

DODGE & COX

DODGE & COX PORTFOLIO



Portfolio Date: 2019-01-10

Updated on 2019-01-11

Portfolio Overview

Portfolio:	Dodge & Cox
Fund Type:	Mutual Fund Company
Portfolio Date:	2018-09-30
13D/13G Date:	2019-01-10
Number of Stocks:	192
Equity Value:	\$130.72 Billion
Number of New Buys:	16
Q/Q Turnover:	8%

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I. Portfolio Overview, Profile

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Profile

Dodge & Cox was founded in 1930, by Van Duyn Dodge and E. Morris Cox. As of March 2006, Dodge & Cox managed over \$104 billion in separate accounts and mutual funds.

Investing Philosophy

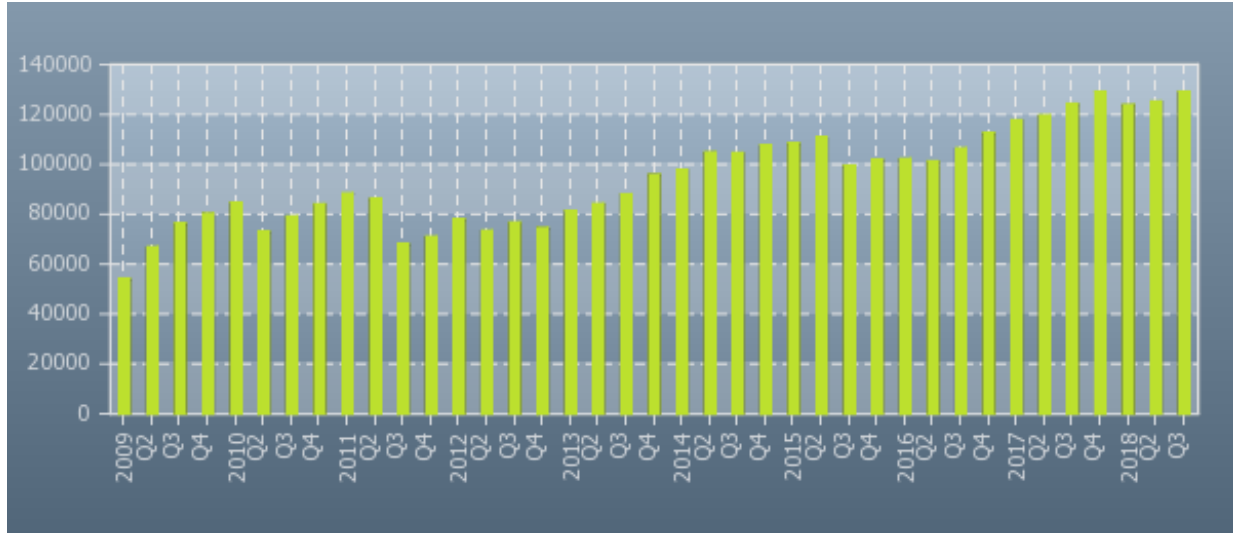
Dodge & Cox employs a team research approach in making investment decisions. The investment decisions are made by the Investment Policy Committee. The nine members of this committee include Wendell W. Birkhofer, Bryan Cameron, John A. Gunn, Harry R. Hagey, David C. Hoeft, Kenneth E. Olivier, Charles F. Pohl, Gregory R. Serrurier, and Diana S. Strandberg. Dodge & Cox believe that a well-tuned, group decision making process enhances individual thinking and moves the portfolio beyond dependence on any single person. The Dodge & Cox team is guided both in what they buy and what they sell by an ongoing search for superior relative value, steering clear of popular choices that come at a price they would rather not pay. Investing when valuations are low creates greater potential for capital appreciation. They look to be long-term owners of companies whose current valuations don't reflect their long-term earnings and cash-flow prospects.

