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Dodge & Cox®
Worldwide Funds

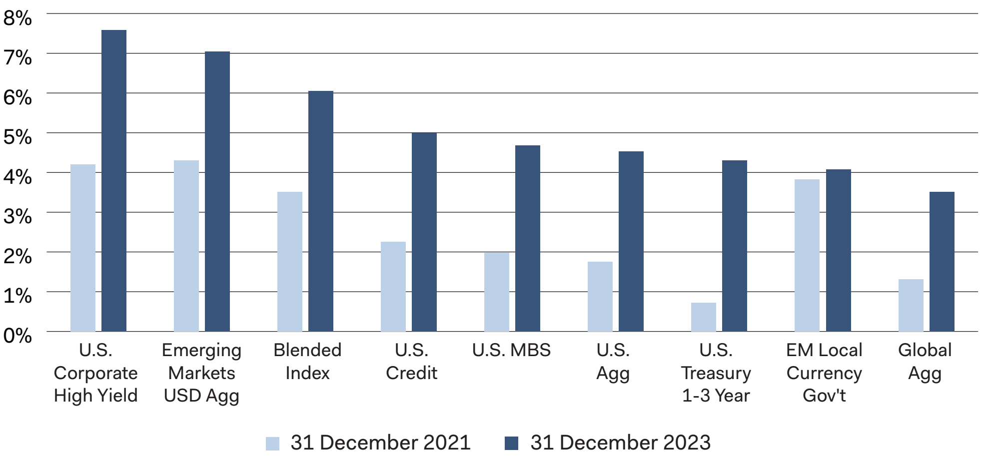
Investment Perspectives

Flexing With Flexible Fixed Income: Dodge & Cox Worldwide Funds–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 Worldwide Funds—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.

Contributors

Lucy Johns, CFA
Director of Fixed Income and Investment Committee Member

Matt Schefer, CFA
Investment Committee Member and Fixed Income Analyst

Katie Fast, CFA
Fixed Income General Manager and Director of Fixed Income Client Service

Alka Singal, CFA
Client Portfolio Manager

INVESTMENT WEEK
FUND MANAGER OF THE YEAR AWARDS 2023
WINNER
Global Bond

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 U.S. Treasury	U.S. Corp HY	**Global Bond Fund**	U.S. Corp HY	1-3Y U.S. Treasury	U.S. Corp HY
#2	EM USD	Blended Index	Blended Index	U.S. MBS	U.S. Credit	U.S. Credit	Blended Index	EM Local Currency	**Global Bond Fund**
#3	1-3Y U.S. Treasury	EM USD	**Global Bond Fund**	U.S. Agg	Blended Index	Global Agg Unhedged	1-3Y U.S. Treasury	**Global Bond Fund**	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 U.S. Treasury	1-3Y U.S. Treasury	EM Local Currency	1-3Y U.S. Treasury	1-3Y U.S. Treasury	Global Agg Unhedged	Global Agg Unhedged	1-3Y U.S. Treasury

Source: Bloomberg Index Services, Dodge & Cox. 2023 performance is as of 31 December 2023. The Global Bond Fund returns shown are for the USD Accumulating Class. 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 utilises 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

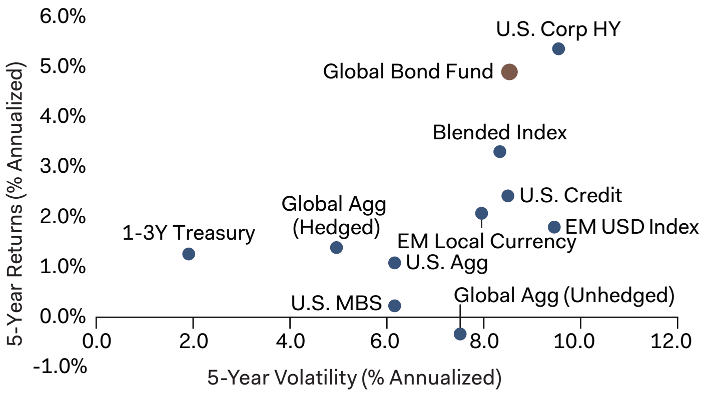
While a "global" label can conjure the impression of a portfolio composed of lower-yielding developed-market sovereign debt, our Fund is anything but a sovereign bond fund. Rather, it is a diversified, total return-focused strategy within which the investment team seeks to identify attractive investments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

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



Source: Bloomberg Index Services, Dodge & Cox. The Global Bond Fund returns shown are for the USD Accumulating Class. Standardised performance for the Fund and indices are listed on the next page. Data as of 31 December 2023.

