

**Objectives**

- The Fund seeks a high and stable rate of current income, consistent with long-term preservation of capital. A secondary objective is to take advantage of opportunities to realize capital appreciation.

**Strategy**

- The Fund invests in a diversified portfolio consisting primarily of investment-grade debt securities, including government and government-related obligations, mortgage- and asset-backed securities, corporate and municipal bonds, and other debt securities. To a lesser extent, the Fund may also invest in below investment-grade debt securities.
- The proportions held in various debt securities will be revised in light of Dodge & Cox's appraisal of the economy, the relative yields of securities in the various market sectors, the investment prospects for issuers, and other factors. In selecting securities, Dodge & Cox considers many factors, including yield, credit rating, liquidity, call risk, duration, structure, and capital appreciation potential.

**Risks**

- The Fund invests in individual bonds whose yields and market values fluctuate, so that your investment may be worth more or less than its original cost. Debt securities are subject to interest rate risk, credit risk, and prepayment and call risk, all of which could have adverse effects on the value of the Fund. Please read the prospectus for specific details regarding the Fund's risk profile.

**General Information**

Net Asset Value Per Share	<b>\$13.26</b>
Fund Total Net Assets (billions)	<b>\$66.3</b>
Fund Inception	<b>1989</b>
Expense Ratio	<b>0.41%</b>
2021 Portfolio Turnover	<b>91%</b>
30-Day SEC Yield <sup>(a)</sup>	<b>2.42%</b>
Number of Credit Issuers	<b>67</b>
Eligibility	<b>Open to All Investors</b>
No sales charges or distribution fees	

**Investment Manager:** Dodge & Cox, San Francisco. Managed by the U.S. Fixed Income Investment Committee, whose eight members' average tenure at Dodge & Cox is 22 years.

**Portfolio Characteristics**

	Fund	BBG U.S. Agg
Effective Duration (years)	<b>5.0</b>	<b>6.6</b>

**Five Largest Credit Issuers (%)<sup>(b)</sup>**

	Fund
Charter Communications, Inc.	<b>2.5</b>
HSBC Holdings PLC	<b>1.9</b>
Petroleos Mexicanos	<b>1.9</b>
Ford Motor Credit Co. LLC	<b>1.7</b>
Prosus NV	<b>1.6</b>

**Credit Quality (%)<sup>(c)</sup>**

	Fund	BBG U.S. Agg
AAA	<b>57.9</b>	<b>72.3</b>
AA	<b>4.4</b>	<b>3.1</b>
A	<b>6.9</b>	<b>11.0</b>
BBB	<b>24.8</b>	<b>13.6</b>
BB	<b>10.7</b>	<b>0.0</b>
B	<b>0.0<sup>(e)</sup></b>	<b>0.0</b>
CCC and below	<b>0.0</b>	<b>0.0</b>
Not Rated	<b>0.0</b>	<b>0.0</b>
Net Cash & Other <sup>(d)</sup>	<b>-4.7</b>	<b>0.0</b>

**Asset Allocation**

	Fund
Debt Securities	<b>104.7%</b>
Net Cash & Other <sup>(d)</sup>	<b>-4.7%</b>

**Sector Diversification (%)**

	Fund	BBG U.S. Agg
U.S. Treasury	<b>17.6</b>	<b>39.5</b>
Government-Related	<b>4.7</b>	<b>5.4</b>
Securitized	<b>44.5</b>	<b>30.0</b>
Corporate	<b>37.9</b>	<b>25.1</b>
Net Cash & Other <sup>(d)</sup>	<b>-4.7</b>	<b>0.0</b>

**Maturity Diversification (%)**

	Fund	BBG U.S. Agg
0-1 Years to Maturity	<b>-3.1</b>	<b>0.0</b>
1-5	<b>37.2</b>	<b>37.7</b>
5-10	<b>47.5</b>	<b>43.4</b>
10-15	<b>5.2</b>	<b>1.5</b>
15 and Over	<b>13.1</b>	<b>17.4</b>

Market values for debt securities include accrued interest.

