Dodge & Cox®
Worldwide Funds

Global Bond Fund

Market Commentary

Surging global interest rates led to significantly negative fixed income returns in the first half of the year. Inflation accelerated and broadened, as Russia's invasion of Ukraine placed further upward pressure on energy and food prices, and COVID-related lockdowns in China contributed to supply chain challenges. To combat inflation, central banks tightened monetary policies despite rising risks of an economic slowdown. The increase in economic and geopolitical uncertainty contributed to widespread risk-off investor behaviour, which resulted in generally weaker returns from credit securities and non-U.S. currencies.

In the United States, Federal Reserve (Fed) officials turned increasingly hawkish as inflation climbed to 40-year highs (9.1% year-over-year Consumer Price Index through June). Reflecting an unwavering commitment to lowering inflation, the Fed delivered 150 basis points[1] of policy rate hikes between the beginning of March and June; the most recent increase of 75 basis points was the largest since 1994. It also began reducing the size of its balance sheet on 1 June.

In the first half of the year, two-year and ten-year U.S. Treasury yields rose by approximately 220 and 150 basis points, respectively, and the yield curve inverted on several occasions. Although the labour market generally remained strong, consumer sentiment declined sharply and consumption slowed as inflation rose. Tightening financial conditions also weighed on growth expectations, including for the housing market, while concerns about a recession in the next year or two mounted.

Outside the United States, the European Central Bank signalled its intent to start raising rates in July in what would be its first hike in 11 years, and a number of other developed market central banks also mirrored the Fed's more aggressive hiking cycle. Similarly, many emerging market central banks continued to tighten monetary conditions in response to indications of persisting inflation. The Hungarian National Bank was one of the most aggressive central banks, lifting its policy rate from 2.40% to 7.75% over the past six months as year-over-year inflation surpassed 11% in June. By contrast, the Bank of Japan held rates steady near zero. Despite facing upward price pressures this year, headline inflation in Japan had only risen moderately above target and the Bank of Japan was hesitant to raise rates given structural challenges with respect to persistently low core inflation.

The broad trade weighted U.S. dollar strengthened by nearly 5% in the first six months of the year, appreciating against nearly all major currencies and reaching its strongest inflation-adjusted level since the early 2000s. This reflected rising interest rates in the United States, safe haven flows, and worsening terms of trade for many countries. The Japanese yen, British pound, and euro declined by 15%, 10%, and 8%, respectively versus the U.S. dollar. Among emerging markets, currencies of Eastern European countries and those facing more heightened inflation pressures were notable underperformers (e.g. Turkish lira: -20%, Hungarian forint: -14%). On the other hand, a number of Latin American currencies appreciated. Rising commodity prices and minimal geographic or trade linkages to the conflict region supported the Brazilian real (+6%), Peruvian sol (+5%), and Mexican peso (+2%).

Credit risk premiums surged following Russia's invasion of Ukraine in February. They ended the first half of 2022 wider than their five and ten year averages on concerns of tightening financial conditions, inflation-induced pressures on profit margins, and growing recession risks. Financial institutions underperformed, while energy and less-cyclical sectors generally outperformed.

Portfolio Commentary

2022 has been an undeniably challenging period for global fixed income investors due to headwinds from rising rates, a stronger U.S. dollar, and rising credit risk premiums. The silver lining is that the income now available in the market has increased significantly—the yield on the Bloomberg Global Aggregate Bond Index has more than doubled year to date. As our investment team looks across global credit, interest rate, and currency markets, we are finding many compelling long-term investment opportunities. Credit valuations are attractive, real interest rates in select emerging markets are high, and many currencies appear notably undervalued relative to the U.S. dollar.

While the investment outlook is far from certain, the Fund is guided by an experienced Investment Committee that has successfully navigated previous challenging environments and whose deliberations are underpinned by an active and rigorous, fundamentals-based investment approach. Across all market environments, we assess a broad range of future economic and market outcomes, pay close attention to valuation, focus on a multi-year investment horizon, and emphasise diversification across several dimensions (e.g., sector, geography, investment theme). For example, in response to elevated credit valuations and the low level of U.S. interest rates in 2021, we made portfolio adjustments to reduce credit and U.S. interest rate risks.

During the first half of the year, we increased the Fund's credit allocation[2] from 47% to 60%. We also moderately increased the Fund's duration[3] from 3.9 to 4.4 years, and made several adjustments to the Fund's approximately 24% exposure to non-U.S. currencies.

Rates: Up, Up, and Away

Over the next few years, we expect U.S. economic growth to slow and inflation to gradually fall to 2.0% to 3.0% as some of the current supply-side dislocations improve and core inflation eventually responds to weaker aggregate demand. We believe the Fed will maintain a hawkish stance until there are clear signs of progress on inflation, and we expect long-term interest rates to rise moderately over our investment horizon. As yields have risen to more attractive levels, we incrementally increased the Fund's exposure to U.S. interest rates.

