To Our Shareholders

The Dodge & Cox Income Fund — Class I had a total return of -9.65% for the six months ended June 30, 2022, compared to a return of -10.35% for the Bloomberg U.S. Aggregate Bond Index (Bloomberg U.S. Agg).

Market Commentary

The first half of 2022 was one of the worst six-month stretches on record for U.S. fixed income markets. The Bloomberg U.S. Agg returned -10.4% due to the duel effects of rising interest rates and widening credit spreads.

Bond markets were jarred by multiple factors over the period. These included lingering pandemic effects from emerging COVID-19 variants, the Russia-Ukraine War and its impact on commodity prices, China's renewed lockdowns slowing supply chains, higher and broader inflation, the Federal Reserve's (Fed) more aggressive pace of monetary policy tightening, and intensified concerns around a possible recession.

U.S. inflation soared to 9.1% for the year ended June 30 (as measured by the Consumer Price Index[1])—the largest increase in 40 years. Higher energy prices led the surge but inflationary pressures were fairly broad-based. To combat inflation, the Fed raised the federal funds rate by 25 basis points (bps)[2] in March, followed by a 50 bp hike in May and a 75 bp hike in June. Fed officials have signaled they will keep hiking aggressively this year and are "strongly committed" to returning inflation to their 2% target, while also warning that a potential recession could result from monetary tightening.

While market fears of a recession precipitated by aggressive monetary policy tightening have increased, recent U.S. economic data is mixed. On one hand, the job market has remained strong. Nonfarm payrolls increased by an average of 457,000 per month over the first half of the year, and the unemployment rate declined from 3.9% in December to 3.6% in June. On the other hand, economic output slowed in the first quarter and, based on early forecasts, may have contracted in the second quarter. Meanwhile, a closely-watched University of Michigan survey showed a startling drop in consumer sentiment to the lowest level in at least four decades.

The investment-grade Corporate sector returned –14.4%,[3] underperforming comparable-duration[4] Treasuries by 3.5 percentage points. Corporate spreads[5] widened 63 bps to end June at 155 bps, their widest level since June 2020, as mixed corporate earnings, heightened geopolitical tensions, and rising recession risk weighed on sentiment. Meanwhile, Agency[6] mortgage-backed securities (MBS) returned –8.8%, underperforming comparable-duration Treasuries by 1.6 percentage points. Mortgage rates climbed to their highest level since 2010; not surprisingly, prepayment speeds have declined significantly with less demand for refinancing.

Investment Commentary

The first half of 2022 was an unquestionably difficult environment for fixed income investors, but there are two silver linings. First, the Fund modestly outpaced the return of the Bloomberg U.S. Agg, primarily due to the Fund's shorter duration, which mitigated the negative price impact of rapidly rising interest rates. And second, bond market yields, an important determinant of future return potential, are much higher and more attractive. In fact, the Bloomberg U.S. Agg's yield, at 3.7%, is the highest in over 12 years and nearly two percentage points higher than it was six months ago. With higher starting yields, we are excited about the prospects for fixed income as an asset class. We are even more enthusiastic about the Fund's outlook and the opportunity to add value through our active management approach.

With respect to portfolio positioning, we reduced the Fund's credit[7] weighting in 2021 to near its lowest level since 2007, as credit spreads narrowed to pre-Global Financial Crisis levels. In our view, this was insufficient compensation for the attendant risks. We invested the proceeds in U.S. Treasuries, "dry powder" that could be redeployed in a more opportunity-rich environment. That environment presented itself in the first half of 2022. We added significantly to the Fund's Credit and Securitized sectors during this time, based on our bottom-up assessment of valuations and fundamentals for individual securities and issuers. We also extended the Fund's duration slightly, though the portfolio remains positioned significantly shorter than the U.S. Agg.

We selectively lean into wider spread environments with the confidence that comes from decades of issue- and issuer-specific knowledge, and—just as importantly—we lean out of environments where optimistic market pricing may not provide sufficient compensation for the underlying risks. Over the past 18 months, we made changes to the portfolio that reflect our valuation discipline.

Economic Outlook and Portfolio Duration: Still Wary of Long-Term Interest Rate Risk

In June, we lengthened the portfolio's duration by a quarter of a year. This followed the significant rise in yields over the first half of the year and reflected the increased probability that the Fed's front-loaded hikes could induce a recession, leading to inflation decelerating more quickly than expected. Nevertheless, the Fund remains positioned with a duration below the Bloomberg U.S. Agg (5.2 years versus 6.4 years as of June 30).

