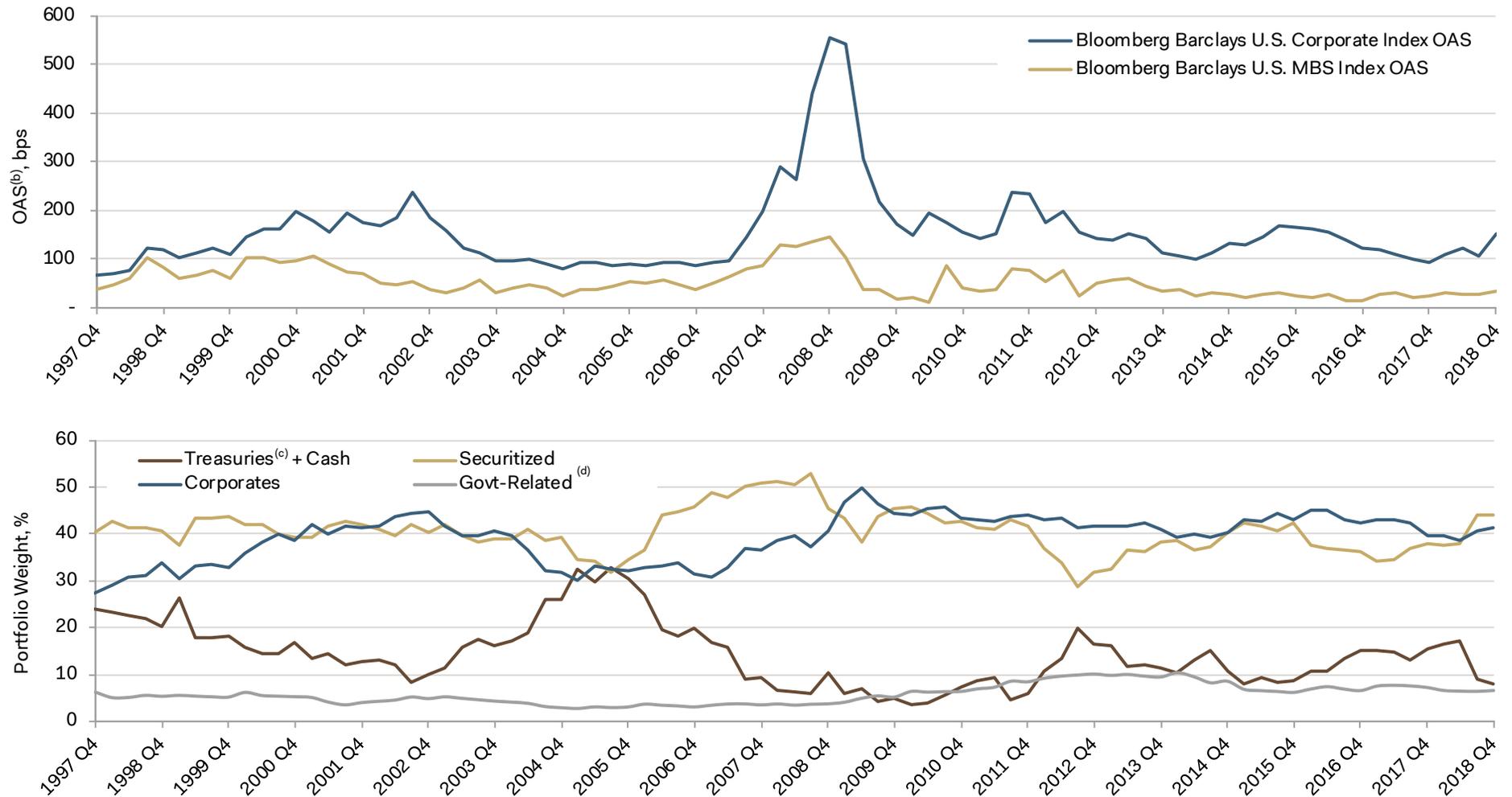


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# Sector Weightings Over Time

December 31, 2018

## Representative Discretionary Core Fixed Income Portfolio<sup>(a)</sup> – Supplemental Information



<sup>(a)</sup>Our representative account has changed over the period represented. Representative Account #1 was the representative account prior to March 31, 2015; Account #2 was the representative account for the period from March 31, 2015 to February 28, 2017; Account #3 has been our representative account since March 31, 2017. Each account was chosen for the relevant period because it was at or above our separate account minimum size, was a long-standing client within the given strategy, and maintained flexible guidelines during the relevant period. We believe each to be representative of our fully-discretionary strategy for the relevant period. Representative account holdings are subject to change and new accounts may have different holdings. <sup>(b)</sup>OAS (option-adjusted spread) is the option-adjusted yield differential between stated index and comparable U.S. Treasuries. OAS does not translate into a return. <sup>(c)</sup>Data as presented excludes the effect of the portfolio's position in Treasury futures contracts. <sup>(d)</sup>The portfolio's Government-Related holdings may include tax-exempt municipal securities; the Index classifies these securities as Municipal Bonds.

Source: Bloomberg, Eagle STAR. This exhibit supplements and must be accompanied or preceded by Dodge & Cox's Fixed Income Tax-Exempt Composite. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice.

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# Update on Dodge & Cox

# Key Characteristics of Our Organization

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December 31, 2018

## **Over 85 Years of Investment Experience**

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

## **Independent Organization**

Ownership of Dodge & Cox is limited to active employees of the firm. Currently there are 73 shareholders and 276<sup>(a)</sup> total employees.

## **One Business**

Dodge & Cox is solely in the business of investing our clients' assets. We apply a consistent investment approach to managing equity, debt, and balanced portfolios.

## **Single Investment Office Location**

We maintain close communication among our investment professionals by managing investments from one office in San Francisco.

## **Independent Research Staff**

Thorough fundamental analysis of each investment allows us to make independent, long-term decisions for our clients' portfolios.

<sup>(a)</sup> Includes employees of wholly owned subsidiary Dodge & Cox Worldwide Investments Ltd. (UK).

# Experienced, Integrated, and Stable Investment Team

Effective January 31, 2019

## U.S. Equity Investment Committee

Bryan Cameron	35	Steven Voorhis	22
Charles Pohl	34	Karol Marcin	18
Wendell Birkhofer	31	Philippe Barret	14
Diana Strandberg	30	Kathleen McCarthy	11
David Hoeft	25	Benjamin Garosi	9
		<b>Average Tenure:</b>	<b>23</b>

## International Equity Investment Committee

Bryan Cameron	35	Keiko Horkan	18
Charles Pohl	34	Richard Callister	16
Diana Strandberg	30	Englebert Bangayan	16
Mario DiPrisco	20	Raymond Mertens	15
Roger Kuo	20	<b>Average Tenure:</b>	<b>23</b>

## Global Equity Investment Committee

Charles Pohl	34	Roger Kuo	20
Diana Strandberg	30	Karol Marcin	18
David Hoeft	25	Lily Beischer	17
Steven Voorhis	22	<b>Average Tenure:</b>	<b>24</b>

## U.S. Fixed Income Investment Committee

Dana Emery	35	Adam Rubinson	16
Thomas Dugan	24	Anthony Brekke	15
Larissa Roesch	21	Nils Reuter	15
James Dignan	19	Michael Kiedel	10
Lucy Johns	16	<b>Average Tenure:</b>	<b>19</b>

## Global Fixed Income Investment Committee

Dana Emery	35	Lucy Johns	16
Thomas Dugan	24	Adam Rubinson	16
James Dignan	19	Matthew Schefer	10
		<b>Average Tenure:</b>	<b>20</b>

## Global Research Team / Years at D&C / Coverage

Bryan Cameron	35	SVP, Director of Research
Charles Pohl	34	Chairman and CIO
Wendell Birkhofer	31	SVP, TMT Sector Committee
Lynn Poole	31	Healthcare/Consumer Sector Committee
Diana Strandberg	30	SVP, Director of International Equity
Kevin Johnson	29	Energy/Industrials Sector Committee
Steven Cassriel	26	Energy/Industrials Sector Committee
David Hoeft	25	SVP, Associate CIO
Steven Voorhis	22	Pharmaceuticals, Assoc. Dir. of Research
John Iannuccillo	21	Aerospace, Elec. Equip., Forest Products
Mario DiPrisco	20	Finance Sector Committee
Roger Kuo	20	SVP, Internet, Media
Keiko Horkan	18	Banks, Specialty/Consumer Finance
Karol Marcin	18	Insurance
Amanda Nelson	18	Electric Utilities, Pipelines
Lily Beischer	17	Cosmetics, Apparel, Retail
Richard Callister	16	Machinery, Medical Devices
Englebert Bangayan	16	Commercial Services, Oil/Oil Services
Raymond Mertens	15	Healthcare Services, Consumer
Philippe Barret, Jr.	14	Banks, Asset Managers, Brokers
Karim Fakhry	12	Biotech & Pharma, Appliances
Kathleen McCarthy	11	Beverages, Building Products, Tobacco
Paritosh Somani	11	IT Hardware & Services, Mining
Emily Han	11	Quantitative Analysis
Tae Yamaura	10	Components, Semiconductors, Japan
Arun Palakurthy	10	Electronics, Semiconductors, Telecom
Benjamin Garosi	9	Chemicals, Transportation, Autos
Salil Phadnis	7	Energy/Oil, Homebuilders, REITs, Hotels
Sophie Chen	6	Telecom Equipment, China
Robert Turley	5	Asset Allocation, Portfolio Strategy
Rameez Dossa	5	Banks, IT Software
Kevin Glowalla	5	Telecom
Nate Liao	New	China
Raja Patnaik	New	Portfolio Strategy

## Fixed Income Team / Years at D&C / Coverage

Dana Emery	35	CEO, President, Co-Director of Fixed Income
Thomas Dugan	24	SVP, Co-Director of Fixed Income
Stephanie Notowich	23	Structured Products Sector Committee
Larissa Roesch	21	Credit Sector Committee
James Dignan	19	MBS/ABS Analysis
E. Saul Peña	18	Portfolio Transitions, Credit Trading
Lucy Johns	16	Global Bonds, Credit Sector Committee
Jay Stock	16	Treasury/Derivatives Trading, Systems
Adam Rubinson	16	Credit Research
Damon Blechen	16	Credit Trading/Analysis, Global Bonds
Anthony Brekke	15	Credit Research
Nils Reuter	15	MBS/ABS Analysis/Trading
Kristina Sormark	14	Credit Trading/Analysis
Linda Chong	13	MBS/ABS Analysis/Trading, Global Bonds
Nicholas Lockwood	11	Munis, Treasury/Derivatives Trading
Allen Feldman	11	MBS/ABS Analysis/Trading, Systems
Michael Kiedel	10	Credit Research
Matthew Schefer	10	Credit Research, Global Bonds
Masato Nakagawa	6	MBS/ABS Analysis/Trading
Mimi Yang	4	Macro, Currency, Global Bonds
Jessica Corr	4	Credit Trading/Analysis
Jose Ursua	3	Macro, Currency, Global Bonds
David Strasburg	3	Credit Research
Samir Amso	3	Credit Trading/Analysis, Global Bonds
Dustin Seely	2	MBS/ABS Analysis/Trading
Thomas Powers	2	Macro, Currency, Global Bonds
Shane Cox	2	Treasury/Derivatives Trading, Global Bonds