Among emerging markets, interest rate increases were most notable in countries geographically closer to the conflict in Ukraine, as well as in countries, like Brazil, experiencing domestic political risks. In Brazil, 10-year yields rose by approximately 230 basis points, one of the largest sell-offs this year across major economies, to over 13% at the end of June 2022. We increased the Fund's exposure to Brazil by purchasing longer-dated government bonds.[4] At these levels, we felt that the expected returns provided sufficient compensation for the given risks. We believe Brazil is relatively well-insulated from the geopolitical turmoil in Ukraine. Additionally, the central bank has hiked aggressively in the face of rising inflation, some macroeconomic fundamentals improved (e.g., debt ratios declined and higher commodity prices strengthened external balances), and upcoming presidential election risks appear to be mostly priced in.

In contrast, we reduced the Fund's exposure to Indian and Indonesian government bonds because we believed the risk-reward relationship had declined somewhat. In India, higher oil prices and rising import costs meant upward pressure on inflation and a sharp deterioration in the trade balance, while in Indonesia, we concluded that the central bank's slow approach to policy normalisation amid rising inflation risks warranted more caution.

Credit: Shaking It Up

The expansion of credit risk premiums this year has led to more attractive valuations and increased our enthusiasm for the Credit sector. While some of the sell-off in this arena was clearly warranted by economic and geopolitical challenges, many companies remain fundamentally strong. Broad market sell-offs are often great times to lean into individual securities that have attractive fundamentals. During the first half of the year, we started positions in five new issuers and added to more than a dozen existing holdings. In aggregate, we increased the Fund's allocation to Credit from 47% to 60%.

We found the Banking sector to be particularly attractive and added to (or started) positions in Bank of America, BNP Paribas, Capital One Financial, Goldman Sachs, JP Morgan, NatWest Group, and UniCredit. While we believe the likelihood of a recession is rising, we also believe these large, systemically important banks have strong capital ratios and liquidity positions. They also benefit from sound regulatory regimes, and may experience margin expansion from rising interest rates.

We have also added to long-dated, subordinated securities ("hybrids") of large non-financial companies. Through our detail-oriented, bottom-up investment process, we identified a select group of issuers where we believed credit spreads more than compensated us for default and other risks. During the first half of the year, we added to hybrid securities from Bayer, British American Tobacco, Enel, TC Energy, and Vodafone, bringing the Fund's total non-financial hybrid weight to 13% of the Fund across eight issuers.

Currency: The Dollar Retains Its Strength

The U.S. dollar's continued ascent this year increases our conviction that it is overvalued and will likely decline over our investment horizon. Previously, we believed select emerging market currencies were undervalued compared to the U.S. dollar. Recently, developed market currencies have become more interesting from a valuation perspective, and we increased the Fund's allocation to these currencies from 2% to 5% of the Fund. At current valuation levels, the euro appears to be pricing in much of the existing geopolitical, macroeconomic, and monetary risks. We initiated and subsequently added to our euro exposure as it weakened during the first half of the year. Similarly, we gradually added to the Fund's yen position throughout the year. The yen is trading at multi-decade lows and has a low correlation with other holdings in the portfolio. Moreover, the Bank of Japan is facing increased pressure to alter its exceedingly accommodative monetary policy stance.

During this volatile period, we also made a number of adjustments to our emerging market exposures, with a particular focus on Asia. We added to Malaysian government bonds and initiated a position in Korean government bonds as both countries' currencies depreciated. We believe the Malaysian ringgit is deeply undervalued and will benefit from higher commodity prices and a rebound in growth as the pandemic fades. The Korean won has also become increasingly undervalued, but we believe Korea's fundamentals remain strong. We continue to maintain a sizable exposure to several Latin American currencies, where we believe the outlooks are supported by currency undervaluation, attractive interest rates, credible central banks and generally favourable terms of trade, despite domestic political risks.

Conclusion

The recent market downturn created challenges for us and other fixed income investors. As we look ahead, however, we see exciting opportunities across credit, currencies, and interest rates. Guided by our focus on fundamental research, valuation discipline, and a long-term investment horizon, we have adjusted the Fund's positioning as we seek to benefit from these compelling opportunities. Thank you for your continued confidence in Dodge & Cox.

On behalf of the Board of Directors of Dodge & Cox,

Dana M. Emery

Dana M. Emery,
Chair and Chief Executive Officer, Dodge & Cox

29 July 2022

1. One basis point is equal to 1/100th of 1%.
2. 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.
3. Duration is a measure of a bond's (or a bond portfolio's) price sensitivity to changes in interest rates.
4. The use of specific examples does not imply that they are more or less attractive investments than the Fund's other holdings.

