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Dodge & Cox®
Investment Focus

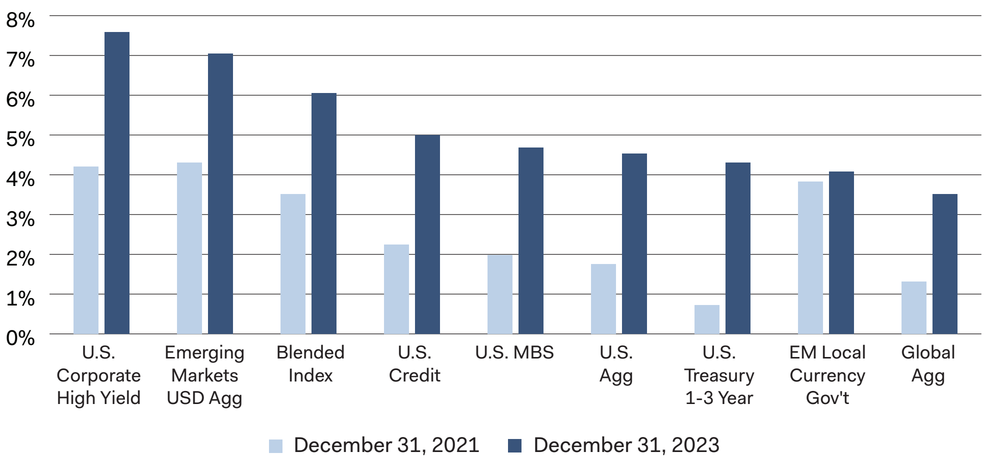
Investment Perspectives

Flexing With Flexible Fixed Income: Dodge & Cox Global Bond Fund

Since the Global Financial Crisis, low interest rates have led many investors to be at the low end of their fixed income allocations. However, since early 2022, central banks' ongoing attempts to rein in stubbornly high inflation have caused interest rates to rise sharply across the globe, ushering in a new dawn for fixed income and prompting many investors to revisit their fixed income allocations.

The following chart depicts the rise in yields over the last two years. These higher starting yields, and resulting total return potential, create a compelling case for increasing fixed income allocations.

Figure 1: Yield to Worst[1] (2021 vs. 2023)



Source: Bloomberg Index Services, Dodge & Cox. The Blended Index is 1/3 U.S. Corporate High Yield, 1/3 U.S. Credit, 1/6 Emerging Markets USD Aggregate, and 1/6 Emerging Markets Local Currency Government.

The Benefits of a More Flexible Fixed Income Strategy

How investors achieve their fixed income exposure matters, as not all sources of yield are created equal. For example, reaching for yield through single-sector allocations alone—such as high yield, emerging markets, or U.S. credit—can increase volatility by over-exposing investors to a similar set of risks. This approach can also cause investors to miss benefiting from other top-performing sectors. Taking too narrow a view of fixed income allocations in the current environment (e.g., by limiting allocations to short-duration or core bonds) can dampen long-term return potential. We believe a broader, more flexible strategy that invests on a global basis across sectors and individual securities, like the Dodge & Cox Global Bond Fund, can increase return potential while providing exposure to a more diverse set of risks.

The following table ranks calendar-year returns for a variety of fixed income sectors and indices alongside our Global Bond Fund. It shows that the top-performing fixed income sector is rarely the same from year to year. In fact, one year's leader can lag the next year and vice versa. The Fund fared well in a variety of environments compared to other segments of the fixed income market.

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Figure 2: Fixed Income Winners and Losers Vary by Year[2]

Ranking	2015	2016	2017	2018	2019	2020	2021	2022	2023
#1	U.S. MBS	U.S. Corp HY	EM Local Currency	1-3Y Treasury	U.S. Corp HY	Global Bond Fund	U.S. Corp HY	1-3Y Treasury	U.S. Corp HY
#2	EM USD	Blended Index	Global Bond Fund	U.S. MBS	U.S. Credit	U.S. Credit	Blended Index	Global Bond Fund	Global Bond Fund
#3	1-3Y Treasury	EM USD	Blended Index	U.S. Agg	Blended Index	Global Agg Unhedged	1-3Y Treasury	EM Local Currency	Blended Index
#4	U.S. Agg	Global Bond Fund	EM USD	Global Agg Unhedged	EM USD	Blended Index	Global Bond Fund	U.S. Corp HY	EM USD
#5	U.S. Credit	EM Local Currency	U.S. Corp HY	Global Bond Fund	Global Bond Fund	U.S. Agg	U.S. MBS	U.S. MBS	U.S. Credit
#6	Global Agg Unhedged	U.S. Credit	Global Agg Unhedged	U.S. Corp HY	EM Local Currency	U.S. Corp HY	U.S. Credit	Blended Index	EM Local Currency
#7	Blended Index	U.S. Agg	U.S. Credit	U.S. Credit	U.S. Agg	EM USD	U.S. Agg	U.S. Agg	Global Agg Unhedged
#8	U.S. Corp HY	Global Agg Unhedged	U.S. Agg	Blended Index	Global Agg Unhedged	EM Local Currency	EM Local Currency	U.S. Credit	U.S. Agg
#9	Global Bond Fund	U.S. MBS	U.S. MBS	EM USD	U.S. MBS	U.S. MBS	EM USD	EM USD	U.S. MBS
#10	EM Local Currency	1-3Y Treasury	1-3Y Treasury	EM Local Currency	1-3Y Treasury	1-3Y Treasury	Global Agg Unhedged	Global Agg Unhedged	1-3Y Treasury