II. Performance of Dodge & Cox Stock FUND

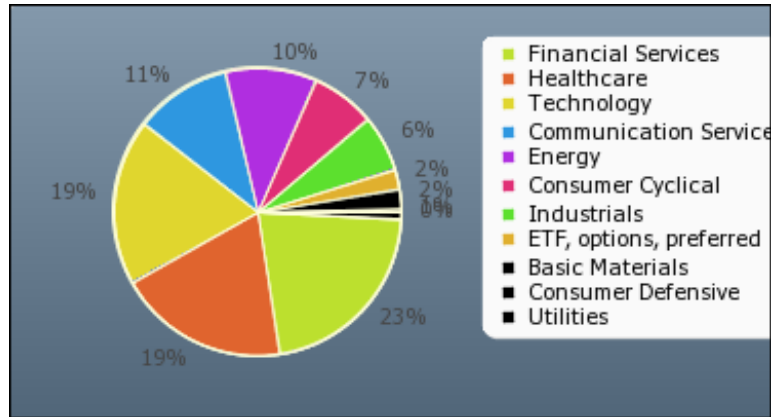
Year	Return (%)	S&P 500 (%)	Excess Gain (%)
2017	18.32	21.71	-3.4
2016	21.27	11.99	9.3
2015	-4.47	1.24	-5.7
2014	10.43	13.47	-3.0
2013	40.55	32.3	8.2
5-Year Cumulative (Average)	112.7 (16.3%/year)	107.2 (15.7%/year)	5.5 (0.6%/year)
2012	22.01	15.99	6.0
2011	-4.08	1.9	-6.0
2010	13.49	15.05	-1.6
2009	31.27	26.35	4.9
2008	-43.31	-36.79	-6.5
10-Year Cumulative (Average)	110.3 (7.7%/year)	125 (8.4%/year)	-14.7 (-0.7%/year)
2007	0.14	5.14	-5.0
2006	18.53	15.85	2.7
2005	9.37	4.83	4.5

2004	19.17	10.7	8.5
2003	32.34	28.19	4.1
15-Year Cumulative (Average)	330.5 (10.2%/year)	307.7 (9.8%/year)	22.8 (0.4%/year)
2002	-10.54	-21.58	11.0
2001	9.33	-11.76	21.1
2000	16.31	-9.75	26.1
1999	20.21	20.4	-0.2
1998	5.4	28.7	-23.3
20-Year Cumulative (Average)	520.5 (9.6%/year)	294.5 (7.1%/year)	226 (2.5%/year)
1997	28.4	33.47	-5.1
1996	22.27	22.49	-0.2
1995	33.52	38.04	-4.5
1994	5.17	0.4	4.8
1993	18.33	10.08	8.2
25-Year Cumulative (Average)	1518.8 (11.8%/year)	883.9 (9.6%/year)	634.9 (2.2%/year)
1992	10.82	7.62	3.2
1991	21.47	30.47	-9.0
1990	-5.09	-3.1	-2.0
1989	26.94	31.69	-4.8
1988	13.76	16.61	-2.9
30-Year Cumulative (Average)	2886.5 (12%/year)	1955.8 (10.6%/year)	930.7 (1.4%/year)
1987	11.95	5.1	6.8
1986	18.31	18.6	-0.3
1985	37.86	31.6	6.3
1984	5.18	6.1	-0.9
1983	26.54	22.4	4.1
35-Year Cumulative (Average)	7157.9 (13%/year)	4279.5 (11.4%/year)	2878.4 (1.6%/year)
1982	22.07	21.4	0.7
1981	-2.57	-5	2.4
1980	33.19	32.3	0.9