Our expectations for Fed policy largely mirror market expectations: with the Fed turning significantly more hawkish in an effort to fight inflation, the market is pricing in a federal funds rate that peaks at 3.5% in mid-2023 (175 bps higher than June 30), followed by subsequent easing to around 3% by mid-2024. This expectation is meaningfully higher than at the start of the year (under 1% peak rate) or even just three months ago (2.5%).

We expect U.S. economic growth to slow materially in response to the Fed's hikes and a challenged global economic picture. While the labor market has remained resilient, financial conditions have tightened substantially and interest-rate sensitive parts of the economy (e.g., housing) are starting to slow. Consumption and other growth indicators have also softened recently as support from fiscal policy has faded.

Inflation is likely to moderate, but at a gradual pace due to rising inflation in core services categories (e.g., shelter), which tend to be persistent, as well as lingering supply chain bottlenecks and continuing commodity market dislocations from the Russia-Ukraine War. Nevertheless, we believe inflation will fall towards 2.0% to 3.0% over the next couple of years in response to weaker demand, less tight labor markets, and easing of some supply-side constraints, providing room for the Fed to eventually unwind some of its rate hikes.

While yields in the broad fixed income market have risen considerably—offering more cushion in the case of rates rising further—we believe it is prudent to remain defensively positioned for three main reasons. First, price sensitivity is still high relative to the available level of income. Second, the yield curve is relatively flat, meaning there is not much additional income offered for taking more duration risk. Third, inflation could remain persistently high for a longer period of time, causing federal funds and market rates to stay higher for longer as well.

The Credit Sector: Leaning into Opportunities Amid Market Volatility

We increased the Fund's overall credit weighting to 45%, adding more than seven percentage points on a net basis since the end of last year. The bulk of our purchases occurred after corporate bond spreads rose substantially starting in March. We purchased securities in both the primary and secondary markets, adding to ten existing holdings, including Southern Company, British American Tobacco, HCA, and Prosus.[8] We also initiated new positions in four issuers: Goldman Sachs, NextEra Energy, UnitedHealth Group, and UC Medical Center (taxable municipal bonds). In addition, we purchased a 1% position in an investment-grade corporate bond ETF to quickly add credit exposure in March, before substantially reducing the position in favor of specific credit securities.

A notable recent credit purchase is Goldman Sachs, a global systemically important U.S.-based bank whose equity we have held in other Funds for several years. Since the Global Financial Crisis, Goldman Sachs has significantly increased its deposit funding, diversified its business, raised its capital levels, and remained profitable across market environments. We are also reassured by the issuer's strong management team and credit profile. Based on this view, we initiated a new position in Goldman Sachs bonds at attractive spread levels.

We believe the long-term total return prospects for a thoroughly researched and fundamentally strong portfolio of credit issuers are attractive. As a byproduct of our bottom-up underwriting and our expertise in less-understood areas of the fixed income 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 fewer issuers (71 versus over 1,000) culled from a diverse set of industries (15), a higher yield premium (274 basis points versus 143 basis points) and a shorter duration (6.0 years versus 7.4 years) compared to the broad investment-grade Credit Index.[9]

Before we invest in any new issuer, our global industry analysts and fixed income credit analysts collaborate in thoroughly evaluating the issuer's financials across a variety of scenarios. We pay particular attention to downside scenarios, examining each issuer's ability to weather a prolonged downturn. The factors we review include balance sheet strength; access to capital markets and other liquidity options (e.g., monetizing non-critical assets) relative to upcoming obligations; and the ability/willingness to cut discretionary spending (including capital expenditures) and reduce dividends. Stress testing current and prospective portfolio companies gives us confidence in their repayment ability even in tough times, giving us confidence to move opportunistically in the face of attractive valuations despite the possibility of a recession.

The Securitized Sector: Taking Advantage of Market Shift

The Fund's holdings in the Securitized sector consist predominantly of Agency MBS (39%), with a smaller weighting (5%) in primarily AAA-rated asset-backed securities (ABS). As a group, these securities can provide attractive total-return cash flows in the front to intermediate part of the yield curve. They can also play an important role in the overall portfolio because of their dependable liquidity and high credit quality.

