Dodge & Cox Funds®

Income Fund

To Our Shareholders

The Dodge & Cox Income Fund had a total return of –0.9% for the year ended December 31, 2021, compared to a return of –1.5% for the Bloomberg U.S. Aggregate Bond Index (Bloomberg U.S. Agg).

Market Commentary

The U.S. investment-grade fixed income market delivered a modest negative return in 2021 largely due to price declines associated with rising Treasury yields, which overwhelmed the income earned over the year. This marked only the fourth negative calendar year return for the Bloomberg U.S. Aggregate Bond Index since its inception in 1976.

Though Treasury yields ended the year higher, markets fluctuated throughout the year. At the beginning of 2021, the world was dealing with a brutal winter COVID surge, vaccinations were just starting, and the economic recovery from the initial pandemic shock was still gathering steam. Monetary and fiscal policy were in full stimulus mode, yields and risk premiums were low, and inflation was rising, but widely seen as "transitory."

As the year progressed, vaccinations became more widespread, the economy grew rapidly, and the unemployment rate declined. Meanwhile, inflation remained high and was no longer being called "transitory" by policymakers. The Federal Reserve pivoted forcefully, announcing plans to immediately scale back its monthly bond purchases and phase them out entirely by March 2022. At the same time, the majority of Federal Open Market Committee members forecast at least three interest rate hikes in 2022, representing a significant shift from early fall when only half of the members expected at least one hike during the year.

The investment-grade Corporate sector returned –1.0%[a], but outperformed comparable-duration[b] Treasuries by 1.6 percentage points. Spreads on corporate bonds ended June at their narrowest level since 2005 before widening out modestly in the second half of the year. Nevertheless, spreads remain well inside their long-term average due to solid credit fundamentals and continued investor demand. Meanwhile, Agency[c] MBS returned –1.0% and underperformed comparable-duration Treasuries by 0.7 percentage points. Several factors weighed on the MBS sector, including large swings in interest rates, elevated prepayment levels, and the Fed's plans to halt its MBS purchases sooner than previously expected.

Investment Strategy

After two calendar years of exceptionally strong returns, the fixed income market made an abrupt turn in 2021. Despite generating a negative absolute return, we are pleased with the Income Fund's strong relative performance over the past twelve months, as well as over longer periods. As always, we encourage shareholders to maintain a long-term view.

Over the course of the year, we made a number of incremental adjustments to fine tune and optimize the portfolio. In the first half of the year, as credit valuations became less attractive, we "right-sized" the portfolio from a credit risk perspective. In our tried and true, issuer-by-issuer style, we trimmed a number of credit[d] holdings that had performed well and reached what we viewed as their full valuation. We invested the proceeds of these sales in U.S. Treasuries as we await more compelling opportunities. As the year unfolded, we also grew increasingly confident in the economic recovery and the prospects for a "normalization" of interest rates, particularly long rates, from their then very low levels. We expressed this growing conviction by reducing the Fund's duration, or interest rate sensitivity, to reflect our view that long-term interest rates are likely to rise by more than what is currently priced in the market.

The Credit Sector: Selectively Reducing Exposure at Rich Valuations

In light of the tighter spread valuation environment, we reduced the Fund's credit exposure by nearly eight percentage points to 38% as of December 31.[e] This represents a significant reduction from the Fund's recent peak credit weighting of 53% in the middle of 2020, a time when valuation opportunities within Credit were abundant, and the portfolio's large allocation strongly benefited subsequent performance. Credit trims were broad-based and bottom-up, but in our opinion, the individual securities generally exhibited some combination of a less compelling valuation, higher potential for volatility, or significant price risk given their long maturities. For example, we trimmed Bank of America, Cox Communications, Exxon Mobil, and Wells Fargo.[f]

Despite reducing the Fund's credit exposure generally, we found a few idiosyncratic opportunities. For example, we added to T-Mobile U.S., the second-largest wireless provider in the country, and in our opinion, an issuer with reasonably-priced securities and a solid foundation for credit improvement as the integration of Sprint's customers and network assets continues. We purchased the company's senior unsecured bonds (rated below investment grade) which we believe will perform well as the issuer's ratings profile migrates towards fully investment grade. Similarly, we added to senior unsecured bonds issued by Charter Communications, primarily in the below investment-grade portion of the capital structure, which we believe were mispriced relative to the company's senior secured debt (which is a large, long-held position in the Fund). We also established a new position in VMware, a large provider of IT infrastructure, when the company issued investment-grade debt to pre-finance a special cash dividend associated with its spin-off from Dell Technologies.