<sup>(a)</sup> SEC Yield is an annualization of the Fund's net investment income for the trailing 30-day period. Dividends paid by the Fund may be higher or lower than implied by the SEC Yield.

<sup>(b)</sup> 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.

<sup>(c)</sup> The credit quality distributions shown for the Fund and the Index are based on the middle of Moody's, S&P, and Fitch ratings, which is the methodology used by Bloomberg in constructing its indices. If a security is rated by only two agencies, the lower of the two ratings is used. Please note the Fund applies the highest of Moody's, S&P, and Fitch ratings to determine compliance with the quality requirements stated in its prospectus. On that basis, the Fund held 7.5% in securities rated below investment grade. The credit quality of the investments in the portfolio does not apply to the stability or safety of the Fund or its shares.

<sup>(d)</sup> Net Cash & Other includes cash, short-term investments, unrealized gain (loss) on derivatives, receivables, and payables. Assets to cover payables for forward settle TBA mortgage security purchases are invested in short-maturity U.S. Treasuries.

<sup>(e)</sup> Rounds to 0.0%.

## Average Annual Total Return<sup>1</sup>

For periods ended March 31, 2022

	1 Year	3 Years	5 Years	10 Years	20 Years
Dodge & Cox Income Fund – Class I	-3.64%	2.85%	3.01%	3.21%	4.65%
Bloomberg U.S. Agg Index	-4.15	1.69	2.14	2.24	4.00

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. Fund performance changes over time and currently may be significantly lower than stated above. Performance is updated and published monthly. Visit the Fund's website at [dodgeandcox.com](http://dodgeandcox.com) or call 800-621-3979 for current month-end performance figures.

The Dodge & Cox Income Fund – Class I shares had a total return of -5.2% for the first quarter of 2022, compared to a total return of -5.9% for the Bloomberg U.S. Aggregate Bond Index (Bloomberg U.S. Agg).

### Investment Commentary

The first three months of 2022 were tumultuous for fixed income markets. The Bloomberg U.S. Agg suffered its worst quarterly return in more than 40 years. Both interest rates and credit spreads rose substantially, an unusual phenomenon that was influenced by concerns about persistent inflation, an aggressive Federal Reserve, a possible slowdown in economic growth, the lingering COVID-19 pandemic, and escalating geopolitical conflict.

Inflation continued to run hot as the headline Consumer Price Index (CPI) increased by 8.5% year-over-year, the largest increase in 40 years. Meanwhile, year-to-date nonfarm payroll reports were robust and the unemployment rate declined to 3.6%, despite an uptick in temporary business closures from the latest COVID-19 variant (BA.2). As widely expected, in March the Fed raised the Fed Funds rate for the first time since 2018. The initial move was 25 basis points<sup>2</sup>, though Fed Chair Jerome Powell signaled a willingness to hike more aggressively or accelerate the pace of its balance sheet reduction if inflation remains elevated. Rates reacted strongly to the Fed's hawkish stance and the ongoing inflation surge: the 2- and 10-year U.S. Treasury yields leapt by 160 and 83 basis points ending at 2.33% and 2.34%, respectively. This resulted in the flattest yield curve since 2019. Despite the strong news on hiring, concerns are growing that rising interest rates and high inflation could stunt the current strong U.S. economic recovery.

In addition to the extremely challenging interest rate backdrop, a broad-based risk sell-off further dampened returns. One major factor was Russia's invasion of Ukraine in late February and the sanctions subsequently placed on Russia by the United States and others, which roiled markets. Russia is a significant exporter of energy, particularly to Europe, and global oil prices spiked, reaching heights last seen in 2008 (\$124/barrel). In response, President Biden ordered a release of one million barrels per day from U.S. reserves over the next six months to diminish reliance on foreign energy suppliers and lower domestic gasoline prices, which somewhat eased pricing pressures.