Over the past several years, we have focused primarily on selecting securities with prepayment protection because of the high level of refinancing risk and disadvantageous prepayments. With the large increase in rates this year, however, most borrowers no longer have any incentive to refinance because the interest rate on their legacy mortgage is below the current market mortgage rate. As a result, nearly all MBS in the market are now priced below par. This is a paradigm shift in the market: securities with faster prepayments (made at par) are now desirable. Still, our bottom-up research process and valuation discipline underpin our efforts to add attractively priced, appropriate securities to the portfolio.

We adjusted the portfolio's overall Agency MBS weighting in response to changes in both valuations and fundamentals. We found attractive opportunities in two areas of the market. First, we added to Ginnie Mae-guaranteed Home Equity Conversion Mortgages, as the robust U.S. housing market has led to new supply for home equity loans (and securitizations of them). These are out-of-benchmark, floating-rate securities with a compelling valuation relative to short-duration alternatives. Second, we added to hybrid ARMs (adjustable-rate mortgages), which are also out-of-benchmark securities that traded at attractive spreads during the period. Meanwhile, we reduced the portfolio's TBA (to-be-announced) dollar roll position as the TBA "specialness" (or yield premium over current coupon MBS) has declined.

We did not make any significant changes to the portfolio's ABS, which are primarily floating rate securities 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. Consumer fundamentals remain favorable, though we expect credit metrics to deteriorate with higher rates and inflation, the end of student loan forbearance, and economic uncertainty. While student loan forgiveness proposals have received considerable public attention, the impact would be minimal for the Fund's holdings as most of the securities are currently priced at a discount but would be paid off at par in such a scenario, representing a potential gain.

In Closing

An especially challenging period for fixed income investors has created opportunities in the current market and leaves us optimistic about the prospects for the portfolio. The Bloomberg U.S. Agg's yield is significantly higher than it was six months ago, making prospective returns for fixed income—and the Income Fund—more attractive. Despite recent challenges, we believe the fixed income asset class continues to serve a vital portfolio role by providing investors with liquidity, current income, diversification, and, typically, low correlation to riskier asset classes over multi-year horizons.

Thank you for your continued confidence in Dodge & Cox. As always, we welcome your comments and questions.

For the Board of Trustees,

Dana M. Emery, Chair and CEO

July 29, 2022

1. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.
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. Corporate refers to the Bloomberg U.S. Corporate Index.
6. 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.
7. 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.
8. The use of specific examples does not imply that they are more or less attractive investments than the Fund's other holdings.
9. Credit Index refers to the Bloomberg U.S. Credit Index.

Dodge & Cox®
Investment Focus

Income Fund

CLASS I SHARES

TICKER
DODIX | 2022 June 30

Open to All Investors

Established in 1930, Dodge & Cox is one of the largest independently owned investment firms in the world. We manage money for individuals and institutions using a single value-oriented investment philosophy across a focused set of strategies.

Fund Inception:
January 3, 1989

Diversified Portfolio

Seeks a Durable and Competitive Yield[1]

Moderate Interest Rate Exposure[2]

Details

Expense Ratio	0.41%
Total Net Assets (billions)	60.6
CUSIP	256210105
Distribution Frequency	Quarterly
30-Day SEC Yield[4]	3.40%
Portfolio Turnover[5] (1/1/22 to 6/30/22, unannualized)	74%

No sales charges or distribution fees

Risk Metrics (5 Year)

Tracking Error[6]	2.07
Standard Deviation[7]	3.99
Sharpe Ratio[8]	0.17

Investment Committee

Managed by the U.S. Fixed Income Investment Committee, whose members' average tenure at Dodge & Cox is 23 years.