Dodge & Cox® Worldwide Funds

Global Bond Fund

Fact Sheet

30 June 2022

Objective

- The Fund seeks a high rate of total return consistent with long-term preservation of capital.

Strategy

- The Fund invests in a diversified portfolio of bonds and other debt instruments of issuers from at least three different countries, including emerging market countries. The Fund will invest in both U.S. dollar-denominated and non-U.S.-currency-denominated debt instruments, including, but not limited to, government and government-related obligations, mortgage- and asset backed securities, corporate and municipal bonds, repurchase agreements, and other debt securities.
- The proportions of the Fund's assets held in the various debt instruments will be revised in light of Dodge & Cox's appraisal of the global economy, the relative yields of securities in the various market sectors and countries, the potential for a currency's appreciation, the investment prospects for issuers, the countries' domestic and political conditions, and other factors. In selecting securities, Dodge & Cox considers many factors, including, without limitation, yield-to-maturity, covenants, credit quality, liquidity, call risk, and capital appreciation potential.
- The Fund may enter into various currency, interest rate, and credit-related derivatives, including forwards, futures, and swaps.

Risks

- The yields and market values of the instruments in which the Fund invests may fluctuate. Accordingly, 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. Investments in certain countries, particularly underdeveloped or developing countries, may be subject to heightened political and economic risks. The Fund's use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other more traditional investments. Please read the prospectus for specific details regarding the Fund's risk profile.

General Information

Total Net Assets	$404.0 million
Fund Inception Date	1 May 2014
Portfolio Turnover (1/7/21 to 30/6/22)[a]	167%
Number of Credit Issuers	55
Minimum Investment	$50,000, £50,000,€50,000, or CHF50,000
Base Currency	U.S. Dollar
Structure	UCITS
Domicile	Ireland

Asset Allocation

	Fund
Debt Securities	102.0%
Net Cash & Other[j]	–2.0%

Share Classes

Share Classes	Net Asset Value Per Share	Expense Ratio[b]	Distribution Yield[c]	SEDOL	ISIN	Bloomberg
USD Accumulating Class	$11.63	0.45%	—	B5568D6	IE00B5568D66	DCGBDUA
GBP Distributing Class	£12.03	0.45%	4.2%	B556C01	IE00B556C015	DCGBDGI
GBP Distributing Class (H)	£7.97	0.45%	4.2%	BLG2YK4	IE00BLG2YK48	DCGBGIH
EUR Accumulating Class	€15.39	0.45%	—	B51Q8R4	IE00B51Q8R41	DCGBDEA
EUR Accumulating Class (H)	€10.17	0.45%	—	BLG30W1	IE00BLG30W12	DCGBEAH
EUR Distributing Class	€11.41	0.45%	4.2%	BLG2YF9	IE00BLG2YF94	DCGBDEI
EUR Distributing Class (H)	€7.48	0.45%	4.2%	BLG2YG0	IE00BLG2YG02	DCGBEIH
CHF Distributing Class (H)	CHF8.37	0.45%	4.2%	BN6JJ48	IE00BN6JJ480	DOPGBHC

Portfolio Characteristics

	Fund	BBG Global Agg
Effective Duration (years)[d]	**4.4**	7.0
Emerging Markets[e]	**27.1%**	14.3%
Non-USD Currency Exposure[f]	**23.8%**	54.6%

Five Largest Credit Issuers (%)[g]

	Fund
British American Tobacco PLC	**2.4**
TC Energy Corp.	**2.4**
Charter communications, Inc.	**2.3**
Enel SPA	**2.2**
T-Mobile U.S., Inc.	**2.2**

Credit Quality (%)[h][i]

	Fund	BBG Global Agg
AAA	**14.6**	40.1
AA	**4.7**	13.9
A	**8.8**	31.5
BBB	**42.2**	14.6
BB	**30.7**	0.0
B	**0.5**	0.0
CCC and below	**0.0**	0.0
Not Rated	**0.6**	0.0
Net Cash & Other[j]	**–2.0**	0.0

Sector Diversification (%)[i]

	Fund	BBG Global Agg
Government	**27.4**	52.6
Government-Related	**4.9**	15.0
Securitized	**15.0**	14.4
Corporate	**54.7**	18.0
Net Cash & Other[j]	**–2.0**	0.0

Region Diversification (%)[e][i]

	Fund	BBG Global Agg
United States	**46.4**	40.0
Latin America	**17.8**	1.0
Europe (excluding United Kingdom)	**15.6**	21.4
United Kingdom	**9.5**	4.6
Asia Pacific (excluding Japan)	**5.8**	14.1
Japan	**2.6**	12.4
Canada	**2.4**	3.6
Africa	**1.4**	0.0[k]
Supranational	**0.5**	2.2
Middle East	**0.0**	0.7

Market values for debt securities include accrued interest.