Years of experience at Dodge & Cox are updated annually in May

# Employee Update — Investment Professionals

January 1, 2016 – December 31, 2018

Hired			Retired			Years with Firm	
2018			2016				
Nate Liao	Global Industry Analyst	3Q	John A. Gunn	Former Chairman	44	4Q	
2017			Nancy A. Kellerman	Municipals, Treasury Trading	20	4Q	
Emily J. Han <sup>(a)</sup>	Quantitative Analysis	3Q	Gregory R. Serrurier	Equity Portfolio Manager	32	2Q	
Mimi Yang <sup>(a)</sup>	Fixed Income Analyst	1Q	<b>Resigned</b>				
Dustin B. Seely <sup>(a)</sup>	Fixed Income Analyst/Trader	1Q	2018				
2016			Thinh V. Le	Fixed Income Analyst/Trader	17	3Q	
Kristina M. Sormark <sup>(a)</sup>	Fixed Income Trader	4Q	Joel-Patrick Millsap	Global Industry Analyst	12	2Q	
Shane E. Cox	Fixed Income Analyst/Trader	4Q	2017				
Thomas Y. Powers	Fixed Income Analyst	3Q	Shirlee R. Neil	Client Portfolio Manager	25	4Q	
Thomas Lukacovic	Equity Trader	1Q					

## Annual Total Employees<sup>(b)</sup>

2016	2017	2018
261	271	276

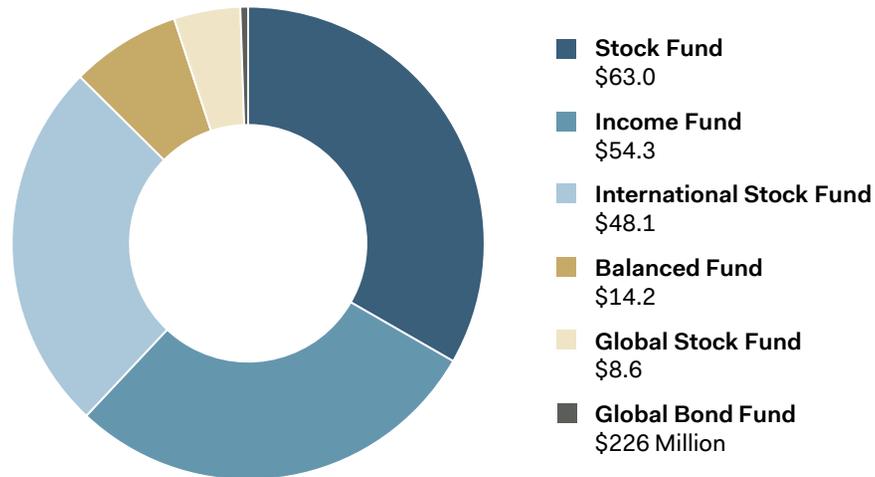
<sup>(a)</sup> Internally Promoted <sup>(b)</sup> Includes employees of wholly owned subsidiary Dodge & Cox Worldwide Investments Ltd. (UK).

# Dodge & Cox's Focused Investment Strategies (\$ in Billions)

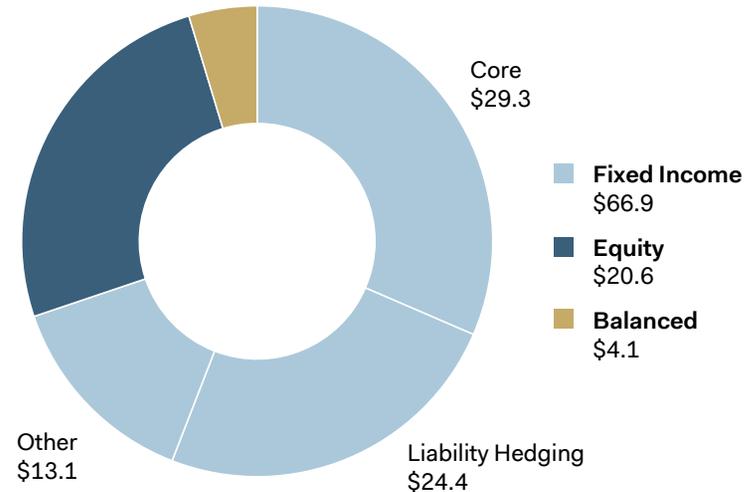
December 31, 2018

\$286.0 in Total Assets: \$158.6 in Equities / \$127.4 in Fixed Income

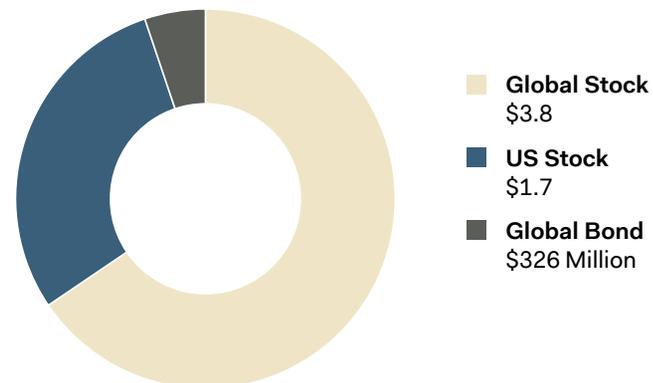
## Dodge & Cox Funds: \$188.4 Billion



## Separate Accounts: \$91.6 Billion



## Non-U.S. Funds (Irish UCITS): \$5.9 Billion



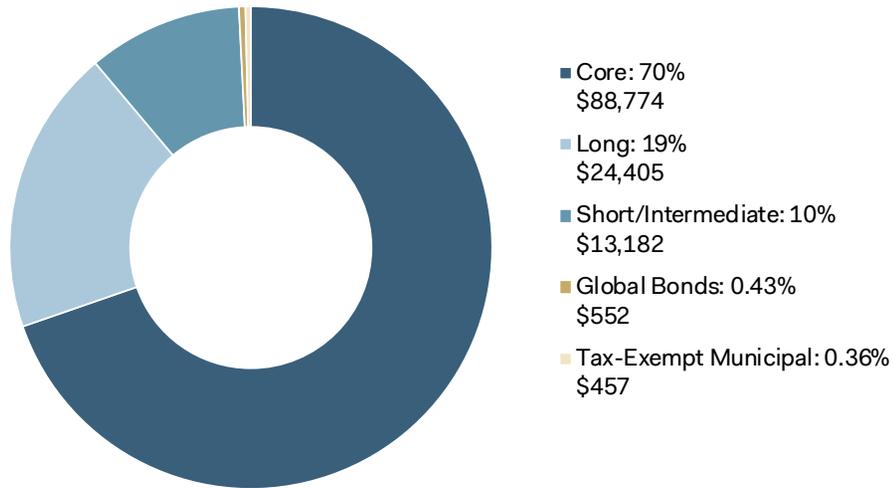
Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit [dodgeandcox.com](http://dodgeandcox.com) or call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

# Fixed Income Asset Breakdown (\$ in Millions)

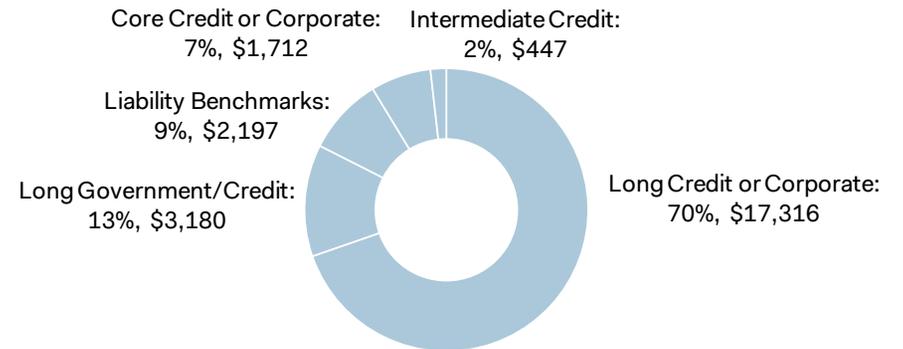
December 31, 2018

\$127.4 Billion in Total Fixed Income Assets

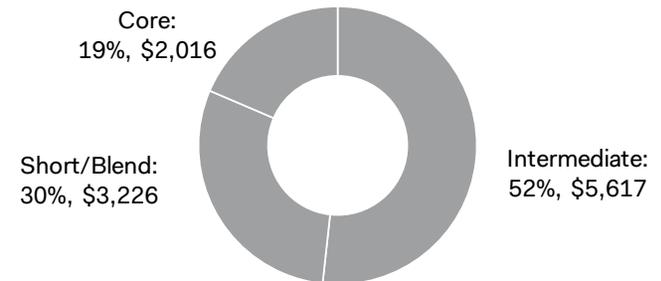
## Fixed Income Strategy Type



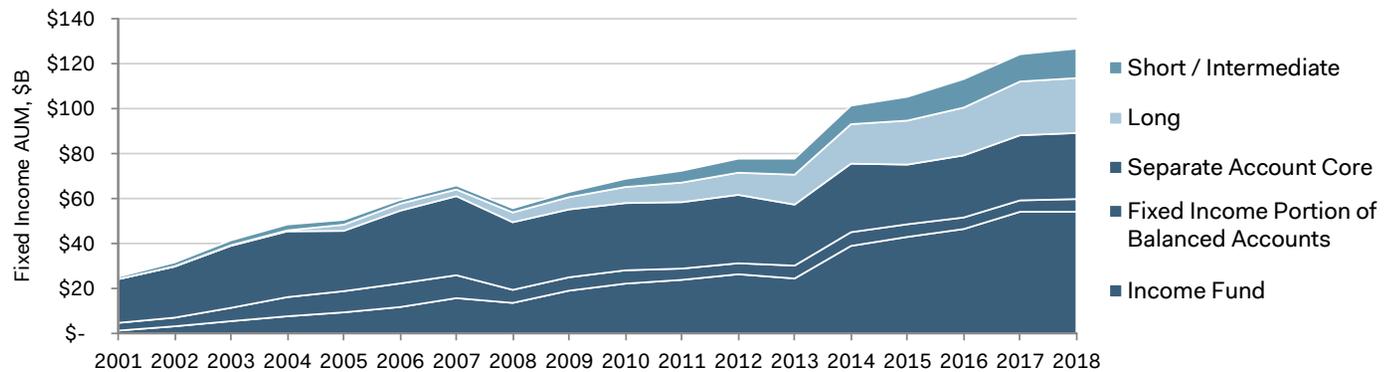
## Liability Hedging | Total: \$24,852



## Stable Value | Total: \$10,859



## Annual AUM Growth



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.

## Long-Term Track Record

- We have added value over the long-term.
- Our persistence with our investment approach through past periods of underperformance has been crucial to our long-term success.

## Consistent Investment Approach

- While we remain committed to our investment approach, we continue to learn and enhance our process.
- Global industry and fixed income analysts review, update, and stress-test the financial models for each of our holdings.
- We monitor relative valuations across our investment universe to find the best opportunities.

## Experienced Investment Team

- Average tenure at Dodge & Cox for the members of our five Investment Committees is 22 years.
- The experience and continuity of our teams help us look beyond short-term concerns to long-term opportunities.
- Our teams have successfully navigated past challenging periods.

## Independent Organization

- Our firm — in existence since 1930 — is independently owned by active employees. We have no debt.
- Employee count has been kept low historically, and we have not had layoffs. We continue to hire research analysts.
- Independence gives us staying power to stick with our convictions and maintain our focus on the long term.