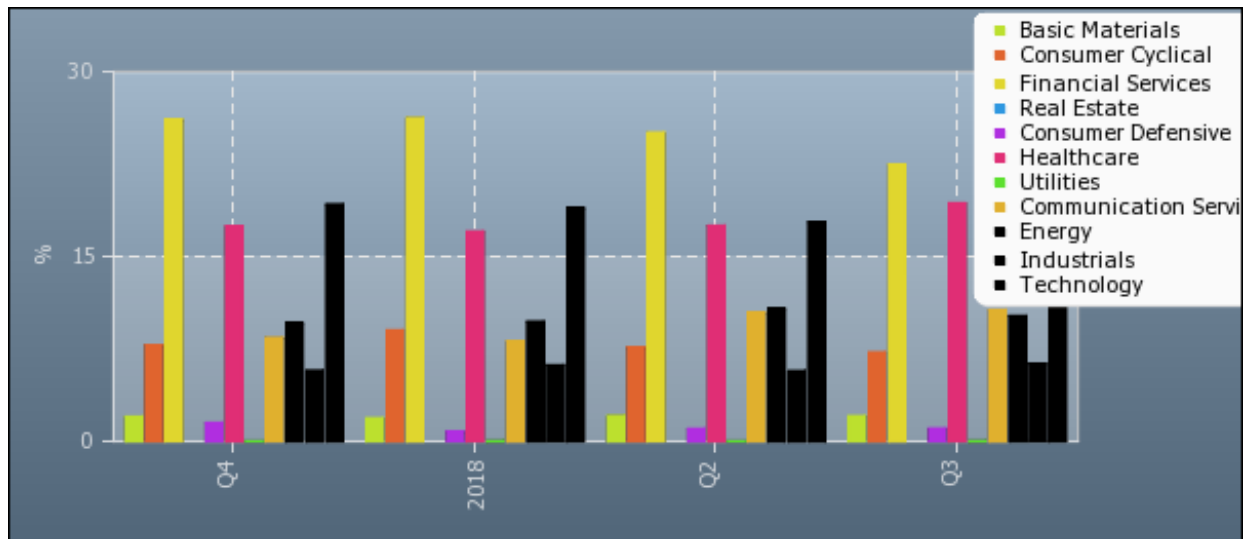
III. Historical Total Value (\$Billion) of Filings



IV. Industry/Sector Overview



V. Industry/Sector Shift in Past 12 Months



VI. Top Holdings (Up to 25)

These are the top holdings of Dodge & Cox as of 2018-09-30 in the order of significance.

Ticker	Company	Shares (1000)	Value (\$Mil)	Weighting (%) ↓	Share # Change from Last Period	Current Price (\$)	Price Change Since Quarter End (%)
CMCSA	Comcast Corp	132,526	4,693	3.64%	+0.39%	35.63	0.6%
WFC	Wells Fargo & Co	79,848	4,197	3.25%	+0.15%	47.87	-8.9%
MSFT	Microsoft Corp	36,405	4,164	3.23%	-3.66%	102.80	-10.1%
CHTR	Charter Communications Inc	11,924	3,886	3.01%	+0.01%	294.54	-9.6%
NVS	Novartis AG	44,361	3,822	2.96%	+0.52%	87.77	1.9%
ESRX	Express Scripts Holding Co	39,937	3,794	2.94%	-3.68%	92.33	-2.8%
SCHW	Charles Schwab Corp	76,008	3,736	2.89%	-0.95%	43.82	-10.8%
GOOG	Alphabet Inc	3,096	3,695	2.86%	-2.24%	1057.19	-11.4%
COF	Capital One Financial Corp	38,134	3,620	2.81%	-11.90%	80.94	-14.7%
JCI	Johnson Controls International PLC	99,463	3,481	2.7%	-0.26%	32.18	-8.1%
BAC	Bank of America Corporation	113,576	3,346	2.59%	-14.49%	26.03	-11.6%
FDX	FedEx Corp	12,391	2,984	2.31%	+20.01%	170.99	-29.0%
APC	Anadarko Petroleum Corp	43,464	2,930	2.27%	-2.10%	47.65	-29.3%
HPE	Hewlett Packard Enterprise Co	176,027	2,871	2.22%	-4.16%	14.24	-12.7%
JPM	JPMorgan Chase & Co	24,937	2,814	2.18%	-0.52%	99.91	-11.5%
AXP	American Express Co	26,053	2,774	2.15%	-0.42%	98.55	-7.5%
SLB	Schlumberger Ltd	41,418	2,523	1.96%	-3.73%	41.74	-31.5%
LLY	Eli Lilly and Co	22,693	2,435	1.89%	-16.02%	116.18	8.3%
GS	Goldman Sachs Group Inc	10,129	2,271	1.76%	-6.00%	176.93	-21.1%
FOXA	Twenty-First Century Fox Inc	48,452	2,245	1.74%	-29.13%	48.75	5.2%
BK	Bank of New York Mellon Corp	43,948	2,241	1.74%	-0.39%	48.08	-5.7%
BKNG	Booking Holdings Inc	1,111	2,205	1.71%	+61.45%	1665.89	-16.0%
MET	MetLife Inc	46,175	2,157	1.67%	-0.42%	43.72	-6.4%
HPQ	HP Inc	81,744	2,107	1.63%	-0.81%	21.17	-17.9%
BMY	Bristol-Myers Squibb Company	32,969	2,047	1.59%	+0.81%	47.99	-22.7%

VII. Top Purchases of Dodge & Cox

These are the top purchases of Dodge & Cox as of 2018-09-30 in the order of significance.