Investment Objective

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

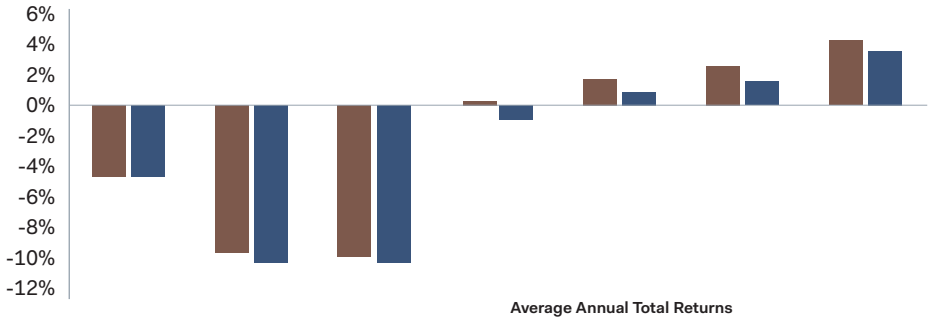
Investment Approach

The Fund offers investors a highly selective, diversified, and actively managed core fixed income fund comprised of carefully-researched investments with attractive long-term risk/return prospects. Generally, we:

- Build a diversified portfolio of primarily investment-grade debt securities, including government and government-related obligations, mortgage- and asset-backed securities, corporate and municipal bonds, and other debt securities.
- Opportunistically pursue areas the benchmark may not cover, such as below investment-grade debt, debt of non-U.S. issuers, and other structured products.
- Select individual securities based on fundamental research and consider a variety of factors, including yield, credit quality, liquidity, covenants, call risk, duration, structure, and capital appreciation potential, as well as financially material environmental, social, and governance (ESG) issues.

Performance[3]

Total Returns (%)



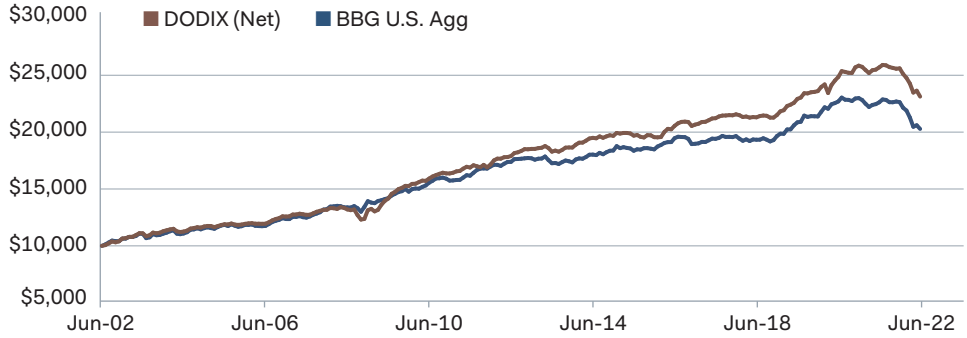
Benchmark: Bloomberg U.S. Aggregate Bond Index (BBG U.S. Agg)

			Average Annual Total Returns				
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	20 Years
DODIX (Net)	-4.70	-9.65	-9.95	0.29	1.72	2.58	4.24
BBG U.S. Agg	-4.69	-10.35	-10.29	-0.93	0.88	1.54	3.57

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. Visit the Fund's website at dodgeandcox.com or call 800-621-3979 for current month-end performance figures.

Hypothetical Growth of $10,000[3]

For an investment made on June 30, 2002



Dana Emery
President and CEO
(39 yrs at Dodge & Cox)

Tom Dugan
Director of Fixed Income (28 yrs)

Jim Dignan
Fixed Income Analyst (23 yrs)

Lucy Johns
Assoc. Director of Fixed Income (20 yrs)

Adam Rubinson
Fixed Income Analyst (20 yrs)

Tony Brekke
Fixed Income Analyst (19 yrs)

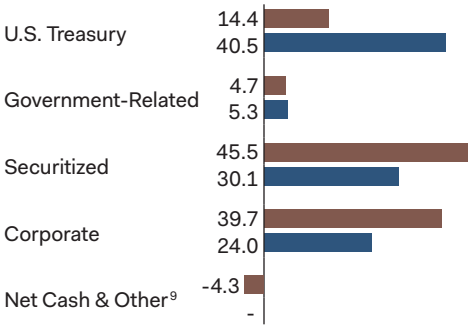
Nils Reuter
Trader, Fixed Income Analyst (19 yrs)

Mike Kiedel
Fixed Income Analyst (14 yrs)

