Dodge & Cox® Worldwide Funds

Emerging Markets Stock Fund

MARKET COMMENTARY

2023 was a strong year for global equity markets. Post-COVID economic growth, normalisation of the global supply chain, surging enthusiasm about artificial intelligence, and gradual pausing of tightening monetary policies across central banks all helped boost stock prices worldwide. Though concerns remain about China's economic slowdown, investor sentiment was upbeat in most of the other emerging regions, as oil prices dropped toward the end of the year, and inflation generally fell across markets. Overall, the MSCI Emerging Markets Index [1] had a total return of 9.8% for 2023.

From a valuation perspective, emerging market equities continue to look compelling. The MSCI Emerging Markets ended the year at 11.7 times forward earnings,[2] while the S&P 500 Index[3] traded at 20.4 times forward earnings. The relative value of emerging market stocks compared to U.S. stocks is in the 5th percentile of all-time observations.[4] Latin America, helped by currency strength, was the best-performing region, while China's economic woes led to its languishing stock market performance.

INVESTMENT STRATEGY

Emerging markets comprise over 80% of the world's population and contribute 75% of global GDP[5] growth. Many of these countries benefit from structural drivers, such as favourable demographics, increasing urbanisation, advances in education and technology, wealth accumulation, and developing capital markets. Overall, MSCI Emerging Markets is forecasted to deliver 8% revenue and 16% net income growth over the next two years, compared to 5% and 10% for S&P 500, respectively.[6] While these relative growth prospects, coupled with much lower starting valuations, suggest emerging markets may offer very attractive investment opportunities, economic development doesn't necessarily translate into equity returns. Many risk factors come into play in emerging markets, including weak social and economic institutions, greater political instability, higher regulatory uncertainty, and challenges in obtaining reliable public investment information. However, we believe our rigorous bottom-up research, long-time horizon, and price-disciplined approach give us the insights, temperament, and staying power needed to ride the volatility of emerging market investing, separate the wheat from the chaff, and find attractive investment opportunities looking out over the next three to five years.

The following examples highlight some of the attractive investment opportunities we found in 2023.

Private Sector Financial Institutions Gaining Ground in Underpenetrated Markets

Financials is not typically considered the most exciting part of investing in emerging markets. We beg to differ. Many developing markets are starting from low penetration rates of credit and financial services. In addition, private sector financial institutions have been gaining share rapidly at the expense of their more bureaucratic public sector peers. We believe both factors, when coupled with a strong risk management culture and an owner-operator structure, can offer a long growth runway. The contagion fears that roiled global markets in March after some U.S. regional banks failed did not extend to emerging market Financials. In fact, Financials was the biggest contributor to the Fund's outperformance in 2023.

Our investment theses have continued to play out in the Fund's long-term Financials holdings, notably Itau Unibanco (largest bank in Brazil), XP Inc. (largest online broker-dealer in Brazil), Credicorp (largest financial services institution in Peru), and ICICI Bank and Axis Bank (two leading private banks in India).[7] In 2023, we started a new position in HDFC Bank and added significantly to Shinhan Financial Group. HDFC Bank is the largest private bank in India with a solid track record of underwriting risk. It faces some near-term merger costs and integration uncertainty, which provided us an opportunity to buy this strong franchise at a deep discount to its historical average valuation. Shinhan, a diversified South Korean bank with an over-capitalised balance sheet, is well positioned to offer significant capital returns amid an improving regulatory environment. The Fund also owns less known but no less exciting companies, such as Sanlam (Africa's largest insurance company) and Commercial International Bank (CIB), a leading private sector bank in Egypt.

Finding Opportunities in SMID-Cap[8] Companies

The Fund has a much broader investment universe with about 4,000 companies in over 60 countries, compared to approximately 1,400 companies in 24 countries in the MSCI Emerging Markets. This has given us the ability to find attractive opportunities across the market cap spectrum, especially in small- and medium-capitalisation (SMID-cap) companies where sell-side coverage is light and there appears to be higher potential to generate alpha.