Corporate fundamentals and the macroeconomic backdrop remain sound in our view, but spreads price in a minimal margin of error in the face of elevated event risk and uncertainty related to virus developments and tightening monetary policy. While current valuation levels have tempered our

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a. Sector returns as calculated and reported by Bloomberg.
b. Duration is a measure of a bond's (or a bond portfolio's) price sensitivity to changes in interest rates.
c. 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.
d. Credit securities refers to corporate bonds and government-related securities, as classified by Bloomberg, as well as Rio Oil Finance Trust, an asset-backed security that we group as a credit investment.
e. Unless otherwise specified, all weightings and characteristics are as of December 31, 2021.
f. The use of specific examples does not imply that they are more or less attractive investments than the Fund's other holdings.

enthusiasm for the credit sector generally, the Fund remains overweight credit relative to the Bloomberg U.S. Agg. We believe the long-term total return prospects for a thoroughly researched and fundamentally strong portfolio of credit issuers are attractive, particularly relative to other investment-grade fixed income sectors. As a byproduct of our bottom-up underwriting and expertise in less-understood areas of the universe (e.g., non-financial hybrids, non-U.S. domiciled issuers, certain below investment-grade securities), the Fund's credit portfolio is substantially differentiated from the market. For example, it features a higher yield premium (171 basis points[g] versus 87 basis points) and a shorter duration (6.7 years versus 8.4 years) compared to the broad investment-grade Credit Index.[h]

The Securitized Sector: Incremental Adjustments to Bolster Portfolio Yield

We adjusted the Fund's overall Agency MBS weighting and composition over the course of 2021 as valuations and our assessment of fundamentals changed. With mortgage spreads fairly tight, particularly in the first half of the year, we reduced the portfolio's Agency MBS weighting by four percentage points to 35% as of December 31. This was achieved by trimming a number of securities whose relative pricing, in our view, was no longer attractive. At the same time, we sold certain higher-coupon securities, which offer less prepayment protection, and we added a mix of lower-coupon, lower loan balance pools. We also added to the portfolio's TBA (to-be-announced) dollar roll position, which remains an attractive opportunity in our view. Even with the Fed tapering its monthly asset purchases, we believe that the TBA holdings' specialness (i.e., yield above the cash market) will persist in the short term given strong demand (especially from banks) and relatively constrained supply.

We favor low coupon, low loan balance Agency MBS because we believe they offer attractive prepayment protection for two main reasons. First, given the low initial note rates of the mortgages underlying these MBS, attractive refinancing options for borrowers are likely to be muted. Second, low loan balance borrowers may lack sufficient financial incentives needed to offset the upfront fixed costs of refinancing, adding additional prepayment protection to the portfolio's position.

The housing market had a banner year with the Case-Shiller Index[i] up 19% year-over-year through November. Even so, credit standards remain reasonably tight. Housing affordability metrics are mixed as the median housing price to median household income ratio is in mid-2000s bubble territory, although mortgage payments are historically low compared to both income and rents. Meanwhile, the "refi wave" spurred by the record-low mortgage rate environment in 2020/21 appears to have crested, and prepayment speeds have fallen to pre-COVID levels.

We did not make any significant changes to the Fund's 5% position in AAA-rated asset-backed securities (ABS). The portfolio continues to hold floating rate ABS backed by 97% federally guaranteed student loans. These short-duration securities trade at attractive levels relative to ABS and MBS alternatives, and their floating rate coupon adds a defensive duration element to the portfolio. Fundamentals for the consumer remain favorable with low leverage and ABS charge-offs at multi-decade lows, though credit metrics could weaken moderately in 2022 as interest rates rise and the impact of the federal government's pandemic relief packages fades away.

Defensive Duration: Mitigating the Risk of Rising Rates over Time

We reduced the Fund's portfolio duration during the year from 4.9 to 4.7 years, primarily by selling longer-duration Treasuries and buying shorter-duration ones with less price risk. We made this adjustment because we grew increasingly uncomfortable with assuming significant interest rate/duration risk at a time when there is little income to offset even a small rise in rates. Market interest rate risk, as measured by the Bloomberg U.S. Agg's duration, at 6.8 years, has never been higher. For perspective, it was 5.0 years in 2010 and 6.2 years at the end of 2020.

Our Rates Group regularly produces base, down, and up scenarios for the evolution of rates. In our base case, we are roughly aligned with market expectations for the short to intermediate part of the curve, which reflects the Fed's hiking plans. However, we believe long-term interest rates are likely to rise by more than what is currently priced in the market. Given this outlook, we've positioned the portfolio in line with the Bloomberg U.S. Agg through the intermediate part of the yield curve, but significantly underweight to the long end of the curve. Moreover, the balance of risks for inflation and interest rates over our investment horizon appears tilted to the upside.