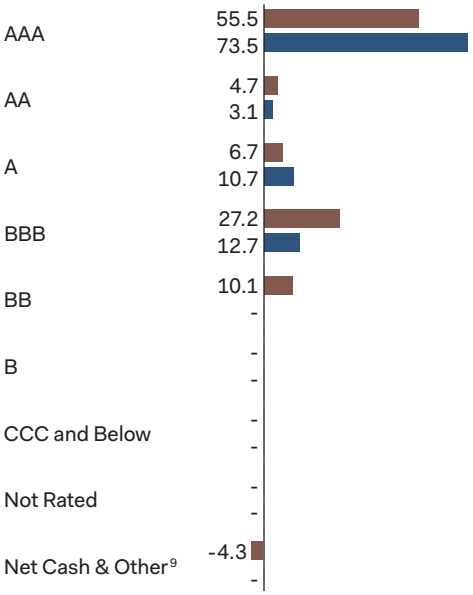
Portfolio Breakdown (% of Fund)

Fund | BBG U.S. Agg

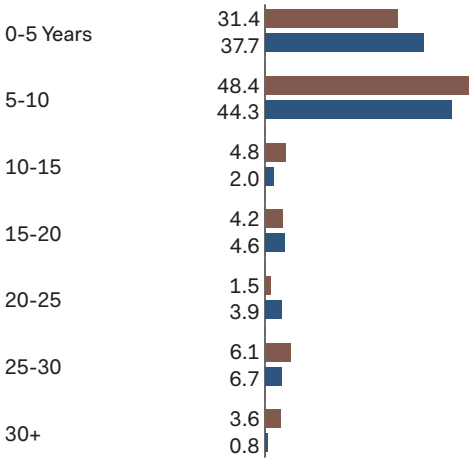
Sectors



Credit Quality[10]



Years to Maturity



Ten Largest Credit Issuers (% of Fund)[11]

	Fund
Charter Communications, Inc.	2.5
HSBC Holdings PLC	2.0
Petroleos Mexicanos	2.0
Ford Motor Credit Co. LLC	1.8
Prosus NV	1.7
JPMorgan Chase & Co.	1.6
TC Energy Corp.	1.5
BNP Paribas SA	1.5
NatWest Group PLC	1.4
Bank of America Corp.	1.4

Portfolio Characteristics

	Fund	BBG U.S. Agg
Effective Duration (years)[12]	5.2	6.4
Effective Maturity (years)	9.8	8.6
Number of Credit Issuers	70	979

Risks

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, mortgage- and asset-backed securities risk, to-be-announced transaction risk, non-U.S. investment risk, liquidity risk, derivatives risk, call risk, sovereign and government-related debt risk, manager risk, market risk, and hybrid securities risk. Please read the prospectus for specific details regarding the Fund's risk profile.

1 Based on yield to maturity, which is the total rate of return anticipated for a bond if it is held to maturity, assuming all interest payments are made on schedule and the original principal amount is repaid.
2 Based on effective duration, which is a measure of a portfolio's price sensitivity to interest rate changes, being within the range of three to seven years.
3 All returns are stated in U.S. dollars, unless otherwise noted. The Funds' 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 dividend and/or interest income but, unlike Fund returns, do not reflect fees or expenses.
4 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.
5 Portfolio Turnover is calculated as the lesser of the portfolio purchases or sales divided by the average portfolio value for the period.
6 Tracking Error is a measure of risk. It is defined as the Standard Deviation of the portfolio's excess return vs. the benchmark expressed in percent.
7 Standard Deviation measures the volatility of the funds returns. Higher Standard Deviation represents higher volatility.
8 Sharpe Ratio is a risk-adjusted measure that calculates excess performance with respect to the risk-free rate per unit of volatility over the time frame.
9 Net Cash & Other includes cash, short-term investments, unrealized gain (loss) on derivatives, receivables, and payables.
10 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. Calculating below investment grade securities on this basis may result in lower allocation figures. For consistency purposes, we use the S&P and Fitch rating categories. The credit quality of the investments in the portfolio does not apply to the stability or safety of the Fund or its shares.
11 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.
12 Effective duration is a measure of a portfolio's price sensitivity to interest rate changes.

Figures represented by a dash are zero or have no associated data while figures represented by a zero may be rounded to zero.
Market values for debt securities include accrued interest.
The Bloomberg U.S. Aggregate Bond Index (BBG U.S. Agg) is a widely recognized, unmanaged index of U.S. dollar-denominated investment-grade fixed income securities.
Bloomberg is a registered trademark of Bloomberg Finance L.P. and its affiliates. For more information about this Index, visit dodgeandcox.com.

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.

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