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 favourably to a wide range of risk-seeking fixed income indices and categories.

Contact Us

Please contact us to learn more about how the Global Bond Fund can effectively flex as part of your and/or your clients' fixed income allocations.

Returns represent past performance and do not guarantee future results. Investment return, costs, and share price will fluctuate with market conditions and may be affected by currency fluctuations. 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. Visit the Fund's website at dodgeandcox.com for current month-end performance figures.

		Average Annual Total Returns as of 31 December 2023				
	Yield to Worst	1 Year	3 Years	5 Years	Since Inception	Inception Date
Global Bond Fund						
USD Accumulating Class	5.6%	12.17%	0.60%	4.93%	3.12%	01/05/14
GBP Distributing Class	5.6%	6.37%	2.98%	4.94%	6.16%	01/05/14
GBP Distributing Class (H)	5.6%	11.26%	-0.07%	3.85%	2.21%	01/05/14
EUR Accumulating Class	5.6%	8.68%	4.06%	5.71%	5.58%	01/05/14
EUR Accumulating Class (H)	5.6%	9.58%	-1.21%	2.80%	1.29%	01/05/14
EUR Distributing Class	5.6%	8.80%	4.07%	5.74%	5.59%	01/05/14
EUR Distributing Class (H)	5.6%	9.77%	-1.20%	2.81%	1.30%	01/05/14
CHF Distributing Class (H)	5.6%	7.39%			-2.33%	01/07/21
Global Aggregate (Hedged USD)	3.5%	7.15%	-2.11%	1.40%	2.21%	01/05/14
Global Aggregate (Unhedged)	3.5%	5.72%	-5.51%	-0.32%	0.03%	01/05/14
U.S. Corporate High Yield	7.6%	13.45%	1.98%	5.37%	4.37%	01/05/14
Emerging Markets USD Aggregate	7.0%	9.09%	-3.13%	1.84%	2.72%	01/05/14
Blended Index	6.1%	9.87%	-1.12%	3.31%	2.92%	01/05/14
U.S Credit	5.0%	8.18%	-3.21%	2.45%	2.50%	01/05/14
U.S. MBS	4.7%	5.05%	-2.86%	0.25%	1.17%	01/05/14
U.S. Aggregate	4.5%	5.53%	-3.31%	1.10%	1.59%	01/05/14
U.S. Treasury 1-3 Year	4.3%	4.29%	-0.10%	1.28%	1.05%	01/05/14
Emerging Markets Local Currency Government	4.1%	6.91%	-1.24%	2.12%	1.03%	01/05/14

Yield to worst is as of 31 December 2023.

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Investment Week's methodology for determining the winners of the Fund Manager of the Year award is as follows. Funds must meet the following criteria to be considered: UK authorised and FCA-recognised with distributor status; £50m in size or above at 31 January 2023; have a three-year track record at 31 January 2023 with the same managers/team; and must be aimed at retail/wholesale investors. Funds aimed only at institutional or charities investors are not included. Scoring methodology: A weighted score is given to each fund's percentile ranking within qualifying Investment Association sectors over each of the three discrete years to 31 January 2023. These sectors are mapped to the Fund Manager of the Year categories. There is a 20% weighting to the percentile ranking during the 12 months to 31 January 2021, 30% to 31 January 2022, and 40% to the period to 31 January 2023. In addition, a 10% weighting is given to the fund's Sortino ratio to give an indication of relative risk. This creates a combined score and the top scoring funds are then included in the shortlists for the awards. The shortlist for the Group of the Year category is based on the number of shortlisted funds in the category lists. Qualitative judging process: Managers of the shortlisted funds are then invited to respond to an online questionnaire, which asks further in-depth questions about the portfolio and contributing factors to performance over the period to help the judges in their deliberations. Investment Week's panel of highly experienced fund selectors drawn from across the industry then judges each category in their area of expertise during the judging sessions.

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 securitised 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. 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 annualised standard deviation of monthly returns. Standard deviation measures the volatility of the Fund's returns. Higher Standard Deviation represents higher volatility.