Dodge & Cox®
Investment Focus

# Income Fund

March 31, 2024

## Performance[1]

Total Returns (%)

| | | | Average Annual Total Returns | | | | |
|---|---|---|---|---|---|---|---|
| | 3 Months | YTD | 1 Year | 3 Years | 5 Years | 10 Years | 20 Years |
| Income Fund — Class I | -0.32 | -0.32 | 4.09 | -0.92 | 1.89 | 2.52 | 3.82 |
| Income Fund — Class X | -0.31 | -0.31 | 4.16 | -0.86 | 1.93 | 2.54 | 3.83 |
| Bloomberg U.S. Aggregate Bond Index (BBG U.S. Agg) | -0.78 | -0.78 | 1.70 | -2.46 | 0.36 | 1.54 | 2.99 |

*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 currently may be significantly lower than stated above. Performance is updated and published monthly. Current month-end performance can be obtained at dodgeandcox.com or by calling 800-621-3979.*

## Market Commentary

Longer-term U.S. Treasury yields rose in the first quarter of 2024 as investors reduced expectations for interest rate cuts amid continued economic strength and higher-than-expected inflation. The U.S. economy has remained impressively resilient, growing 3.4% (annualized) in the fourth quarter of 2023. The labor market added an average of 276,000 jobs per month in the first quarter of 2024 (versus 251,000 on average in 2023) and unemployment remains low at 3.8%. Inflation rose 3.2% on an annual basis through February, continuing its downward trend but remaining somewhat stickier than expected.

Given recent growth and inflation data, the market now expects three federal funds rate cuts this year versus six forecasted as of January. Federal Reserve Chair Jerome Powell was relatively dovish in his March 20 press conference, downplaying recent strong inflation data by saying it has not fundamentally changed the disinflation outlook. Other Fed officials, however, have conveyed a more patient outlook on lowering interest rates.

The investment-grade Corporate bond sector outperformed comparable-duration[2] Treasuries by 0.9 percentage points.[3] Positive risk sentiment, ongoing flows into the asset class, and demand for all-in yield continued to drive credit yield premiums tighter.

## Portfolio Strategy

The Bloomberg U.S. Credit Index's average yield premium is near the tightest level in years, which calls for greater caution in assuming credit risk.[4] Consequently, during the first quarter, we trimmed several credit holdings, including AT&T, Pemex, and Ford Motor Credit, and we invested the proceeds primarily in Treasuries.[5] Over the last 15 months, we have reduced the Fund's Credit[6] weighting by 11 percentage points. Nevertheless, the Fund remains overweight Credit because we believe the portfolio's individually selected credit securities are fundamentally sound and offer attractive return potential over our investment horizon.

We maintained the Fund's diversified portfolio of Agency[7] mortgage-backed securities (MBS), featuring low-coupon, 30-year pass-through securities with low prepayment risk and compelling valuations. We also maintained the Fund's duration at 6.0 years (versus 6.2 years for the Bloomberg U.S. Agg).[8] Our view remains that interest rates are likely to fall over the coming years, as inflation further subsides.

With bond market yields near their highest level in 15 years, we are optimistic about the long-term absolute return prospects for fixed income and are excited about our ability to add value as an active manager in this environment. Thank you for your continued confidence in Dodge & Cox.

## Performance Review (Fund's Class I Shares vs. Bloomberg U.S. Agg)

### First Quarter

Key contributors to relative results included the Fund's:

- Credit issuer selection, most notably Pemex and TC Energy, as well as Prosus and British American Tobacco;
- Overweight position in Financials and underweight position in U.S. Treasuries; and
- Ginnie Mae-guaranteed Home Equity Conversion Mortgage holdings (also known as reverse mortgages), which performed well.

Key detractors from relative results included the Fund's:

- Overweight to Agency MBS and compositional selection within the sector; and
- Certain credit issuers that underperformed, notably Charter Communications.

### Top Ten Issuers

| Top Ten Issuers | % of Fund |
|---|---|
| Fannie Mae | 20.6% |
| Freddie Mac | 15.1% |
| U.S. Treasury Note/Bond | 14.9% |
| Ginnie Mae | 5.7% |
| Navient Student Loan Trust | 3.5% |
| Charter Communications, Inc. | 2.2% |
| Petroleos Mexicanos | 1.9% |
| HSBC Holdings PLC | 1.9% |
| Prosus NV | 1.6% |
| JPMorgan Chase & Co. | 1.5% |

### Fund Expense Ratios

| Fund Expense Ratios | Ticker | Net | Gross |
|---|---|---|---|
| Income Fund — Class I | DODIX | 0.41% | 0.41% |
| Income Fund — Class X | DOXIX | 0.33%* | 0.36% |

* Dodge & Cox has contractually agreed to reimburse the Fund for all ordinary expenses to the extent necessary to maintain Total Annual Fund Operating Expenses of the Fund's Class X shares at 0.33% until April 30, 2026. This agreement cannot be terminated prior to April 30, 2026 other than by resolution of the Fund's Board of Trustees. For purposes of the foregoing, ordinary expenses shall not include nonrecurring shareholder account fees, fees and expenses associated with Fund shareholder meetings, fees on portfolio transactions such as exchange fees, dividends and interest on short positions, fees and expenses of pooled investment vehicles that are held by the Fund, interest expenses and other fees and expenses related to any borrowings, taxes, brokerage fees and commissions and other costs and expenses relating to the acquisition and disposition of Fund investments, other expenditures which are capitalized in accordance with generally accepted accounting principles, and other non-routine expenses or extraordinary expenses not incurred in the ordinary course of the Fund's business, such as litigation expenses. The term of the agreement will automatically renew for subsequent three-year terms unless terminated with at least 30 days' written notice by either party prior to the end of the then-current term. The agreement does not permit Dodge & Cox to recoup any fees waived or payments made to the Fund for a prior year.



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. The Fund may use derivatives to create or hedge investment exposure, which may involve additional and/or greater risks than investing in securities, including more liquidity risk and the risk of a counterparty default. Some derivatives create leverage.

**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, or for current month-end performance figures, visit dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.**

Dodge & Cox Funds are distributed by Foreside Fund Services, LLC, which is not affiliated with Dodge & Cox.

1. 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. The Class X shares inception date is May 2, 2022. The returns shown prior to that date are for the Class I shares. The Bloomberg U.S. Aggregate Bond Index is a widely recognized, unmanaged index of U.S. dollar-denominated, investment-grade, taxable fixed income securities.
2. Duration is a measure of a bond's (or a bond portfolio's) price sensitivity to changes in interest rates.
3. Returns as calculated and reported by Bloomberg.
4. The Bloomberg U.S. Credit Index measures the investment grade, US 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 non-U.S. agencies, sovereigns, supranationals, and local authorities.
5. The use of specific examples does not imply that they are more or less attractive investments than the Fund's other holdings.
6. Credit 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.
7. 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.
8. Figures cited in this section denote positioning as of March 31, 2024.