National Energy Services Reunited (NESR), an oil services company in the Middle East, is one example of the Fund capitalising on an idiosyncratic SMID cap opportunity. NESR was delisted from the Nasdaq stock exchange in April 2023 as a result of its inability to restate prior financial reports and file annual reports on time. The stock price collapsed amid management change and fraud concerns. Our diligence, leveraging substantial governance checks, gave us confidence that it was not a fraudulent case, and that business fundamentals remain solid. We substantially increased the Fund's position in NESR trading on the OTC[9] Bulletin Board in June. On 29 December 2023, NESR announced the filing of its audited financials and is in progress to get relisted. The stock price has more than doubled since this significant add. In other cases, we are able to find attractively valued SMID-cap names in otherwise expensive regional equity markets. Two examples are Aurobindo Pharma, an Indian pharmaceutical company, and Leejam Sports, a fitness center chain in the Middle East and North Africa. Both stocks generated triple-digit stock returns in 2023.

At the end of 2023, the Fund had 37.2% of its net assets in SMID-cap stocks compared to 25.2% for the MSCI Emerging Markets. These holdings broaden the Fund's exposure to sectors and regions where well-known large-cap stocks simply do not exist and also bring risk diversification benefits.

China—Down but Not Out

Amid the positive results in many emerging markets, the Greater China[10] market trailed the pack in 2023. The early hopes of post-COVID recovery quickly fizzled in China. Macroeconomic indicators were weak with deflation, declining property sales, record youth unemployment, and a slowdown in retail sales. Business and consumer sentiment were low. Foreign direct investment in China saw its first negative growth on record in the third quarter. The Fund's Greater China holdings—the Fund's biggest source of outperformance in 2022—became a performance drag in 2023.

Despite overwhelming market concern, we strongly push against the notion that China is "uninvestable". This could very well be one of those moments when it is wise "to be greedy when others are fearful", as Warren Buffett advises. We are proceeding with caution, incorporating our usual robust process, constantly monitoring the evolving situation, and reevaluating macro, geopolitical, and company-specific risks against valuations and potential returns. From a macro perspective, China is going through a painful, yet necessary transition away from high dependence on real estate and exports. The entrepreneurial spirits are still strong, particularly in areas like energy transition where China is leading on a global scale. In the second half of 2023, the government implemented a series of policy measures to stimulate the economy, while affirming the importance of private enterprises.

From a portfolio perspective, the Fund's Greater China portfolio holdings are well diversified, with new or increased positions in Yum China (restaurant chain), Greentown Services (property management), Shandong Sinocera (materials), and Zhejiang NHU (pharmaceutical chemicals) in 2023. Within China Internet,[11] one of the portfolio's key areas of emphasis, the Fund owns a broad set of core businesses with strong profitability that are highly cash generative and trade at extraordinarily inexpensive valuations. During uncertain economic times, these management teams are focused on controlling costs and improving shareholder returns, while pursuing new growth runways in areas such as international gaming and artificial intelligence.

IN CLOSING

2023 was a year of positive momentum for emerging markets and global equities in general. Individual emerging markets continue to generate divergent, heterogeneous results, and these disparities provide opportunities for our disciplined investment team to uncover attractive investments. Thank you for your continued confidence in Dodge & Cox. As always, we welcome your comments and questions.

On behalf of the Board of Directors of Dodge & Cox,

Dana M. Emery

Dana M. Emery,

Chair and Chief Executive Officer, Dodge & Cox

1 February 2024

1. The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging market countries.
2. Price-to-earnings (forward) ratios are calculated using 12-month forward earnings estimates from third-party sources as of the reporting period. Estimates reflect a consensus of sell-side analyst estimates, which may lag as market conditions change. Unless otherwise specified, all weightings and characteristics are as of 31 December 2023.
3. The S&P 500 Index is a market capitalisation-weighted index of 500 large-capitalisation stocks commonly used to represent the U.S. equity market.
4. Measured since 31 January 2004.
5. Gross domestic product (GDP) measures the monetary value of final goods and services—those that are bought by the final user—produced in a country in a given period of time. It counts all of the output generated within the borders of a country. GDP is composed of goods and services produced for sale in the market and also includes some non-market production, such as defense or education services provided by the government.
6. "Consensus" is based on calendar year 0 and calendar year 2 figures per FactSet consensus market-capitalisation weight growth.
7. The use of specific examples does not imply that they are more or less attractive investments than the portfolio's other holdings.
8. "SMID-cap" comprise small- and mid-capitalisation companies. Market capitalisation is a measure of the security's size. It is the market price of a security multiplied by the number of shares outstanding.
9. Over-the-counter (OTC) is trading securities via a broker-dealer network as opposed to on a centralised exchange like the New York Stock Exchange.
10. Greater China includes China, Hong Kong, and Macao.
11. China Internet for the Emerging Markets Stock Fund consists of Alibaba, Baidu, IGG, JD.com, JOYY, NetEase, Prosus, Vipshop, and XD.

