

Recent Comments from Our Sub-Advisors

January – March 2009

Managers of the Dodge & Cox Stock Fund

- ~ “The powerful forces behind accelerated global economic growth over the past five years remain in place – namely, technological innovation and the growth in developing countries. The 5.5 billion people in the developing world now account for 30% to 40% of the global economy, and increasingly their growth is being created by demand from their own markets, not just by exports to the West – creating potential opportunities for multinational companies.”

Timeless advice from Sir John Templeton

- ~ “Too many investors focus on outlook and trend. Therefore, more profit is made by focusing on value. **In the stock market the only way to get a bargain is to buy what most investors are selling.**”

John Rogers – Founder, Ariel Investments

- ~ “The chaos is so extreme, the panic selling so urgent, that there is almost no possibility that sellers are acting on superior information. Indeed, in situation after situation, it seems clear that investment fundamentals do not factor into their decision making at all. But what we have learned in this once-in-a-lifetime crisis is that even high quality companies can morph into financially challenged ones when credit markets do what they have never done before – freeze solid for months. Ultimately, when the market recognizes that our survivors will do just that, we believe those stocks will shoot the lights out.”

Chris Davis – Portfolio Manager, Davis Advisors

- ~ “In times of panic and dislocation, the value of many companies exceeds their prices. In such periods, poor reported results may indicate deferred returns rather than permanent losses. For example, a company purchased at \$10 per share that has an intrinsic value of \$20 is a good investment even if its price falls to \$5 for some period of time. While this seems obvious at the level of an individual company, it is also true for whole portfolios. As portfolio managers, we can focus on the value of the underlying businesses, but clients can only see the prices. As a result, clients often lose confidence and get out after they have already suffered through the period of bad performance but before benefiting from the recovery. In these inevitable periods of underperformance, it is often helpful to remember that poor results may not reflect a flawed investment discipline but rather the fact that prices and values can irrationally diverge for relatively long periods of time.”
- ~ “Our goal is to provide data that will help investors stay the course at a time when many feel like giving up. This feeling is understandable considering that investors have suffered through the second worst decade for stocks on record – a record that includes the Crash of 1929 as well as the Great Depression. In fact, even if the market produces satisfactory returns for 2009 (and it is certainly not off to a good start), it is highly likely that the 10 year period ending this coming December will prove to be the worst decade ever, as it will no longer include the 21% return of 1999. So why should such data give investors confidence? The answer is that low prices may increase future returns. We are hopeful that our shareholders who have endured these hard times will be there with us for the rebound.”
- ~ “Peter Lynch observed, **“The key organ (for investment success) is your stomach. Everyone has the brainpower, but not everyone has the stomach for it.”**”

David Dreman – Founder, Dreman Value Management

- ~ “Panic demands two ingredients: a feeling of entrapment and impending threat. During panics, people feel that survival depends upon taking instant action. In a financial crisis, sometimes the easiest and quickest action investors take is to sell their holdings. But sometimes, the most rational action may be to take no action at all.”