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.

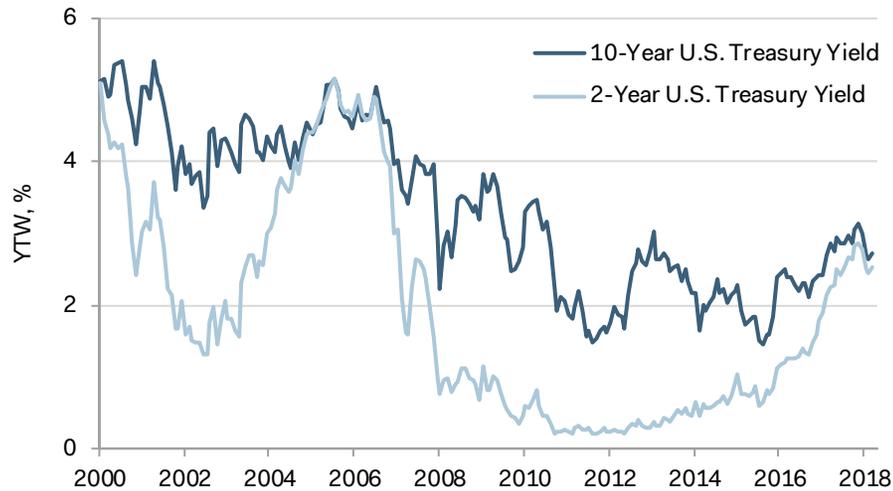
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# Supplemental Exhibits

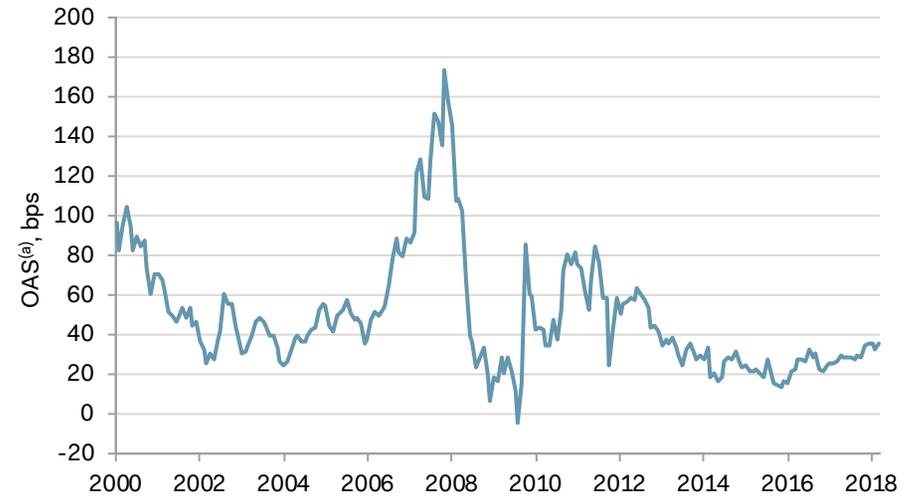
# U.S. Bond Market Conditions

February 28, 2019

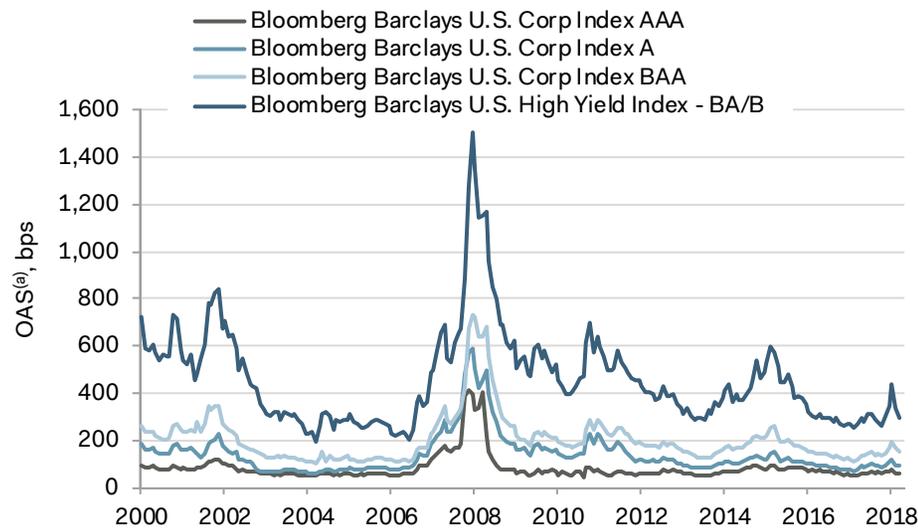
## Two- and Ten-Year U.S. Treasury Yields



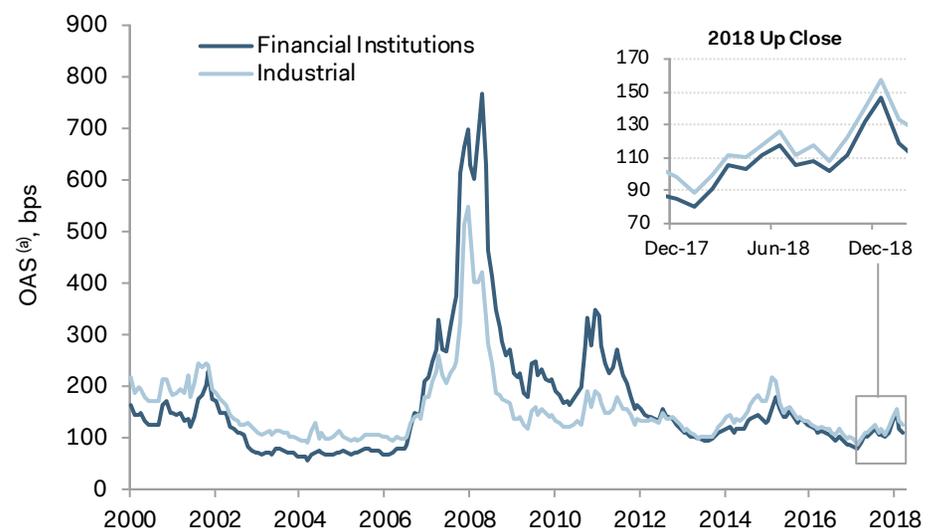
## Bloomberg Barclays U.S. MBS Index



## Corporate OAS<sup>(a)</sup> Over Time



## Bloomberg Barclays U.S. Financials and Industrials Indices



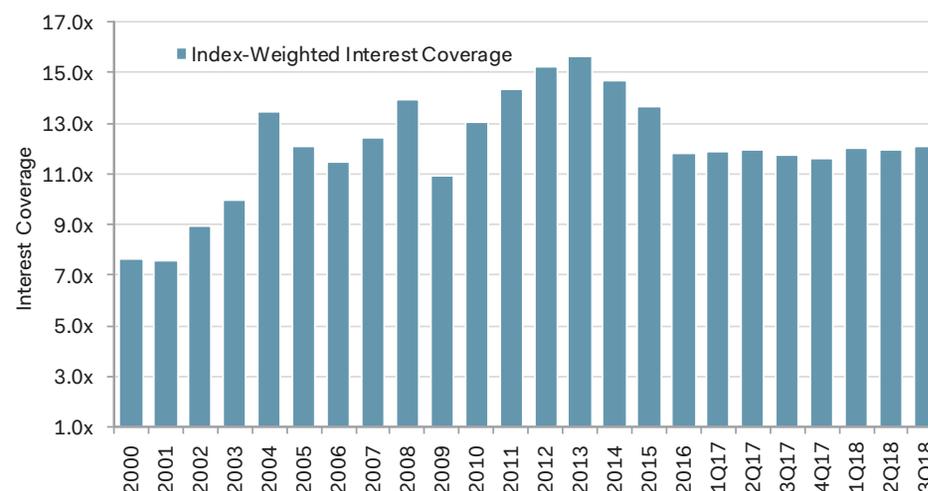
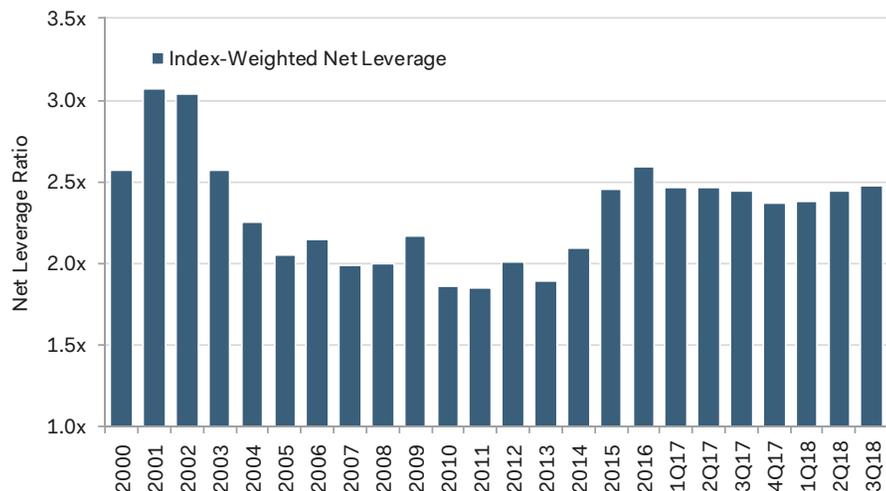
<sup>(a)</sup>OAS (option-adjusted spread) is the option-adjusted yield differential between stated index and comparable U.S. Treasuries. OAS does not translate into a return.

Source: Bloomberg. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. 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.

# The State of Industrial Corporate Credit<sup>(a)</sup>

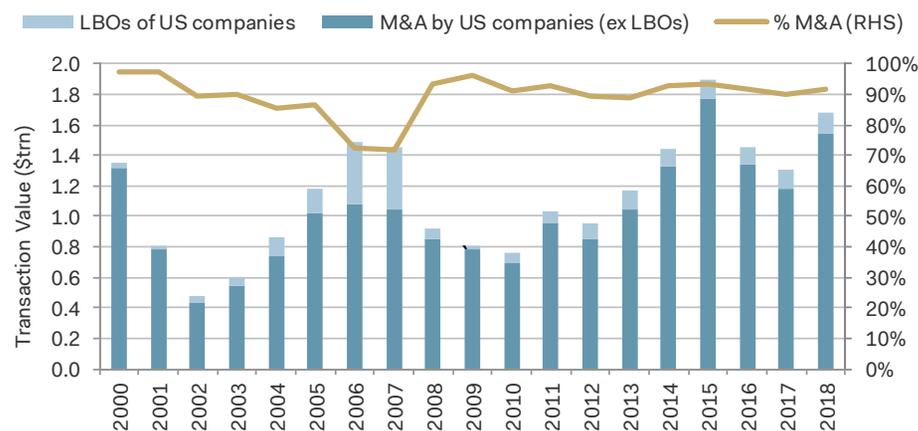
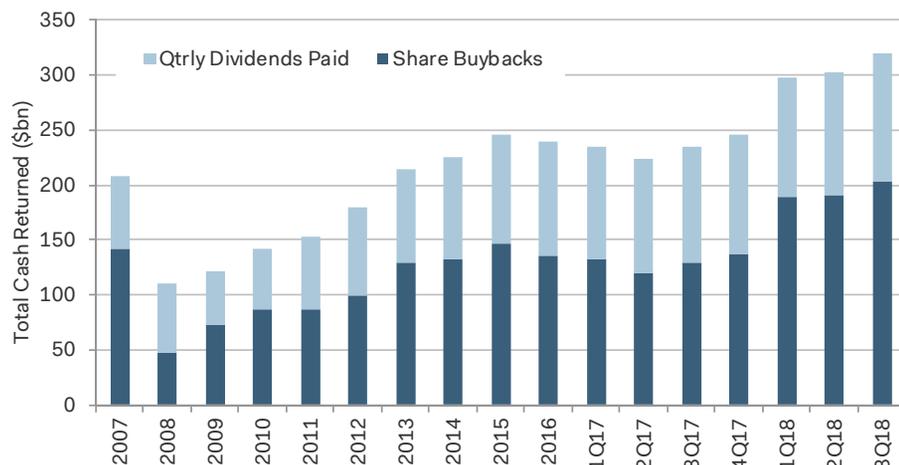
December 31, 2018

## Index-Weighted<sup>(b)</sup> Net Leverage<sup>(c)</sup> Has Declined from Recent Peaks... ..and Interest Coverage<sup>(c)</sup> Remains Robust



## Companies Are Using Cash to Reward Shareholders...

## ...and Engage in Strategic Activity (Primarily M&A)



<sup>(a)</sup>Most recent data available. <sup>(b)</sup>Bloomberg Barclays U.S. Corporate Index. <sup>(c)</sup>Data prior to 1999 from Barclays. Data from 1999 to present from Factset.