Dodge & Cox®
Worldwide Funds

Emerging Markets Stock Fund

31 December 2023

Established in 1930, Dodge & Cox is one of the largest independently owned investment firms in the world. We manage money using a single value-oriented investment philosophy across a focused set of strategies.

Fund Inception
11 May 2021

Active Share[2]
81.8%

# of Companies
227

Countries Represented[3]
42

Details

Total Net Assets (millions)	$25.2
Distribution Frequency	Quarterly
Portfolio Turnover[6] 1/1/23 to 31/12/23	26%
Base Currency	U.S. Dollar
Structure	UCITS
Domicile	Ireland

Benchmark

MSCI Emerging Markets Index (MSCI EM)

Risk Metrics (1 Year)

Beta[9,10]	1.03
Standard Deviation[9,11]	18.20

Investment Committee

Managed by the Emerging Markets Equity Investment Committee, whose members' average tenure at Dodge & Cox is 17 years.

Investment Objective

The Emerging Markets Stock Fund seeks long-term growth of principal and income.

Investment Approach[1]

The Fund offers investors a highly selective, actively managed emerging market equity fund that invests in companies of any size, primarily in emerging markets, based on our analysis of companies' fundamentals relative to their current valuations. Generally, we:

- Target a diversified portfolio of equity securities issued by small-, mid-, and large-cap companies from emerging market countries that, in our opinion, appear to be temporarily undervalued by the stock market but have a favourable outlook for long-term growth. Emerging market issuers include those located in emerging market countries and those we determine to have significant economic exposure to emerging market countries.
- Select individual securities based on our analyses of various factors—including a company's financial strength, economic condition, competitive advantage, quality of the business franchise, financially material environmental, social, and governance (ESG) issues, and the reputation, experience, and competence of its management—as weighed against valuation.
- May use currency derivatives to hedge direct and/or indirect foreign currency exposure. The Fund may use equity derivatives, such as futures, options, and swaps, to create or hedge exposure to equity securities.

Share Classes

	Minimum Investment	Expense Ratio[4]	Historic Yield[5]	SEDOL	ISIN	Bloomberg
USD Accumulating Class	$50,000	0.70%	-	BN6JJ04	IE00BN6JJ043	DOEMSUA
GBP Accumulating Class	£50,000	0.70%	-	BN6JJ15	IE00BN6JJ159	DCEMSGA
GBP Distributing Class	£50,000	0.70%	1.9%	BN6JJ26	IE00BN6JJ266	DCEMSGI
EUR Accumulating Class	€50,000	0.70%	-	BN6JJ37	IE00BN6JJ373	DCEMSEA

Performance[7,8]

Total Returns (%)	Unannualised Returns		Average Annual Total Returns		
	3 Months	YTD	1 Year	Since Inception	Inception Date
Emerging Markets Stock Fund					
USD Accumulating Class	6.94	14.32	14.32	-4.81	11/05/21
GBP Accumulating Class	2.31	8.46	8.46	-0.99	11/05/21
GBP Distributing Class	2.24	8.43	8.43	-1.02	11/05/21
EUR Accumulating Class	2.44	10.91	10.91	-1.30	11/05/21
MSCI EM Index (in USD)	7.86	9.83	9.83	-6.96	11/05/21

Returns represent past performance and do not guarantee future results. Investment return, costs and share price will fluctuate with market conditions and may be affected by currency fluctuations. Investors may have a gain or loss when shares are sold. Fund performance changes over time and currently may be significantly lower than stated above. Visit the Fund's website at dodgeandcox.com for current month-end performance figures.