Ticker	Company	Current Shares (1000)	Value (\$Mil)	Impact to Portfolio (%) ↓	Share # Change from Last Period	Average Cost	Current Price (\$)	Price Change(%)
CVS	CVS Health Corp	15,126	995	0.92%	New holding	\$71.49	\$65.81	-7.9%
BKNG	Booking Holdings Inc	1,111	1,851	0.65%	Add 61.45%	\$1969.55	\$1665.89	-15.4%
MCHP	Microchip Technology Inc	10,490	809	0.64%	New holding	\$88.35	\$77.13	-12.7%
FDX	FedEx Corp	12,391	2,119	0.39%	Add 20.01%	\$242.12	\$170.99	-29.4%
TAP	Molson Coors Brewing Co	8,367	530	0.25%	Add 163.12%	\$66.14	\$63.34	-4.2%
OXY	Occidental Petroleum Corp	9,888	655	0.23%	Add 58.68%	\$80.82	\$66.22	-18.1%
QRTEA	Qurate Retail Inc	52,572	1,106	0.23%	Add 35.32%	\$21.65	\$21.04	-2.8%
HAL	Halliburton Co	6,735	207	0.21%	Add 73106.16%	\$41.37	\$30.70	-25.8%
BLL	Ball Corp	3,530	170	0.12%	New holding	\$40.67	\$48.12	18.3%
JD	JD.com Inc	31,987	732	0.11%	Add 20.23%	\$32.82	\$22.88	-30.3%

VIII. Top Sales of Dodge & Cox

These are the top sales of Dodge & Cox as of 2018-09-30 in the order of significance.

Ticker	Company	Current Shares (1000)	Value (\$Mil)	Impact to Portfolio (%) ↓	Share # Change from Last Period	Average Cost	Current Price (\$)	Price Change(%)
UBS	UBS Group AG	0	0	-1.27%	Sold Out	\$15.71	\$13.18	-16.1%
FOXA	Twenty-First Century Fox Inc	48,452	2,362	-0.79%	Reduce -29.13%	\$45.85	\$48.75	6.3%
T	AT&T Inc	28,834	890	-0.43%	Reduce -36.66%	\$32.43	\$30.87	-4.8%
BAC	Bank of America Corporation	113,576	2,956	-0.43%	Reduce -14.49%	\$30.46	\$26.03	-14.5%
COF	Capital One Financial Corp	38,134	3,087	-0.38%	Reduce -11.90%	\$97.27	\$80.94	-16.8%
VMW	VMware Inc	22	3	-0.37%	Reduce -99.32%	\$153.15	\$146.70	-4.2%
LLY	Eli Lilly and Co	22,693	2,636	-0.29%	Reduce -16.02%	\$99.98	\$116.18	16.2%
TGT	Target Corp	8,823	614	-0.27%	Reduce -33.54%	\$83.17	\$69.61	-16.3%
CI	Cigna Corp	8,897	1,732	-0.2%	Reduce -14.51%	\$185.38	\$194.66	5.0%
NOV	National Oilwell Varco Inc	26,669	776	-0.17%	Reduce -15.21%	\$44.74	\$29.11	-34.9%

IX. Top Bargain Candidates of Dodge & Cox

Dodge & Cox bought these stocks in the quarter ended on 2018-09-30. You can buy these stocks at lower prices.