Source: Standard & Poor's, J.P. Morgan. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Opinions expressed are subject to change without notice. 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 [www.dodgeandcox.com](http://www.dodgeandcox.com) or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

# Below Investment Grade Holdings<sup>(a)</sup>

February 28, 2019

## Howard County Retirement System

Issuer <sup>(b)</sup>	Ratings			% of Portfolio	Duration	Yield-to-Worst (%) <sup>(c)</sup>
	Moody's	S&P	Fitch			
Rio Oil Finance Trust	NR	BB-	BB-	1.32	3.1	6.65
Petroleo Brasileiro SA	Ba2	BB-	BB-	0.58	7.2	5.61
Telecom Italia SPA	Ba1	BB+	BBB-	1.74	3.9	5.38
Charter Communications, Inc.	Ba1	BBB-	BBB-	2.68	9.3	5.17
Ultrapar Participacoes SA	Ba1	BB+	NR	0.21	6.1	5.15
Cemex SAB de CV	NR	BB	BB-	1.10	2.2	5.09
Citigroup capital securities	Baa3	BB+	BBB-	1.05	0.2	4.80
Barclays sub notes	Ba1	BB+	A-	0.53	4.8	4.76
Royal Bank of Scotland Group sub notes	Baa3	BB	A-	1.37	3.6	4.63
Xerox Corp.	Ba1	BB+	BB+	0.46	2.3	4.12
Elanco Animal Health, Inc. <sup>(d)</sup>	Baa3	BB+	BB+	0.26	5.4	4.01
<b>Total Weighted Average</b>					<b>4.8</b>	<b>5.20</b>

### Total Portfolio Weightings (%)

Highest (Moody's/S&P/Fitch)	3.66
Middle (Moody's/S&P/Fitch)	6.17
Lowest (Moody's/S&P/Fitch)	11.29

<sup>(a)</sup>Weighted average statistics, with the exception of % of portfolio. <sup>(b)</sup>Except as noted, investments grouped by parent company. Actual securities may be issued by the listed parent company or one of its subsidiaries. <sup>(c)</sup>Yield and principal value fluctuate with market conditions.

<sup>(d)</sup>Subsidiary.

Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings.

# Energy and Commodity Exposure

December 31, 2018

## Dodge & Cox Income Fund

We have made select energy and mining investments in borrowers which have attractive risk/reward and can withstand weak commodity prices for an extended period of time.

### Asset-Backed

We seek structured securities with strong covenants that provide downside protection.

- **Rio Oil:** Asset-backed security with strong covenants and ability to withstand depressed oil prices. Risks from Petrobras exposure (source of cash flows), fiscal/political uncertainty in Brazil.

### State-Controlled Companies

We seek strong asset coverage and high likelihood of sovereign support.

- **PEMEX:** National oil company with large resource base and high probability of sovereign support. Risks from fiscal burden, declining production, high leverage, policy changes.
- **Petrobras:** Integrated oil company with world-class resource base, high growth prospects, and high probability of sovereign support. Risks from funding needs, fiscal/political uncertainty in Brazil.

### Midstream

We seek companies with stable cash flows, often backed by long-term contracts.

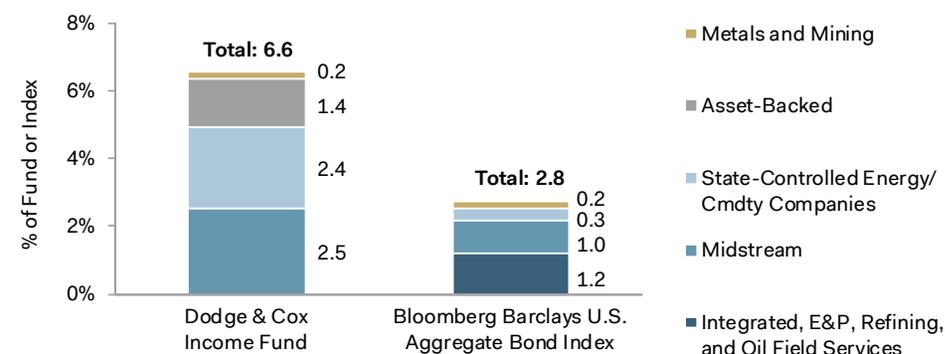
- **TransCanada:** Leading North American pipeline company with stable cash flows from long-term contracts, limited commodity price risk, commitment to strong credit rating. Risks from large capex plan and associated funding needs.
- **Kinder Morgan:** Largest gas pipeline operator in the U.S. with stable cash flows from long-term contracts, limited commodity price risk, strong management. Risks from elevated leverage.
- **Ultrapar:** Leading Brazilian fuel distributor with a history of good free cash flow, low leverage, and strong management. Risks from Petrobras exposure, Brazil macro.

### Metals and Mining

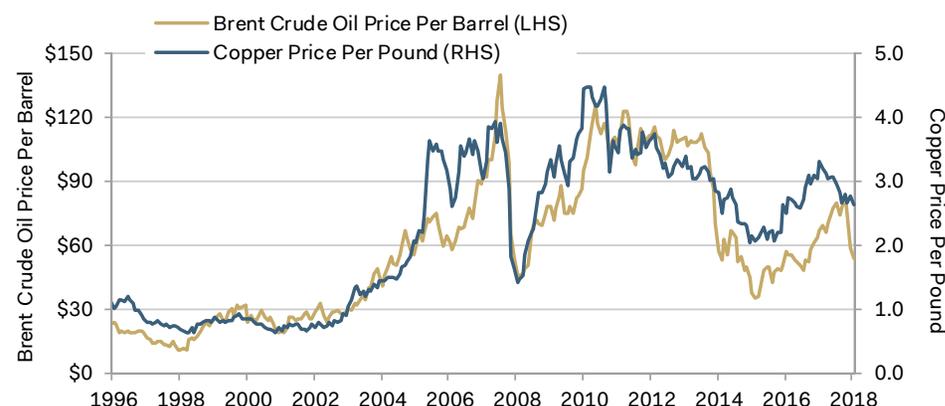
We seek miners with large and efficient assets, and the balance sheet strength to endure commodity volatility.

- **BHP Billiton:** World's largest miner, with a strong balance sheet and world-class assets that generate cash through the cycle. Risks from commodity price volatility.

## Current Energy and Commodity Positioning



## Oil and Copper Price History



Source: Bloomberg, POINT. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. 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.

# USD-Denominated Non-U.S. Exposure

December 31, 2018

## Dodge & Cox Income Fund

In recent years, Dodge & Cox has increasingly invested in U.S. dollar-denominated debt of non-U.S. domiciled corporations, quasi-sovereigns, and sovereigns in our domestic fixed income portfolios. Our global research capabilities, increased market opportunities, and attractive valuations have all contributed to this trend.

### Key Points

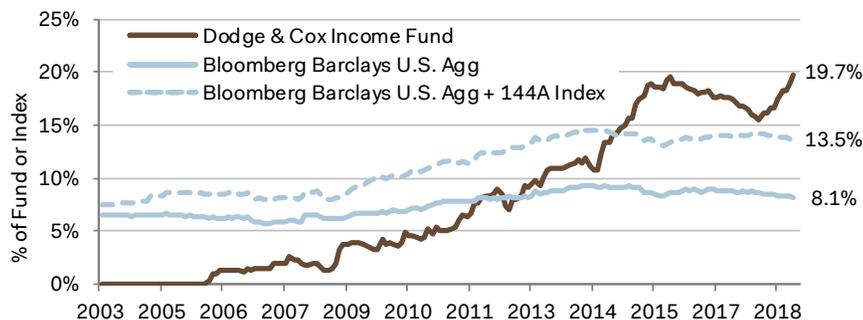
The Fund's non-U.S. holdings are selected using the same bottom-up fundamental research approach we employ for U.S. issuers, evaluating dislocations in long-term relative risk/reward

- Additional analysis on non-U.S. domiciled entities focuses on the risks/benefits associated with domicile location (e.g., regulatory framework, bankruptcy laws, ties to sovereign, etc.)
- OAS is typically more attractive relative to similar U.S.-domiciled entities

The Fund's non-U.S. holdings represent a range of industries, countries, and regions

- Current bank holdings are concentrated in the UK, which has a strong, independent banking regulator
- Emerging markets holdings are primarily quasi-sovereign entities as well as companies that have valuable (hard) assets and/or sources of developed market revenues

### Non-U.S. Exposure by Universe



<sup>(a)</sup>OAS (option-adjusted spread) is the option-adjusted yield differential between stated index and comparable U.S. Treasuries. OAS does not translate into a return. <sup>(b)</sup>Revenues based on year-end filings, regions defined as North America, South America, Europe, Asia/Pacific, and Middle East/Africa. <sup>(c)</sup>Asset-backed security.

Source: Bloomberg LP, FactSet, POINT. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. 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.