David Hoeft
CIO (30 yrs at Dodge & Cox)

Mario DiPrisco
Global Industry Analyst (25 yrs)

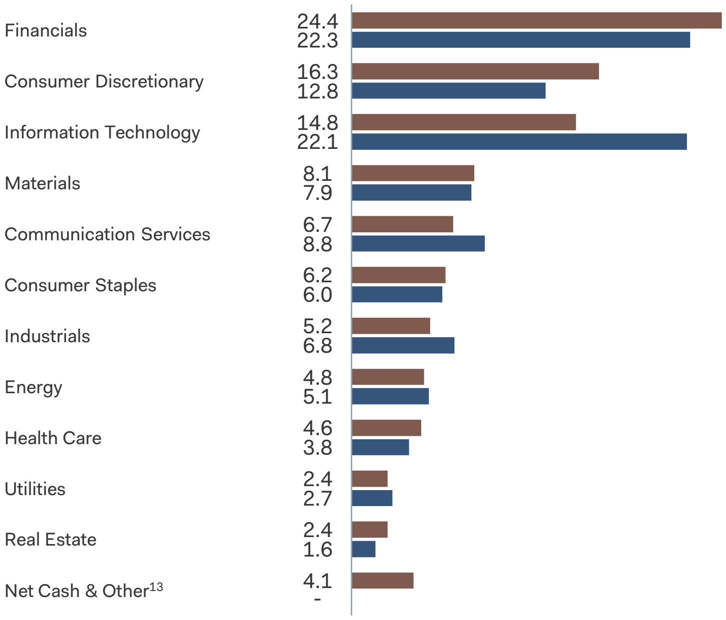
Sophie Chen
Global Industry Analyst (11 yrs)

Rameez Dossa
Global Industry Analyst (10 yrs)

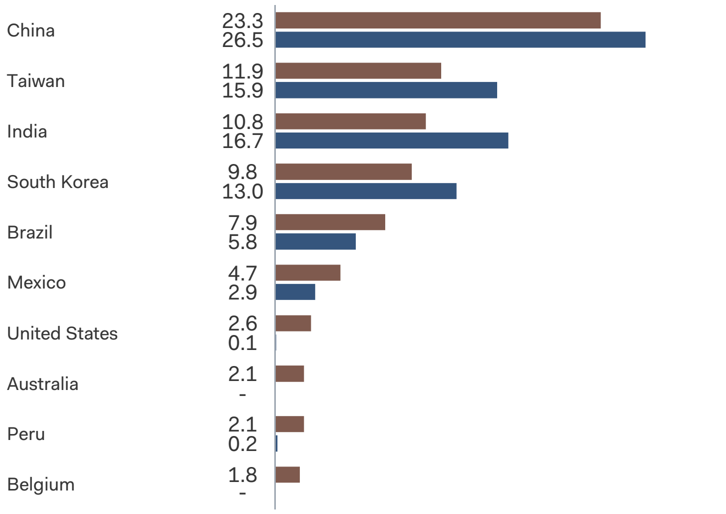
Robert Turley
Portfolio Strategy Analyst (10 yrs)

Portfolio Breakdown (% of Fund)

Sectors[12]



Ten Largest Countries[3,12,14]



Ten Largest Equity Positions (% of Fund)[12,15]

	Fund	MSCI EM
Taiwan Semiconductor Manufacturing Co., Ltd. (Taiwan)	6.2	6.7
Alibaba Group Holding, Ltd. (China)	3.9	2.2
Itau Unibanco Holding SA (Brazil)	3.3	0.5
Axis Bank, Ltd. (India)	3.0	0.4
Prosus NV (China)	2.9	-
Samsung Electronics Co., Ltd. (South Korea)	2.3	4.7
Glencore PLC (Australia)	2.1	-
National Energy Services Reunited Corp. (United States)	2.0	-
XP, Inc. (Brazil)	1.9	-
Anheuser-Busch InBev SA/NV (Belgium)	1.8	-