The investment-grade Corporate sector returned -7.7%<sup>3</sup>, underperforming comparable-duration<sup>4</sup> Treasuries by 1.5 percentage points. Corporate spreads widened significantly intra-quarter (nearly 60% wider at the peak; 26% wider quarter-over-quarter) as market participants digested the potential effects of challenging geopolitical and macro factors on growth prospects. Investment-grade corporate debt issuance topped \$459 billion, the third largest quarter on record, surpassed only by the first two quarters of 2020. Meanwhile, Agency<sup>5</sup> MBS returned -5.0%, underperforming comparable-duration Treasuries by 0.7 percentage points. Mortgage rates surged by over one percentage point—their largest three-month increase in over 30 years—reaching their highest levels since January 2019.

Over the course of the first quarter, we made a number of adjustments to the Fund's portfolio. The large intra-quarter risk sell-off created several interesting opportunities within both credit and Agency MBS. As a result, we deployed some of the Fund's stock of "dry powder" (i.e., U.S. Treasuries), which we built up throughout 2021. We increased the Fund's credit weighting by over 5%, initiating a position in Goldman Sachs<sup>6</sup> (a systemically important U.S. bank with a strong credit profile rooted in its leading capital markets business), adding to numerous existing holdings, and buying a small position in an investment-grade corporate bond ETF to incrementally add exposure in a fast-moving market. We also increased the Fund's weighting in the Agency MBS sector by over 3%. Amid these changes, we maintained the Fund's significantly below-benchmark duration target to mitigate price declines associated with rising interest rates.

The Income Fund was not immune to this quarter's difficult fixed income performance. However, the Fund performed well on a relative basis, largely owing to the Fund's conservative/defensive rate positioning, which we lowered incrementally in the second half of last year. Moving forward, as painful as rising rates can be for fixed income investors, the silver lining is higher income-earning potential. Reflecting this new environment, the Bloomberg U.S. Agg's yield is nearly twice what it was just nine months ago. Despite the tough quarter, we are optimistic about the Fund's highly curated and diversified portfolio and its long-term return prospects. Thank you for your continued confidence in Dodge & Cox.

### First Quarter Performance Review

The Fund outperformed the Bloomberg U.S. Agg by 0.7 percentage points during the quarter.

### Key Contributors to Relative Results

- The Fund's below-benchmark duration position (70%<sup>7</sup> of the Bloomberg U.S. Agg's duration) significantly contributed to relative returns.
- Several energy-related credit issuers performed well, including TC Energy, Petrobras, Pemex, Ultrapar, and Occidental Petroleum.

### Key Detractors from Relative Results

- Security selection was negative. The Fund's Agency MBS holdings underperformed the MBS in the benchmark as well as comparable-duration Treasuries, and certain corporate issuers underperformed, including Prosus, Charter Communications, and UniCredit.
- The Fund's underweight to U.S. Treasuries detracted from relative returns.
- The Fund's key rate duration positioning (e.g., underweight to 20+ year key rates) detracted from relative returns.

<sup>1</sup> The Fund's total returns include the reinvestment of dividend and capital gain distributions, but have not been adjusted for any income taxes payable by shareholders on these distributions or on Fund share redemptions. Index returns include dividends and/or interest income but, unlike Fund returns, do not reflect fees or expenses. The Bloomberg U.S. Aggregate Bond Index is a widely recognized, unmanaged index of U.S. dollar-denominated investment-grade fixed income securities.

<sup>2</sup> One basis point (bps) is equal to 1/100th of 1%.

<sup>3</sup> Sector returns as calculated and reported by Bloomberg.

<sup>4</sup> Duration is a measure of a bond's (or a bond portfolio's) price sensitivity to changes in interest rates.

<sup>5</sup> The U.S. Government does not guarantee the Fund's shares, yield, or net asset value. The agency guarantee (by, for example, Ginnie Mae, Fannie Mae, or Freddie Mac) does not eliminate market risk.

<sup>6</sup> The use of specific examples does not imply that they are more or less attractive investments than the Fund's other holdings.

<sup>7</sup> Figures cited in this section denote positioning at the beginning of the period.

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