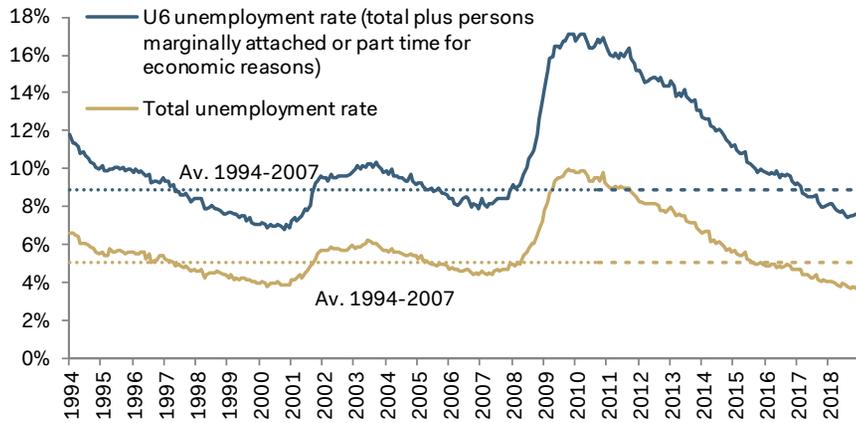
### Non-U.S. domiciled credit holdings are geographically diversified

Emerging Market Issuers	OAS <sup>(a)</sup>	Country of HQ	Local Region Revenue <sup>(b)</sup>	Fund Weight
Naspers, Ltd.	242	South Africa	64%	1.31%
Petroleos Mexicanos	500	Mexico	80%	1.82%
Cemex SAB de CV	371	Mexico	48%	1.07%
Rio Oil Finance Trust <sup>(c)</sup>	460	Brazil	100%	1.42%
Petroleo Brasileiro SA	422	Brazil	100%	0.59%
Ultrapar Participacoes SA	309	Brazil	99%	0.27%
				<b>6.47%</b>

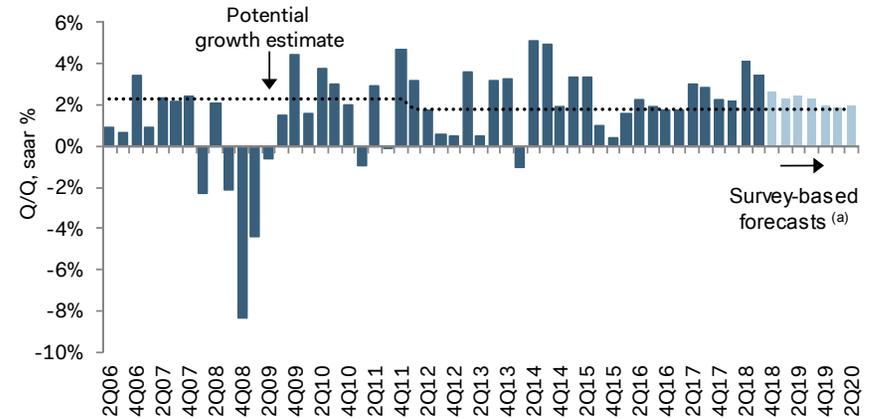
Developed Market Issuers	OAS <sup>(a)</sup>	Country of HQ	Local Region Revenue <sup>(b)</sup>	Fund Weight
BHP Billiton, Ltd.	345	Australia	78%	0.21%
BNP Paribas SA	217	France	73%	1.63%
Bayer AG	195	Germany	38%	1.03%
Bayerische Motoren Werke AG	109	Germany	46%	0.17%
CRH PLC	198	Ireland	50%	0.35%
Telecom Italia SPA	398	Italy	77%	1.16%
Enel SPA	300	Italy	78%	1.11%
Royal Bank of Scotland Group PLC	323	UK	97%	1.37%
Barclays PLC	306	UK	61%	0.55%
Lloyds Banking Group PLC	257	UK	100%	1.06%
HSBC Holdings PLC	203	UK	31%	1.82%
Imperial Brands PLC	185	UK	>50%	1.30%
RELX PLC	121	UK	23%	0.43%
TransCanada Corp.	393	Canada	100%	0.99%
				<b>13.20%</b>

The U.S. economy is now beyond full employment, with growth above potential and inflation at target as monetary policy tightens gradually

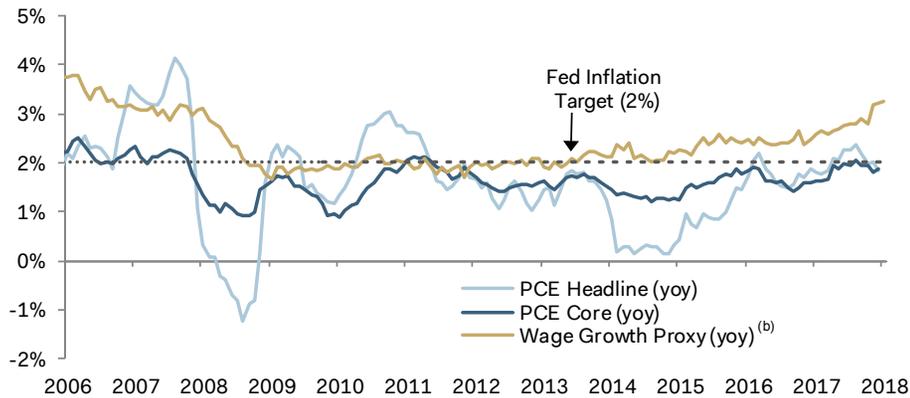
## Labor Market Tightening Beyond Full Employment



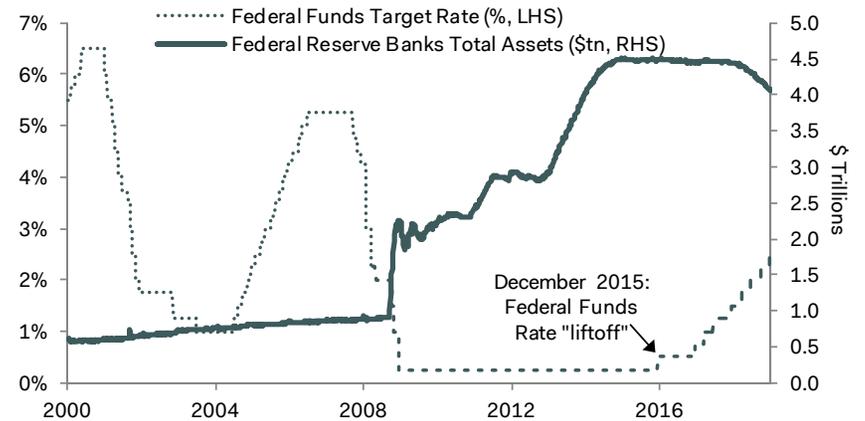
## GDP Growth Expected to Decelerate Towards Potential



## Inflation Close to Target and Wage Growth Trending Higher



## Monetary Tightening to Remain Gradual and Data Dependent



<sup>(a)</sup>Bloomberg survey (median). <sup>(b)</sup>Simple average of Average Hourly Earnings and the Employment Cost Index.

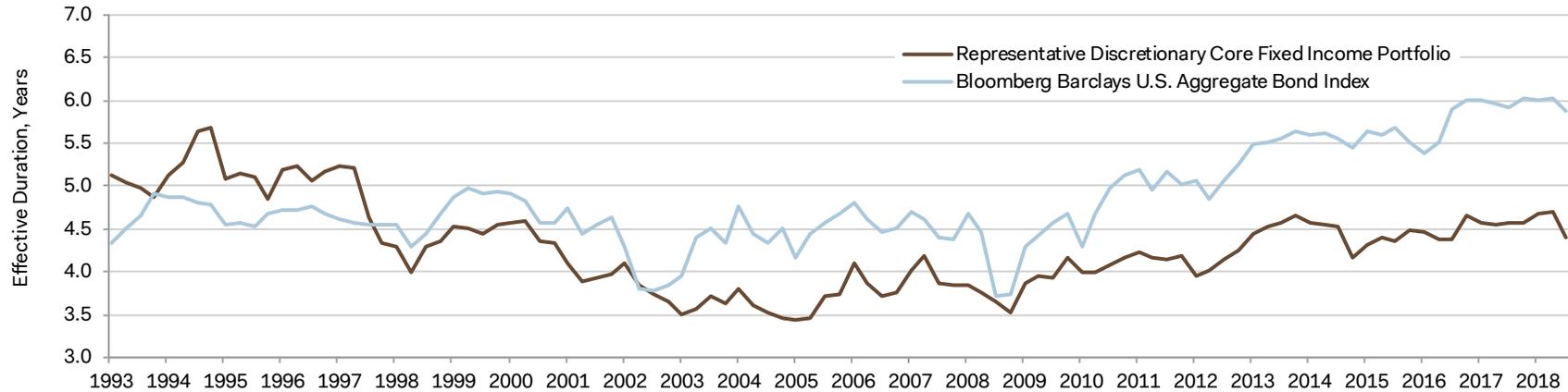
Source: U.S. Federal Reserve, U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, Bloomberg. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. 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.