Ticker	Company	Current Shares (1000)	Value (\$Mil)	Impact to Portfolio (%)	Share # Change from Last Period	Average Cost	Current Price (\$)	Price Change(%) ↓
ALNY	Alnylam Pharmaceuticals Inc	4,656	415	0%	Add 0.02%	\$100.59	\$89.12	-11.4%
HD	The Home Depot Inc	63	11	0%	Add 0.04%	\$201.32	\$179.41	-10.9%
WFC	Wells Fargo & Co	79,848	3,822	0%	Add 0.15%	\$57.1	\$47.87	-16.2%
MAT	Mattel Inc	35,620	436	0%	Add 0.21%	\$16.01	\$12.25	-23.5%
CX	Cemex SAB de CV	125,712	659	0%	Add 0.43%	\$7.01	\$5.24	-25.2%
BMY	Bristol-Myers Squibb Company	32,969	1,582	0.01%	Add 0.81%	\$59.34	\$47.99	-19.1%
APA	Apache Corp	39,602	1,232	0.02%	Add 1.06%	\$45.01	\$31.10	-30.9%
XOM	Exxon Mobil Corp	128	9	0%	Add 1.20%	\$81.76	\$71.72	-12.3%
DVMT	Dell-VMWare Tracking Stock	16,005	1,280	0.01%	Add 1.24%	\$95.09	\$80.00	-15.9%
CS	Credit Suisse Group AG	923	11	0%	Add 1.30%	\$15.24	\$11.82	-22.4%
AEG	Aegon NV	107,339	530	0.01%	Add 1.44%	\$6.17	\$4.94	-19.9%
ZAYO	Zayo Group Holdings Inc	25,532	666	0.02%	Add 2.34%	\$36.51	\$26.08	-28.6%
BHGE	Baker Hughes, a GE Co	39,654	916	0.04%	Add 4.22%	\$33.08	\$23.10	-30.2%
USB	US Bancorp	105	5	0%	Add 5.09%	\$52.97	\$47.44	-10.4%
QCOM	Qualcomm Inc	6	0	0%	Add 10.60%	\$65.69	\$57.50	-12.5%
BIDU	Baidu Inc	3,822	635	0.08%	Add 12.61%	\$235.02	\$166.11	-29.3%
HOG	Harley-Davidson Inc	9,767	357	0.04%	Add 13.24%	\$43.4	\$36.55	-15.8%
DISH	DISH Network Corp	18,756	528	0.06%	Add 13.92%	\$34.32	\$28.15	-18.0%
BHF	Brighthouse Financial Inc	3,853	129	0.02%	Add 17.59%	\$42.12	\$33.56	-20.3%
FDX	FedEx Corp	12,391	2,119	0.39%	Add 20.01%	\$242.12	\$170.99	-29.4%

X. Consensus Picks of Dodge & Cox and Other Gurus

These are the stocks that Dodge & Cox bought. They are also bought by other Gurus tracked by GuruFocus.

Ticker	Company	Current Shares (1000)	Value (\$Mil)	Impact to Portfolio (%) ↓	Share # Change from Last Period
ELAN	Elanco Animal Health Inc	2,012	70,200	5%	10000.00

XI. International Stocks

These are the international stocks in the portfolio of Dodge & Cox.

Ticker	Company	Country/Region	Shares (1000)	Value (\$Mil)	Weighting as of 2018-09-30 (%)	Share # Change from Last Period
SU	Suncor Energy Inc	Canada	0.0	1,320,195.8	0.98%	-7.31%
NTR	Nutrien Ltd	Canada	0.0	543,108.0	0.44%	-12.80%
UFS	Domtar Corp	Canada	0.0	216.6	0%	-6.52%
PBR.A	Petroleo Brasileiro SA Petrobras	Chile	0.0	38,959.3	0.03%	+18.83%
BIDU	Baidu Inc	China	0.0	898,226.0	0.68%	+12.61%
IBN	ICICI Bank Ltd	India	0.0	18,015.3	0.01%	-3.39%
TV	Grupo Televisa SAB	Mexico	0.0	1,021,786.4	0.74%	-7.09%
CX	Cemex SAB de CV	Mexico	0.0	881,239.5	0.69%	+0.43%
AMX	America Movil SAB de CV	Mexico	0.0	4,308.6	0%	-23.28%
AEG	Aegon NV	Netherlands	0.0	662,284.4	0.53%	+1.44%