In Closing

With Treasury yields low by historical standards and credit spreads relatively tight, we expect intermediate-term returns from fixed income to be unremarkable. That said, we are optimistic about the long-term prospects for the portfolio, and we believe bonds continue to serve a vital defensive role in a diversified portfolio, providing liquidity, income, downside protection, and low correlation to riskier asset classes.

In our opinion, the current rich valuation environment makes careful issuer selection and an acute focus on downside risk all the more critical. In addition, the Fed's policy stance could cause market volatility to increase, presenting an advantage for nimble, active investors. With the portfolio's substantial dry powder available to deploy quickly, we continue to look for attractive long-term investment opportunities through our bottom-up, research-driven approach.

Thank you for your continued confidence in our firm. As always, we welcome your comments and questions.

For the Board of Trustees,

Charles F. Pohl,
Chairman

Dana M. Emery,
President

February 1, 2022

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g. One basis point is equal to 1/100th of 1%.
h. Credit Index refers to the Bloomberg U.S. Credit Index.
i. The S&P/Case-Shiller U.S. National Home Price Index.

DODGE & COX FUNDS®

December 31, 2021

Income Fund

TICKER SYMBOL
DODIX

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	$14.06
Total Net Assets (billions)	$71.8
Expense Ratio	0.42%
2021 Portfolio Turnover	91%
30-Day SEC Yield[a]	1.55%
Number of Credit Issuers	66
Fund Inception	1989

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)	**4.7**	6.8

Five Largest Credit Issuers (%)[b]	Fund
Charter Communications, Inc.	**2.3**
Petroleos Mexicanos	**1.8**
HSBC Holding PLC	**1.7**
Ford Motor Credit Co. LLC	**1.6**
JPMorgan Chase & Co.	**1.4**

Credit Quality (%)[c]	Fund	BBG U.S. Agg
U.S. Treasury/Agency/GSE	**60.2**	68.8
AAA	**1.7**	3.3
AA	**4.2**	2.9
A	**4.7**	11.2
BBB	**21.7**	13.9
BB	**10.4**	0.0
B	**0.0**	0.0
CCC and below	**0.0**	0.0
Net Cash & Other[d]	**-2.9**	0.0

Asset Allocation	Fund
Debt Securities	**102.9%**
Net Cash & Other[d]	**-2.9%**

Sector Diversification (%)	Fund	BBG U.S. Agg
U.S. Treasury	**24.9**	39.1
Government-Related	**4.6**	5.5
Securitized	**41.0**	29.7
Corporate	**32.4**	25.7
Net Cash & Other[d]	**-2.9**	0.0

Maturity Diversification (%)	Fund	BBG U.S. Agg
0-1 Years to Maturity	**1.0**	0.0
1-5	**39.1**	39.7
5-10	**44.6**	40.4
10-15	**2.9**	1.6
15-20	**4.8**	4.9
20-25	**1.6**	4.6
25 and Over	**6.1**	8.9

Market values for debt securities include accrued interest.

[a] 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.

[b] 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.

[c] 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 7.2% 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.

[d] 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.

Average Annual Total Return[1]

For periods ended December 31, 2021	1 Year	3 Years	5 Years	10 Years	20 Years
Dodge & Cox Income Fund	–0.91%	5.97%	4.37%	4.07%	4.99%
Bloomberg U.S. Agg Index	–1.54	4.79	3.57	2.90	4.33

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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 or call 800-621-3979 for current month-end performance figures.

The Dodge & Cox Income Fund's total return was –0.4% for the fourth quarter of 2021, compared to 0.0% for the Bloomberg U.S. Aggregate Bond Index (Bloomberg U.S. Agg). For the twelve months ended December 31, 2021, the Fund generated a total return of –0.9%, compared to –1.5% for the Bloomberg U.S. Agg.

Investment Commentary

The broad U.S. investment-grade fixed income market was flat in the fourth quarter of 2021. Despite historically high inflation, healthy economic growth amid the ongoing COVID-19 pandemic, and the Federal Reserve's tapering announcement, the yield curve actually flattened, with the 2-year Treasury yield rising 46 basis points, the 10-year yield remaining relatively stable at 1.51%, and the 30-year yield falling 14 basis points.[2]

Inflation rose by the fastest pace in nearly 40 years, as measured by the 5.7% year-over-year increase in the Personal Consumption Expenditures Price Index, the Fed's preferred indicator. As widely expected, the Federal Open Market Committee (FOMC) formally announced plans in early November to scale back the central bank's monthly bond purchases. In December, with fresh economic data in hand, policymakers accelerated their timeline to now phase out the purchases entirely by March 2022. They also signaled they are likely to raise interest rates three times in 2022. This represents a significant shift in policy from late summer when half of the FOMC members expected just one rate hike during the year.

