EXPLANATION OF THE RISK FACTORS OF THE PORTFOLIOS AND THE UNDERLYING FUNDS

International Portfolio - Dodge & Cox Funds, Investment Manager

The Fund could lose money or the Fund could underperform other investments, for any of the following reasons:

• The stock markets in the countries in which the Fund invests go down.

• Markets continue to undervalue the stocks in the Fund's portfolio.

• Dodge & Cox's opinion about the intrinsic worth of a company or security is incorrect.

• Dodge & Cox does not hedge or is not successful in hedging the Fund's currency exposure.

• The reduction of income by foreign taxes, including foreign withholding taxes on interest and dividends.

• Unfavorable differences between the U.S. economy and foreign economies.

• The increased risk of delayed settlement of portfolio transactions or loss of certificates of portfolio securities.

• Transaction charges for currency exchange.

Since the Fund invests primarily in securities of foreign companies, there is a greater risk that the Fund's share price will fluctuate more than if the Fund invested in U.S. issuers. Prices of foreign securities may go down (as well as your investment) for any of the following additional reasons:

• Unfavorable foreign government actions, including expropriation and nationalization, political, economic, or market instability, or the absence of accurate information about foreign companies.

• A decline in the value of foreign currencies relative to the U.S. dollar, which reduces the value of securities denominated in those currencies.

• Foreign securities are sometimes less liquid, more volatile, and harder to value than securities of U.S. issuers.

• Lack of uniform accounting, auditing, and financial reporting standards, with less governmental regulation and oversight than U.S. companies.

You should understand that all U.S. and foreign investments involve risks, and there can be no guarantee against loss resulting from an investment in the Fund, nor can there be any assurance that the Fund's investment objective will be attained. There are further risk factors described elsewhere in the Fund's prospectus and in the Fund's SAI.

Investments in stocks are subject to market risks that cause their prices to fluctuate over time (i.e., the possibility that stock prices will decline over short or extended periods). Prices of fixed-income securities are sensitive to changes in the market level of interest rates. In general, as interest rates rise, the prices of fixed-income securities fall, and conversely, as interest rates fall, the prices of these securities rise. Yields on short, intermediate and long-term securities are dependent on a variety of factors, including the general conditions of the money and fixed-income securities markets, the size of a particular offering, the terms and conditions of the obligation (e.g., maturity, coupon, and call features), and the credit quality and rating of the issue. Debt securities with longer maturities tend to have higher yields and are generally subject to potentially greater volatility than obligations with shorter maturities and lower yields. Furthermore, because yield levels on securities vary with changing interest rates, no specific yield on shares of the Fund can be guaranteed.

The value of stocks and fixed-income securities may also be affected by credit risk, i.e., changes in the financial condition of, and other events affecting, specific issuers. For example, the Fund could lose money if the issuer or guarantor of a fixed-income security, or the counterparty to a forward contract, repurchase agreement or a loan of portfolio securities is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. If an issuer defaults, or if the credit quality of an investment deteriorates or is perceived to deteriorate, the value of the investment could decline.

Fluctuations in the value of the securities in which the Fund invests will cause the Fund’s share price to fluctuate. An investment in the Fund, therefore, may be more suitable for long-term investors who can bear the risk of short and long-term fluctuations in the Fund’s share price.

After purchase by the Fund, a debt security may cease to be rated or its rating may be reduced below the minimum required for purchase by the Fund. Neither event will require a sale of such security by the Fund. However, Dodge & Cox will consider such event in its determination of whether the Fund should continue to hold the security. Foreign securities involve some special risks such as exposure to potentially adverse foreign political and economic developments; market instability; nationalization and exchange controls; potentially lower liquidity and higher volatility; possible problems arising from accounting, disclosure, settlement and regulatory practices that differ from U.S. standards; foreign taxes that could reduce returns; higher transaction costs and foreign brokerage and custodian fees; inability to vote proxies, exercise shareholder rights, pursue legal remedies and obtain judgments with respect to foreign investments in foreign courts; possible insolvency of a subcustodian or securities depository; and the risk that fluctuations in foreign exchange rates will decrease the investment’s value (although favorable changes can increase its value). These risk factors are increased when investing in emerging markets.

Dodge & Cox follows a disciplined approach to investing in which investment ideas are considered by investment committees and decisions are applied to all eligible clients (including the Fund and separate account clients) within a particular strategy. This process involves establishment of target allocations and securities position limits that are applied across all relevant client portfolios. It is possible that certain investment opportunities that would be available to a smaller mutual fund may not be available to the Fund due to factors related to the size of the Fund, including the inability of the Fund to take significant positions in limited investment opportunities or the inability of the Fund to add significantly to or dispose of existing securities positions. Any of these factors could negatively impact the investment performance of the Fund.