XII. Comments by Dodge & Cox on Stocks in the Portfolio

Dodge & Cox Comments on CVS Health

During the third quarter, we initiated five new holdings in the Fund, with the largest new purchase being CVS Health. CVS Health ([NYSE:CVS](#)) operates the largest pharmacy benefit manager (PBM) and retail pharmacy chain in the United States. Concerns about pricing pressures and potential competitive threats from Amazon have lowered CVS Health's valuation to a 20-year low. However, we believe that CVS Health's valuation is approximately 11 times forward earnings does not reflect the strength of its franchise. The company holds the number one position in each of its five primary business lines: PBM; specialty pharmacy; retail/mail pharmacy; Medicare prescription drug plan; and, long-term care. In addition, over the past five years, CVS Health's shareholder-friendly management team has improved return on invested capital, generated robust free cash flow, and gained significant market share. The company acquired Caremark (a PBM) in 2006 and successfully transitioned Caremark's prescription script volume into CVS stores. CVS Health now plans to move into managed care with its pending acquisition of Aetna (the third-largest managed care company in the United States), which is expected to close by the end of 2018. On September 30, CVS Health shares constituted 1.0% of the Fund's portfolio.

From Dodge & Cox's third quarter 2018 [shareholder commentary](#).

Dodge & Cox Comments on Comcast

Comcast ([CMCST](#)) is the largest U.S. cable provider has been held in the Fund since 2002; over the years, we have actively added to and trimmed from the position based on relative valuation. In the first half of 2018, Comcast's share price declined 17% amid concerns about its \$31 billion cash offer to acquire UK-based

pay-television company Sky PLC and its \$65 billion all-cash bid for a majority of Twenty-First Century Fox's assets.

Given these developments, our equity and fixed income teams worked together to evaluate Comcast's risk/return profiles for a range of potential M&A outcomes. We spoke with company management about their overall M&A strategy and reconfirmed our longstanding view that they are skilled at allocating capital to create shareholder value. We believe the Sky acquisition is strategically sound because it would expand Comcast's international presence and provide greater scale to amortize content costs. In July, Comcast dropped its bid for Fox and continued its pursuit of Sky.

In our opinion, the market has overly penalized Comcast's share price as a result of concerns about bidding wars and subscriber growth. Trading at a multi-decade low valuation versus the S&P 500, Comcast was our largest addition in the Media industry during the first six months of 2018. The company has a de-facto local monopoly on broadband internet services in many parts of the United States and, despite talk of record cutting, has the potential to grow through increased broadband penetration and pricing power in residential and business services. We believe NBC Universal (owned by Comcast) can increase its operating profit through affiliate fee increases at NBC and continued investment in its theme parks. In addition, owner-operator Brian Roberts has created significant shareholder value and leads a strong management team. Comcast, the Fund's second-largest holding, was a 3.8% position on June 30.

From Dodge & Cox's Stock Fund second quarter 2018 [shareholder letter](#).

Dodge & Cox Comments on Wells Fargo

During the first half of 2018, we opportunistically added to Wells Fargo ([NYSE:WFC](#)) (down 7%), which was weak among bank stocks and detracted from performance. In February, Wells Fargo entered into a consent agreement with the Federal Reserve (Fed) that, among other things, placed restrictions on the bank's asset growth (capped at \$1.952 trillion). This regulatory agreement stemmed from Wells Fargo's previously disclosed improper sales practices.

Since 2016, Wells Fargo has made substantial progress improving its governance, compliance controls, and operational risk management. Notably, the leadership and composition of the company's board has improved, including the election of six new independent directors in 2017. Management has affirmed its commitment to have third parties conduct an initial risk management review by the end of 2018. The company has settled with regulators regarding its auto insurance and mortgage sales practices and has also resolved class-action lawsuits with shareholders and consumers. Furthermore, Wells Fargo passed the Fed's annual industry stress test in June and received approval to use \$32.9 billion for dividends and share buybacks over the next 12 months, representing a significant return of capital to shareholders.

After a comprehensive review, we believe Wells Fargo's superior franchise, deep management team, track record of generating higher returns than other banks, and attractive valuation at 1.5 times book value make it a compelling long-term investment opportunity. On June 30, Wells Fargo was the Fund's largest holding (a 3.9% position).

From Dodge & Cox's Stock Fund second quarter 2018 [shareholder letter](#).

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