While inflation data played a large role in the Fed's decision, other recent U.S. economic data were also a factor, particularly those indicating a strong labor market. The headline numbers were encouraging: monthly job gains averaged 378,000 over the past three months and the unemployment rate fell to 4.2% in November—the lowest level since March 2020. Growth in wages, higher participation rates, and declining unemployment claims corroborate the strong labor market recovery. While the favorable economic picture could be tempered by Omicron or other COVID-19 variants, U.S. economic growth was robust in 2021, and indicators point to above average growth in 2022.

The investment-grade Corporate sector returned 0.2%[3] in the fourth quarter and underperformed comparable-duration[4] Treasuries by 0.3 percentage points. Credit spreads widened over the quarter as the emergence of Omicron had a negative impact on risk sentiment; however, spreads remain well inside their long-term average due in part to solid credit fundamentals and continued investor demand. Meanwhile, Agency[5] MBS returned –0.4% and underperformed comparable-duration Treasuries by 0.3 percentage points.

Amid this backdrop, we made a number of adjustments to the Fund's positioning. We reduced overall portfolio duration during the quarter from 75% to 70% of the Bloomberg U.S. Agg's duration. This adjustment reflects our growing discomfort with assuming significant interest rate/duration risk (e.g., market interest rate risk, as measured by the U.S. Agg, at 6.8 years, has never been higher) at today's low yield levels given scarce income to offset price declines from even a small rise in interest rates. It also takes into account our increased conviction that long-term interest rates are likely to rise over our investment horizon by more than what the market currently expects given inflation dynamics, the trajectory of the economy, and the evolution of Fed policy. We did not make notable changes to the Fund's Credit and Securitized sector holdings. These are areas of the portfolio where we still see attractive long-term opportunities for selective investors even amidst today's generally rich valuation environment. Meanwhile, we maintained the Fund's substantial weighting in Treasuries as "dry powder" that we can quickly deploy as opportunities arise.

While we recognize that overall yields remain low and will likely constrain near-term U.S. fixed income returns, we continue to canvass the market for opportunities to build portfolio yield prudently. Overall, we remain optimistic about the long-term prospects for the Fund. Thank you for your continued confidence in Dodge & Cox.

Fourth Quarter Performance Review

The Fund underperformed the Bloomberg U.S. Agg by 0.4 percentage points during the quarter.

Key Detractors from Relative Results

- The Fund's key rate duration positioning (e.g., underweight to the 20+ year key rates) detracted from relative returns.
- Asset allocation was negative as the Fund's underweight to U.S. Treasuries and overweight to Agency MBS detracted from relative returns.
- Security selection was negative as the Fund's Agency MBS holdings underperformed the MBS in the benchmark. Additionally, certain corporate issuers underperformed, such as Telecom Italia.

Key Contributors to Relative Results

- The Fund's below-benchmark duration position (75%[6] of the Bloomberg U.S. Agg's duration) contributed to relative returns.
- Certain credit issuers performed well, such as Pemex and Ford Motor Credit.

2021 Performance Review

The Fund outperformed the Bloomberg U.S. Agg by 0.6 percentage points in 2021.

Key Contributors to Relative Results

- Security selection within credit was significantly positive, led by energy-related issuers including Pemex, Rio Oil Finance Trust, Occidental Petroleum, and Kinder Morgan. Other credit issuers also performed well, such as Macy's, State of Illinois, Ford Motor Credit, and Charter Communications.
- Asset allocation was positive as the Fund's underweight to U.S. Treasuries and overweight to credit contributed to relative returns.
- The Fund's below-benchmark duration position (79%[6] of the Bloomberg U.S. Agg's duration) contributed to relative returns.

Key Detractors from Relative Results

- The positive contribution from the Fund's below-benchmark duration position was offset by the Fund's key rate duration positioning (e.g., underweight to the 20+ year key rates), which detracted from relative returns.

[1] 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.
[2] One basis point is equal to 1/100th of 1%.
[3] Sector returns as calculated and reported by Bloomberg.
[4] Duration is a measure of a bond's (or a bond portfolio's) price sensitivity to changes in interest rates.
[5] 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.
[6] Figures cited in this section denote positioning at the beginning of the period.

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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.