(a) Portfolio turnover is calculated as the lesser of portfolio purchases or sales divided by the average portfolio value.

(b) Dodge & Cox has voluntarily agreed to reimburse the Fund for all ordinary expenses to the extent necessary to limit aggregate annual ordinary expenses to 0.45% of the average daily net assets of each share class. Dodge & Cox may terminate or modify this agreement upon 30 days' notice to shareholders.

(c) Distribution yield reflects the amounts that may be expected to be distributed over the next twelve months as a percentage of the current share price. The distribution yield is the same as the underlying yield. Investors may be subject to tax on their distributions.

(d) Interest rate derivatives reduce total Fund duration by 0.9 years (i.e., total Fund duration is 5.3 years without derivatives).

(e) The Fund may classify an issuer in a different category than the Bloomberg Global Aggregate Bond Index. The Fund generally classifies a corporate issuer based on the country of incorporation of the parent company, but may designate a different country in certain circumstances.

(f) Non-USD currency exposure for the Fund reflects the value of the portfolio's non-U.S. dollar denominated investments, as well as the impact of currency derivatives.

(g) 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.

(h) 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 comply with the quality requirements stated in its prospectus. On that basis, the Fund held 20.5% 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.

(i) Region, sector, and quality weights exclude the effect of the Fund's derivative contracts.

(j) Net Cash & Other includes cash, short-term investments, unrealised 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.

(k) Rounds to 0.0%.

Average Annual Total Return[1]

For periods ended 30 June 2022	3 months[a]	1 Year	3 Years	5 Years	Since Inception[b]
Global Bond Fund					
USD Accumulating Class	−6.59%	−12.09%	0.49%	1.97%	1.87%
GBP Distributing Class	0.88	−0.09	1.93	3.35	6.03
GBP Distributing Class (H)	−6.62	−12.29	−0.37	0.76	1.01
EUR Accumulating Class	−1.35	−0.52	3.28	3.74	5.42
EUR Accumulating Class (H)	−6.95	−13.08	−1.12	−0.10	0.21
EUR Distributing Class	−1.35	−0.49	3.27	3.73	5.43
EUR Distributing Class (H)	−7.07	−13.10	−1.15	−0.12	0.20
CHF Distributing Class (H)	−6.99	−13.32	N/A	N/A	−13.32
Bloomberg Global Agg Index (USD Hedged, in USD)	−4.30	−8.94	−1.13	1.16	2.06

(a) Returns for less than one year are not annualised.
(b) The inception date for all classes except CHF Distributing Class (H) is 1 May 2014. CHF Distributing Class (H) inception date is 1 July 2021. Index returns are measured from 1 May 2014. The Fund is actively managed and uses the Bloomberg Global Aggregate Bond Index benchmark for performance comparison purposes only.

Returns represent past performance and do not guarantee future results. Investment return 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 dodgeandcoxworldwide.com for current month-end performance figures.

1 The Fund's total returns include dividends and interest income and reflect the deduction of expenses charged to the Fund. Index returns include interest income but, unlike Fund returns, do not reflect fees or expenses. The Bloomberg Global Aggregate Bond Index is a widely recognised, unmanaged index of multi-currency, investment-grade debt securities. All returns are stated in U.S. dollars, unless otherwise noted.

Bloomberg is a registered trademark of Bloomberg Finance L.P. and its affiliates. For more information about these indices, visit dodgeandcox.com.

This information should not be considered a solicitation or an offer to purchase shares of Dodge & Cox Worldwide Funds plc or a solicitation or an offer by Dodge & Cox Worldwide Investments Ltd. and its affiliates to provide any services in any jurisdiction. A summary of investor rights is available in English at dodgeandcoxworldwide.com.

This is an advertising document. First Independent Fund Services AG, Klausstrasse 33, CH-8008 Zurich, is the representative in Switzerland and NPB Neue Privat Bank AG, Limmatquai 122, CH-8024 Zurich, is the paying agent in Switzerland. The sales prospectus, key investor information, copies of the articles of association and the annual and semi-annual reports of the fund can be obtained free of charge from the representative in Switzerland.

Dodge & Cox Worldwide Funds plc are currently registered for distribution in Austria, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, South Africa, Spain, Sweden, Switzerland, and the United Kingdom. The Funds may terminate the arrangements made for the marketing of any fund or share class in an EU Member State at any time by using the process contained in Article 93a of the UCITS Directive.