# Duration Positioning

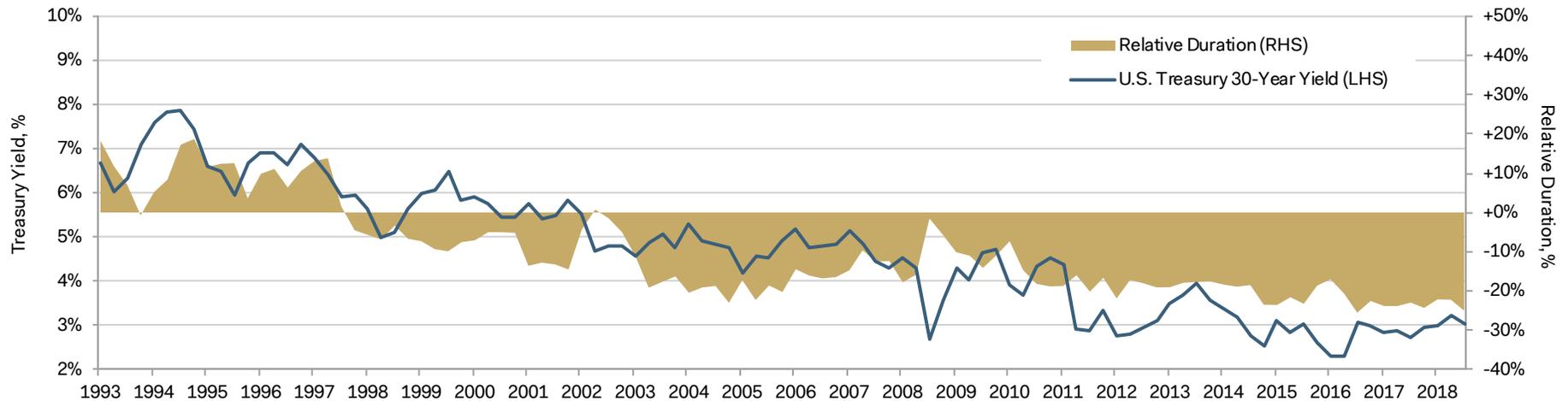
December 31, 2018

## Representative Discretionary Core Fixed Income Portfolio<sup>(a)</sup> – Supplemental Information

### Effective Duration vs. Bloomberg Barclays U.S. Aggregate Bond Index



### Relative Effective Duration vs. 30-Year U.S. Treasury Yield



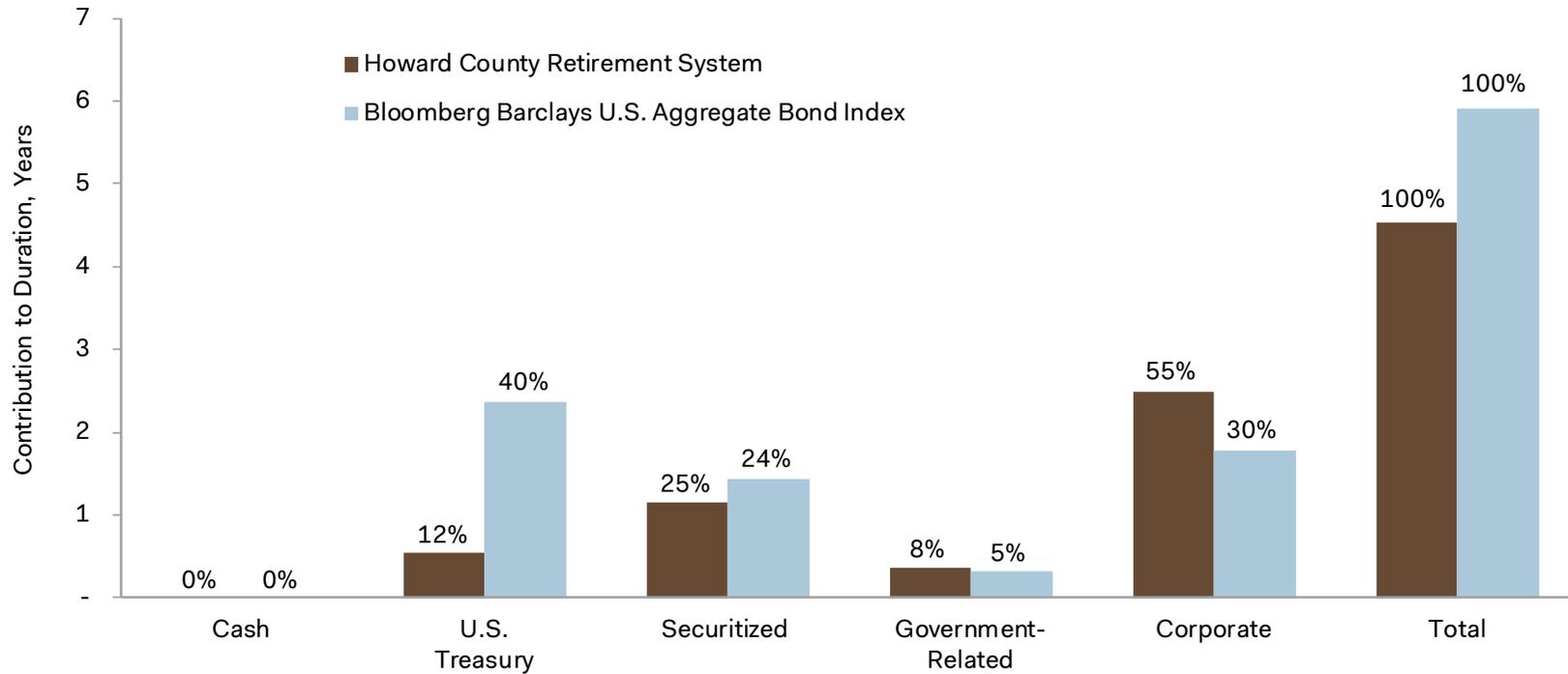
<sup>(a)</sup>Our representative account has changed over the period represented. Representative Account #1 was the representative account up to February 28, 2015; Account #2 was the representative account for the period from March 31, 2015 to February 28, 2017; Account #3 has been our representative account since March 31, 2017. Each account was chosen for the relevant period because it was at or above our separate account minimum size, was a long-standing client within the given strategy, and maintained flexible guidelines during the relevant period. We believe each to be representative of our fully-discretionary strategy for the relevant period. Representative account holdings are subject to change and new accounts may have different holdings.

Source: POINT, Bloomberg LP. This exhibit supplements and must be accompanied or preceded by Dodge & Cox's Fixed Income Tax-Exempt Composite. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice.

# Contribution to Duration (CTD) by Sector

February 28, 2019

## Howard County Retirement System



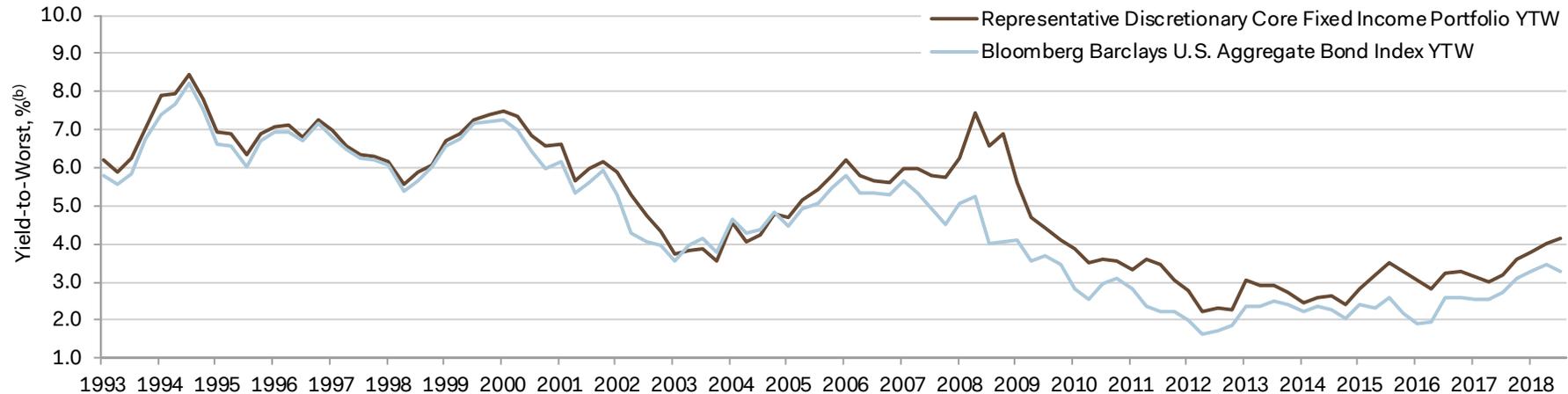
Weight (%)	1.85	0.00	8.68	38.76	44.03	30.52	4.36	6.10	41.09	24.63	100.00	100.00
Duration (Years)	0.00	0.00	6.27	6.10	2.59	4.73	8.42	5.33	6.05	7.25	4.54	5.91
CTD <sup>(a)</sup>	0.00	0.00	0.54	2.36	1.14	1.44	0.37	0.33	2.49	1.78	4.54	5.91

<sup>(a)</sup>Contribution to Duration = Portfolio weightings (%) x Duration (Years).

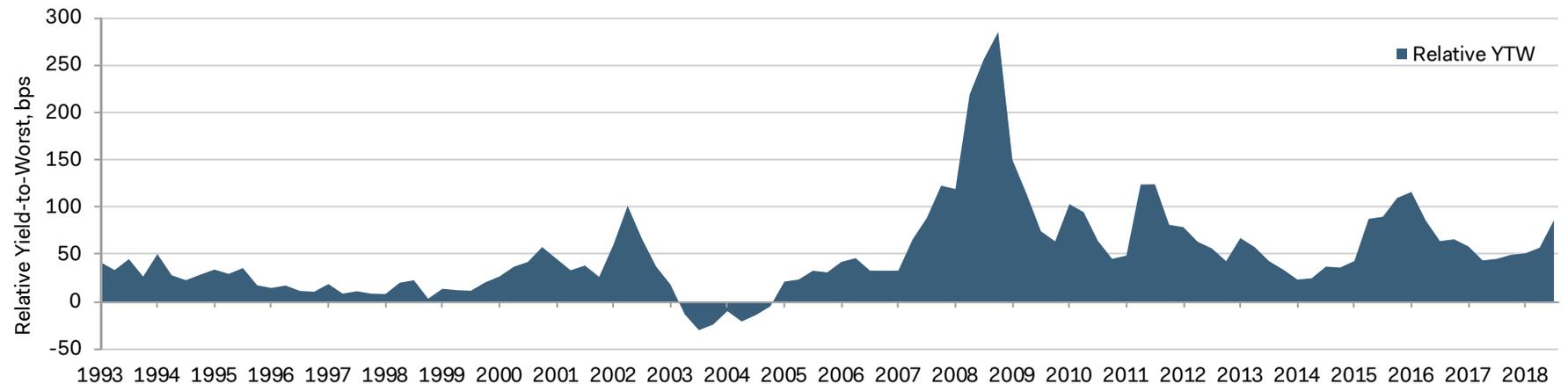
Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge, POINT. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice.

## Representative Discretionary Core Fixed Income Portfolio<sup>(a)</sup> – Supplemental Information

### Yield-to-Worst (YTW) vs. Bloomberg Barclays U.S. Aggregate Bond Index



### Relative YTW



As of July 31, 2018, weighted-average yield-to-worst includes the effect of the portfolio's position in U.S. Treasury futures contracts.

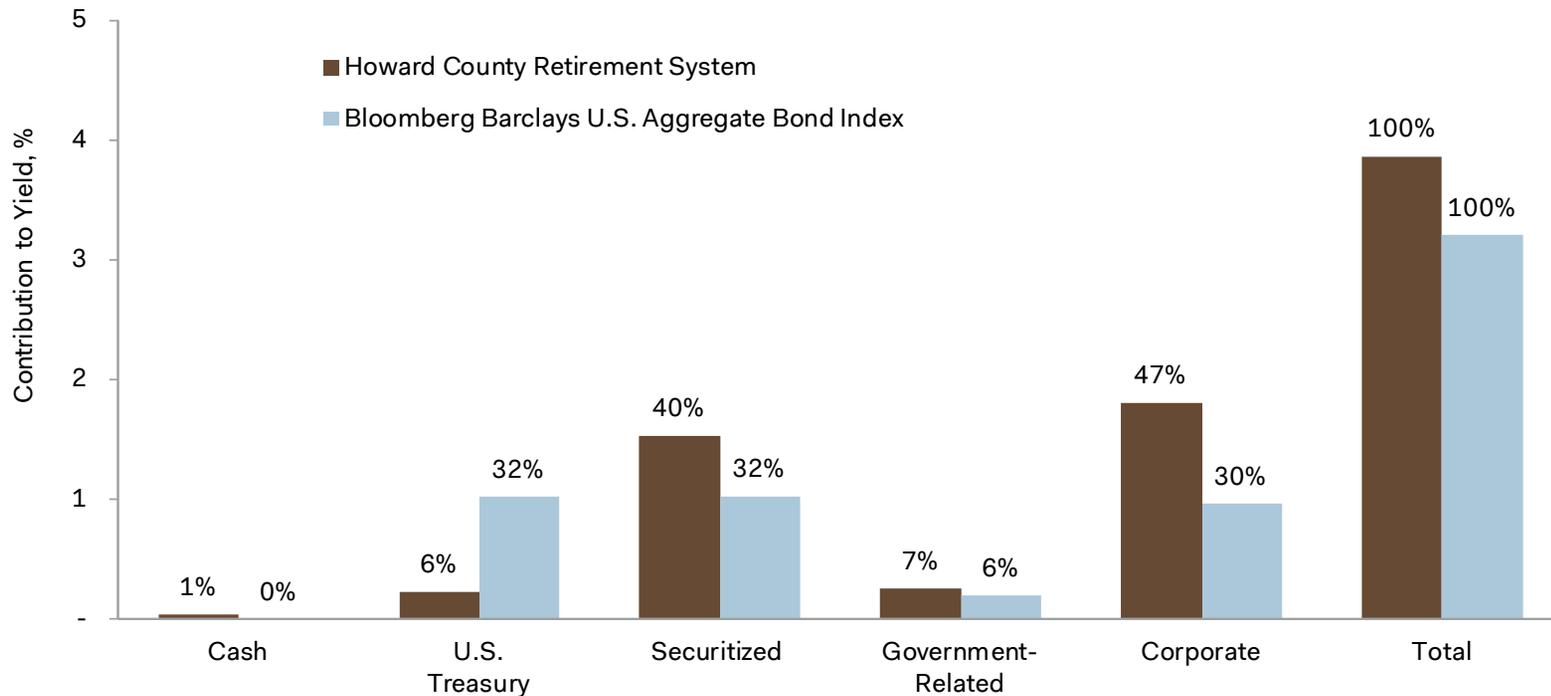
<sup>(a)</sup>Our representative account has changed over the period represented. Representative Account #1 was the representative account up to February 28, 2015; Account #2 was the representative account for the period from March 31, 2015 to February 28, 2017; Account #3 has been our representative account since March 31, 2017. Each account was chosen for the relevant period because it was at or above our separate account minimum size, was a long-standing client within the given strategy, and maintained flexible guidelines during the relevant period. We believe each to be representative of our fully-discretionary strategy for the relevant period. Representative account holdings are subject to change and new accounts may have different holdings. <sup>(b)</sup>Yield and Principal value fluctuate with market conditions.