Source: Bloomberg Index Services, Dodge & Cox. 2023 performance is as of December 31, 2023. The Global Bond Fund's benchmark is the Bloomberg Global Aggregate Bond Index.

Fixed income research is time-intensive due to ever-present and ever-shifting risks, including interest rate, credit, macroeconomic, geopolitical, currency, and liquidity risks. Our experienced investment team utilizes a rigorous bottom-up security selection approach, strict price discipline, long-term investment horizon, and team-based decision-making process in managing the Fund. This approach enables us to invest in a broad range of opportunities across research-intensive sectors (many of which are shown in the table above) and reduce the risk of permanent loss of capital.

How the Dodge & Cox Global Bond Fund Compares

While a "global" label can conjure the impression of a portfolio composed of lower-yielding developed-market sovereign debt, our Fund is anything but a sovereign bond fund. Rather, it is a diversified, total return-focused strategy within which the investment team seeks to identify attractive investments across global credit, currency, and interest rate markets.

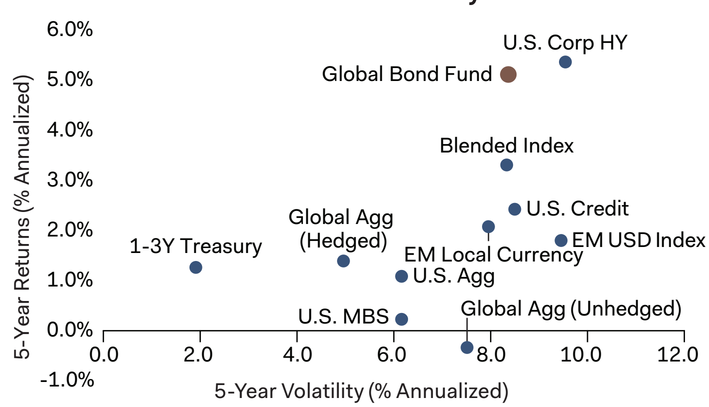
Over time, the Fund has produced compelling risk-adjusted returns relative to sector-specific (e.g., emerging markets, high yield) and blended sector allocations. The chart on the right (Figure 3) shows returns relative to volatility for a variety of fixed income sectors and indices over the past five years. While U.S. corporate high yield bonds have generated a similarly high return as the Fund, they did so with greater volatility. Further, many other sectors and indices produced materially lower returns, some with similar volatility.

Flexing With Flexible Fixed Income

Rather than attempt to allocate across individual fixed income sectors or seek a passive solution, investors can gain exposure to a diverse range of carefully selected fixed income investment opportunities by investing in our Global Bond Fund.

As investors consider the best way to increase their fixed income allocations now and in the future, we invite you to learn more about the Fund. It offers a powerful combination of diversification, flexibility, and a strong track record of risk-adjusted returns that compares very favorably to a wide range of risk-seeking fixed income indices and categories.

Figure 3: The Dodge & Cox Global Bond Fund: Five-Year Total Return versus Volatility[3]



Source: Bloomberg Index Services, Dodge & Cox. Standardized performance for the Fund and indices are listed on the next page. Data as of December 31, 2023.

Contact Us

Please contact us (Advisors@dodgeandcox.com) to learn more about how the Global Bond Fund can effectively flex as part of your and/or your clients' fixed income allocations. Detailed information on the Fund can be found here.

Returns represent past performance and do not guarantee future results. Investment return and share price will fluctuate with market conditions, and investors may have a gain or loss when shares are sold. Mutual fund performance changes over time and may be significantly lower than stated above. Performance is updated and published monthly. Current month-end performance can be obtained at dodgeandcox.com or call 800-621-3979.