Portfolio Characteristics

	Fund	MSCI EM
Price-to-Earnings (forward)[16,17]	9.6x	11.7x
Price-to-Earnings (trailing)[16]	10.6x	14.5x
Price-to-Book Value	1.1x	1.6x
Price-to-Sales[18]	0.6x	1.3x
Weighted Average Market Cap. (billions)[19]	$78	$72
Median Market Cap. (billions)[20]	$5	$2
Dividend Yield (trailing)[21]	2.9%	2.9%

Risks

The Fund is subject to market risk, meaning holdings in the Fund may decline in value for extended periods due to the financial prospects of individual companies or due to general market and economic conditions. Emerging market securities may present issuer, market, currency, liquidity, volatility, valuation, legal, political, and other risks different from, and potentially greater than the risks of investing in securities of issuers in more developed markets. Please read the prospectus for specific details regarding the Fund's risk profile.

1 Please see the Fund's Sustainable Finance Disclosures Regulation SFDR Disclosure available at dodgeandcox.com.
2 Active Share is a measure of how much an investment portfolio differs from its primary benchmark index, based on a scale of 0% (complete overlap with the index) to 100% (no overlap). Overlap for each security in the Fund is the lower of either its percentage weight in the Fund or its percentage weight in the relevant index. Active share is calculated as 100% minus the sum of the overlapping security weights.
3 The Fund may classify a company or issuer in a different category than the Index. The Fund usually classifies a company or issuer based on its country of risk, but may designate a different country in certain circumstances.
4 Dodge & Cox has voluntarily agreed to reimburse the Fund for all ordinary expenses to the extent necessary to limit aggregate annual ordinary expenses to 0.70% of the average daily net assets of each share class. Dodge & Cox may terminate or modify this agreement upon 30 days' notice to shareholders.
5 Historic yield reflects distributions declared over the past twelve months as a percentage of the current share price. Investors may be subject to tax on their distributions.
6 Portfolio Turnover is calculated as the lesser of the portfolio purchases or sales divided by the average portfolio value for the period.
7 The Fund's total returns include dividends and interest income and reflect the deduction of expenses charged to the Fund. Index returns include dividends but, unlike Fund returns, do not reflect fees or expenses.
8 The Fund is actively managed and uses the benchmark index for performance comparison purposes only.
9 The data represents the USD Accumulating Share Class.
10 Beta is a measure of the volatility–or systematic risk–of a portfolio compared to the benchmark measured over a specified time period.
11 Standard Deviation measures the volatility of the Fund's returns. Higher Standard Deviation represents higher volatility.
12 Excludes derivatives.
13 Net Cash & Other includes cash, short-term investments, unrealised gain (loss) on derivatives, receivables, and payables.
14 A company or issuer located in a developed market country may still be considered an "emerging markets issuer" for other purposes if it has significant economic exposure to emerging markets.
15 The Fund's portfolio holdings are subject to change without notice. The mention of specific securities is not a recommendation to buy, sell, or hold any particular security and is not indicative of Dodge & Cox's current or future trading activity.
16 The portfolio's Price-to-Earnings ratios exclude extraordinary items and negative earnings. Benchmark figures include extraordinary items and negative earnings.
17 Price-to-Earnings (forward) ratios are calculated using 12-month forward earnings estimates from third-party sources as of the reporting period. Estimates reflect a consensus of sell-side analyst estimates, which may lag as market conditions change.
18 Portfolio calculation excludes Financials and Utilities.
19 This figure sums the product of each holding's company market capitalisation (market price multiplied by the number of shares outstanding) and weighting in the portfolio.
20 Median market capitalisation represents the midpoint of market capitalisation for all of the equity securities in the portfolio. Half of the securities will have a higher market capitalisation and half will have a lower market capitalisation. (Market capitalisation is a measure of the security's size. It is the market price of a security multiplied by the number of shares outstanding.)
21 Dividend yield is an indication of the income generated by the Fund's portfolio holdings. It represents a weighted average of the gross dividend yields for each holding.

Figures represented by a dash are zero or have no associated data while figures represented by a zero may be rounded to zero.
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