Source: Bloomberg LP. This exhibit supplements and must be accompanied or preceded by Dodge & Cox's Fixed Income Tax-Exempt Composite. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice.

# Contribution to Yield (CTY) by Sector

February 28, 2019

## Howard County Retirement System



Weight (%)	1.85	0.00	8.68	38.76	44.03	30.52	4.36	6.10	41.09	24.63	100.00	100.00
Yield (%) <sup>(a)</sup>	1.95	0.00	2.62	2.63	3.49	3.35	5.83	3.27	4.41	3.91	3.86	3.21
CTY <sup>(b)</sup>	0.04	0.00	0.23	1.02	1.54	1.02	0.25	0.20	1.81	0.96	3.86	3.21

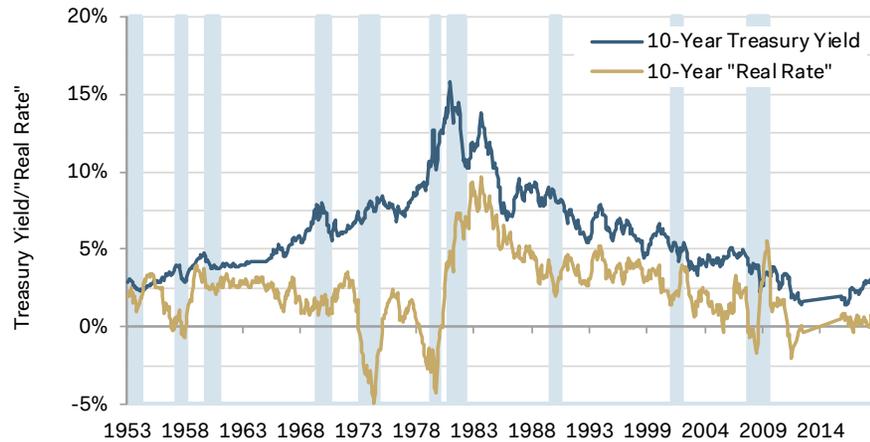
<sup>(a)</sup>Yield and principal value fluctuate with market conditions. <sup>(b)</sup>Contribution to Yield = Portfolio weightings (%) x Yield to Worst (%).

Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge, POINT. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings.

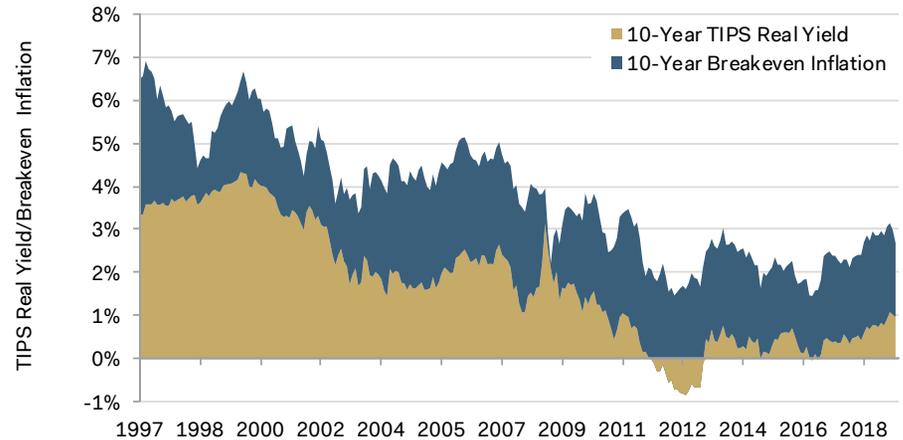
# U.S. Treasury Market Conditions

December 31, 2018

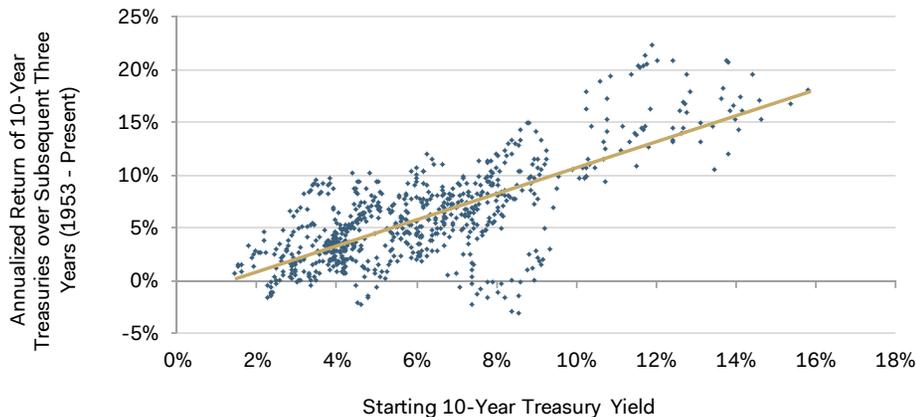
10-Year Treasury Yields Are Low vs. Historical Levels<sup>(a)</sup>



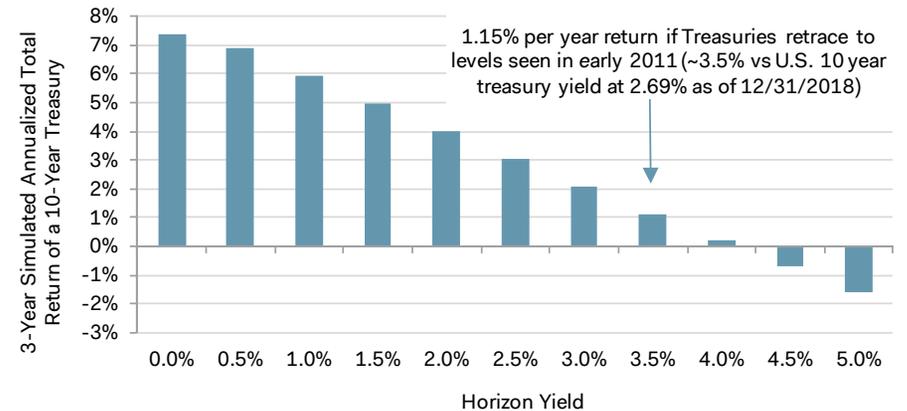
10-Year TIPS Real Yields Are Very Low<sup>(b)</sup>



Low Starting Yields Have Generally Led to Low Subsequent Returns<sup>(c)</sup>



Range of Returns for 10-Year U.S. Treasuries<sup>(d)</sup>



<sup>(a)</sup>Shaded bars represent recessions, as identified by the National Bureau of Economic Research. "Real Rate" is the 10-year Treasury yield less the annual change in Headline CPI. Prior to 1962, Treasury yields are monthly averages. <sup>(b)</sup>10-Year Breakeven Inflation rate is defined as the On-The-Run 10-Year Treasury Yield minus the On-The-Run 10-Year TIPS Yield. <sup>(c)</sup>From 1953 - 1981, monthly treasury returns are estimated by constructing a hypothetical 10-year bond that is priced at par at the beginning of each month. From 1981 - present, treasury returns have been calculated by Bloomberg Barclays for the On-The-Run 10-year treasury. <sup>(d)</sup>Total return simulations assume a 2.46% reinvestment rate (equal to the 3-year Treasury yield as of 12/31/18).

Source: Federal Reserve, Bloomberg. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. 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.

## Borrower Profile

- Credit – Does the borrower’s credit impact his or her ability to refinance?
- Geographical Profile – Does the geographic profile limit the borrowers’ ability to refinance?
- Time in Residence – How might this impact the cash flow’s variability?
- Home Price Experience:
  - Does the borrower have positive or negative equity in the property?
  - Does this affect their ability to refinance?

## Loan Characteristics

- WAC (Weighted Average Coupon) – What is the refinancing incentive for the borrower?
- Balance – How does the loan size impact the borrower’s incentive and ability to refinance?
- Loan Age – How do the mortgage’s age and borrower’s past behavior impact average life variability?
- Amortization Schedule (e.g., 30-year, 15-year, Interest-only Period)

## External Factors

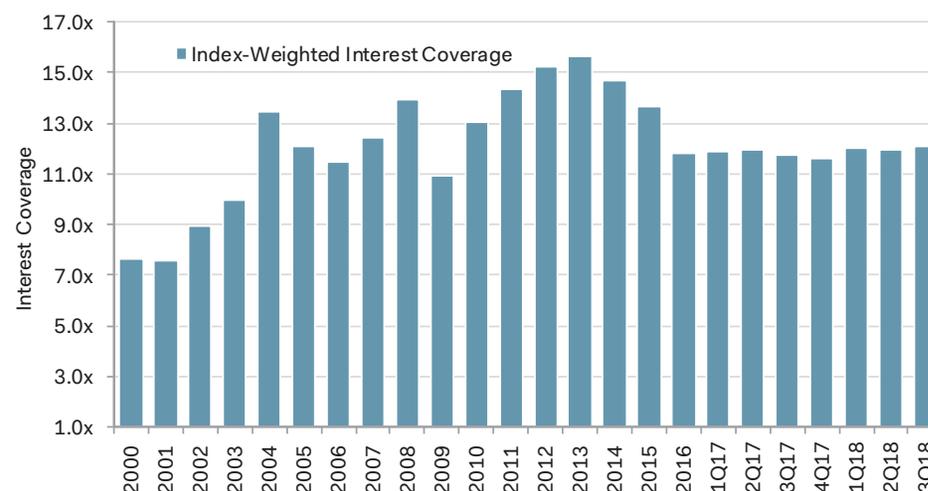
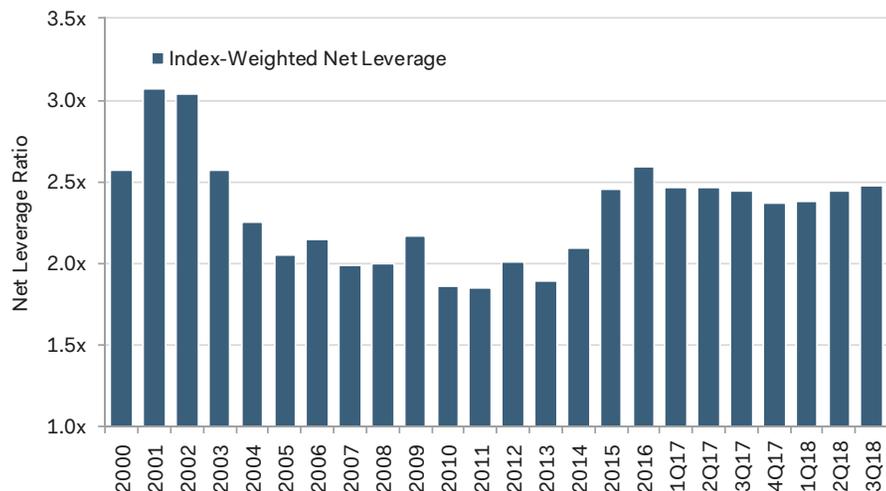
- Servicer – Is the pool serviced by an efficient servicer?
- Program of Origination (e.g., HFA securities, VA Vendee securities, DUS)
- Government – What are the effects of pending or potential policy changes or government programs?