	Yield to Worst	Average Annual Total Returns as of December 31, 2023 1 Year	3 Years	5 Years	10 Years
Dodge & Cox Global Bond Fund — Class I	5.6%	12.31%	0.74%	5.12%	3.56%
Global Aggregate (Hedged USD)	3.5%	7.15%	-2.11%	1.40%	2.41%
Global Aggregate (Unhedged)	3.5%	5.72%	-5.51%	-0.32%	0.38%
U.S. Corporate High Yield	7.6%	13.45%	1.98%	5.37%	4.60%
Emerging Markets USD Aggregate	7.0%	9.09%	-3.13%	1.84%	3.03%
Blended Index	6.1%	9.87%	-1.12%	3.31%	3.25%
U.S. Credit	5.0%	8.18%	-3.21%	2.45%	2.83%
U.S. MBS	4.7%	5.05%	-2.86%	0.25%	1.38%
U.S. Aggregate	4.5%	5.53%	-3.31%	1.10%	1.81%
U.S. Treasury 1-3 Year	4.3%	4.29%	-0.10%	1.28%	1.04%
Emerging Markets Local Currency Government	4.1%	6.91%	-1.24%	2.12%	1.33%

The Global Bond Fund — Class I SEC yield[4] calculated for December 31, 2023 was 4.98% using net expenses[5] and 4.91% using gross expenses.

Yield to worst is as of December 31, 2023. A private fund managed and funded by Dodge & Cox was reorganized into the Global Bond Fund and the Fund commenced operations on May 1, 2014. Any portfolio characteristics or performance information prior to May 1, 2014, are those of the private fund. Expense reimbursements have been in effect for the Fund since its inception. Without the expense reimbursements, returns for the Fund would have been lower.

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 or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

The Fund invests in individual bonds and other securities whose yields and market values fluctuate, so that your investment may be worth more or less than its original cost. The Fund's performance could be hurt by interest rate risk, credit risk, below investment-grade securities risk, non-U.S. currency risk, sovereign and government-related debt risk, derivatives risk, liquidity risk, mortgage- and asset-backed securities risk, to-be-announced transaction risk, call risk, manager risk, market risk, geographic risk, and hybrid securities risk. The Fund invests in foreign securities which involve political, economic and currency risks, greater volatility and differences in accounting methods. These risks are greater for emerging markets. Diversification cannot assure a profit or protect against loss in a down market.

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. Any securities identified are subject to change without notice and do not represent a Fund's entire holdings. Diversification does not ensure a profit or guarantee against losses.

Dodge & Cox Funds are distributed by Foreside Fund Services, LLC, which is not affiliated with Dodge & Cox.

1. Yield to worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting. **U.S. Corporate High Yield:** The Bloomberg U.S. Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded. **Emerging Markets USD Agg:** The Bloomberg Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers. **Blended Index:** The Blended Index is 1/3 U.S. Corporate High Yield, 1/3 U.S. Credit, 1/6 Emerging Markets USD Aggregate, and 1/6 Emerging Markets Local Currency Government. Bloomberg Global Aggregate Credit Index measures the credit sector of the global investment-grade, fixed-rate bond market, including corporate, government, and agency securities. **U.S. Credit:** The Bloomberg U.S. Credit Index measures the investment grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the U.S. Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals, and local authorities. **U.S. MBS:** The Bloomberg U.S. Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage. **U.S. Agg:** The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency). **Emerging Markets Local Currency Government:** The Bloomberg Emerging Markets Local Currency Government Index is a flagship index that measures the performance of local currency Emerging Markets (EM) debt. Classification as an EM is rules-based and reviewed annually. **U.S. Treasury 1-3 Year:** The Bloomberg U.S. Treasury: 1-3 Year Index measures US dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with 1-2.999 years to maturity. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting. **Global Agg:** The Bloomberg Global Aggregate Bond Index is a flagship measure of global investment grade debt from a multitude local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. Bloomberg calculates a USD hedged return by applying one-month forward rates to seek to eliminate the effect of non-USD exposures. It is not possible to invest directly in an index.
2. The Fund returns shown are for the Class I shares of the Funds. HY stands for high yield. The Blended Index is 1/3 U.S. Corporate High Yield, 1/3 U.S. Credit, 1/6 Emerging Markets USD Aggregate, and 1/6 Emerging Markets Local Currency Government.
3. Volatility is defined as annualized standard deviation of monthly returns. Standard deviation measures the volatility of the Fund's returns. Higher Standard Deviation represents higher volatility.
4. SEC Yield is an annualization of the Fund's total net investment income per share for the 30-day period ended on the last day of the month.
5. Dodge & Cox has contractually agreed to reimburse the Fund for all ordinary expenses to the extent necessary to maintain Total Annual Fund Operating Expenses at 0.45% through April 30, 2026. The term of the agreement will automatically renew for subsequent three-year terms unless terminated with at least 30 days' written notice by either party prior to the end of the then-current term. For periods prior to May 1, 2017, the Fund's Net Expense Ratio was 0.60%. On December 31, 2023, the Global Bond Fund — Class I's gross expense ratio was 0.52%.