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# The State of Industrial Corporate Credit<sup>(a)</sup>

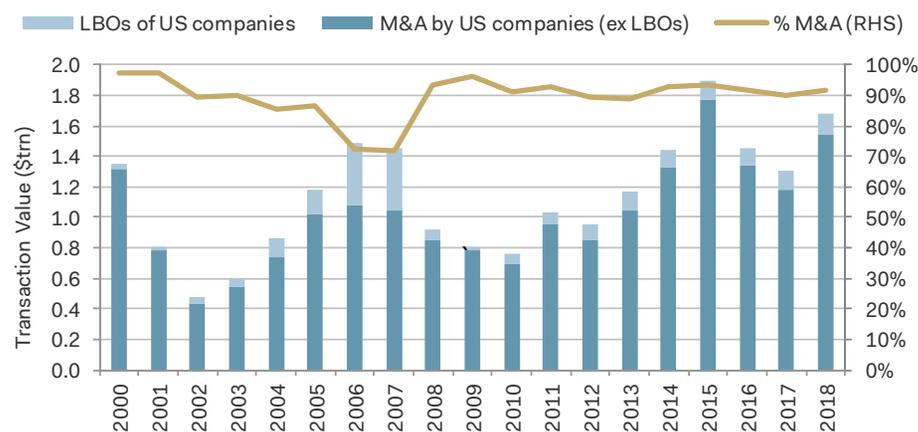
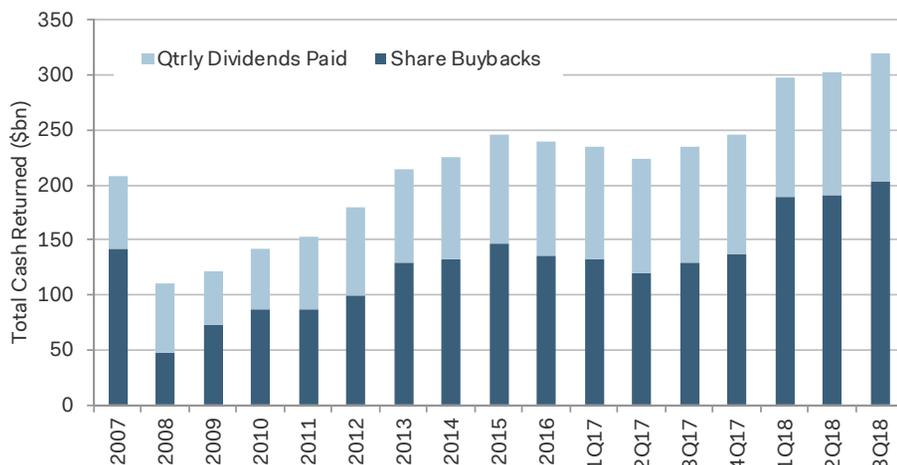
December 31, 2018

## Index-Weighted<sup>(b)</sup> Net Leverage<sup>(c)</sup> Has Declined from Recent Peaks... ..and Interest Coverage<sup>(c)</sup> Remains Robust



## Companies Are Using Cash to Reward Shareholders...

## ...and Engage in Strategic Activity (Primarily M&A)



<sup>(a)</sup>Most recent data available. <sup>(b)</sup>Bloomberg Barclays U.S. Corporate Index. <sup>(c)</sup>Data prior to 1999 from Barclays. Data from 1999 to present from Factset.

Source: Standard & Poor's, J.P. Morgan. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Opinions expressed are subject to change without notice. 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 [www.dodgeandcox.com](http://www.dodgeandcox.com) or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

# Below Investment Grade Philosophy — Focus on Fallen Angels

December 31, 2018

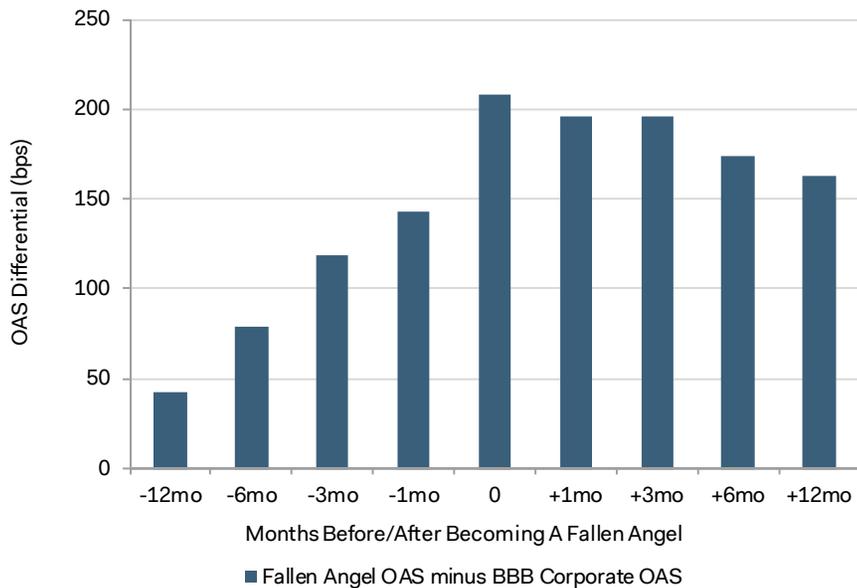
When making investment decisions, we perform our own independent analysis of each issuer's creditworthiness rather than rely on the credit rating agencies. Within the below investment grade sector, most of our holdings are "Fallen Angels" (i.e., issuers that were previously rated investment grade) rather than original-issue high yield issuers.

Many Fallen Angels offer attractive characteristics that have contributed to their historical outperformance vs. original-issue high yield bonds over longer time periods:

- Larger, scale businesses
- Simpler capital structure / greater financing flexibility
- Strategically motivated to return to investment grade
- Non-callable, longer maturity securities

Credit ratings are often lagging indicators. Spreads generally underperform ahead of the downgrade then outperform afterwards.

Fallen Angels have outperformed original-issue high yield bonds in more than 97% of rolling 3-year periods over the last 20 years.



The chart on the left is based on the median spread difference for Fallen Angels from January 1994 – December 2017. The chart on the right was created by partitioning all the securities comprising the Bloomberg Barclays U.S. HY Index at the beginning of a month into two groups: bonds rated investment grade at issuance and bonds rated below investment grade at issuance. Each group's constituents are held constant during the month and the performance is calculated at month-end. The monthly returns are linked together to calculate rolling three-year annualized total returns.

Source: Bloomberg. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. 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.

# U.S. Fixed Income Investment Committee

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**Dana M. Emery** – Chief Executive Officer, President, and Co-Director of Fixed Income.

Ms. Emery received her B.A. degree from Stanford University in 1983. She joined Dodge & Cox in 1983. Ms. Emery is President and a Trustee of the Dodge & Cox Funds. She is a Director and shareholder of the firm, a CFA charterholder, and a Chartered Investment Counselor. (F,GF)

**Thomas S. Dugan** – Senior Vice President and Co-Director of Fixed Income.

Mr. Dugan received his B.A. from Brown University in 1987 and his M.B.A. from the University of California, Berkeley in 1992. Before graduate school he worked as a fixed income securities trader for J.P. Morgan Securities. Prior to joining Dodge & Cox in 1993, he worked in the Czech Republic as an advisor to a Czech investment fund. Mr. Dugan is a Director and shareholder of the firm and a CFA charterholder. (F,GF)

**Larissa K. Roesch** – Vice President.

Ms. Roesch received her A.B. degree (cum laude) in Music and Mathematics from Dartmouth College in 1988. She received her M.B.A. from the Haas School of Business at the University of California, Berkeley in 1997. Prior to graduate school, she worked in the classical performing arts industry. She joined Dodge & Cox in 1997. Ms. Roesch is a shareholder of the firm and a CFA charterholder. (F)

**James H. Dignan** – Vice President.

Mr. Dignan graduated from Columbia University in 1991 with an A.B. in Philosophy / Economics. He received an M.A. in Economics from New York University in 1994 and his M.B.A. from Northwestern's J.L. Kellogg Graduate School of Management in 1996. Prior to joining Dodge & Cox in 1999, he worked in portfolio management for Fannie Mae. Mr. Dignan is a shareholder of the firm and a CFA charterholder. (F,GF)

**Anthony J. Brekke** – Vice President.

Mr. Brekke received his B.A. degree from the University of Iowa in 1997 and his M.B.A. degree from the Haas School of Business at the University of California, Berkeley in 2003. Prior to entering the Haas School, he worked for four years as an auditor with the National Futures Association. He joined Dodge & Cox in 2003. Mr. Brekke is a shareholder of the firm and a CFA charterholder. (F)

**Adam S. Rubinson** – Vice President.

Mr. Rubinson received his B.A. degree (summa cum laude) from Columbia College in 1988 and his J.D. degree from the Stanford Law School in 1991. From 1991 to 1997 he practiced corporate law at Sullivan & Cromwell. Prior to joining Dodge & Cox in 2002, he worked in the fixed income and investment banking divisions of Goldman Sachs. Mr. Rubinson is a shareholder of the firm and a CFA charterholder. (F,GF)

**Lucy I. Johns** – Vice President.

Ms. Johns received her B.A. degree (magna cum laude) from Williams College in 1996 and her M.B.A. degree from the UCLA Anderson School of Management in 2004. Prior to graduate school, she worked for approximately two years each at Merrill Lynch as a financial analyst, Dodge & Cox as a research assistant, and NBC Internet as a Senior Product Manager. Ms. Johns rejoined Dodge & Cox in 2004. She is a shareholder of the firm and a CFA charterholder. (F,GF)

**Michael Kiedel** – Vice President.

Mr. Kiedel received his B.A. degree (cum laude) from Harvard College in Economics in 1998 and his M.B.A. from the Stanford Graduate School of Business in 2008. Prior to entering graduate school, Mr. Kiedel worked in Deutsche Bank's technology investment banking group and then as a specialty finance entrepreneur. He joined Dodge & Cox in 2008. Mr. Kiedel is a shareholder of the firm and a CFA charterholder. (F)

**Nils M. Reuter** – Vice President.

Mr. Reuter received B.A. degrees from Brown University in Biology and Sociology in 2001 and his M.B.A. (with honors) from the Haas School of Business at the University of California, Berkeley in 2016. He joined Dodge & Cox in 2003. Mr. Reuter is a shareholder of the firm and CFA charterholder. (F)

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F = Member of U.S. Fixed Income Investment Committee

IE = Member of International Equity Investment Committee  
GF = Member of Global Fixed Income Investment Committee

G = Member of Global Equity Investment Committee  
P = Member of Private Client Investment Committee

# Source Citations

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## Bloomberg

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**Bloomberg Barclays Global Aggregate Index:** The Bloomberg Barclays Global Aggregate Bond Index is a widely recognized, unmanaged index of multi-currency, investment-grade fixed income securities.

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**MSCI ACWI Index:** The MSCI ACWI (All Country World Index) Index is a broad-based, unmanaged equity market index aggregated from 47 developed and emerging market country indices.

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