

## TO OUR SHAREHOLDERS

The Dodge & Cox Global Bond Fund had a total return of 8.3% for the year ended December 31, 2017, compared to a return of 7.4% for the Bloomberg Barclays Global Aggregate Bond Index (Bloomberg Barclays Global Agg).

## MARKET COMMENTARY

Global markets delivered healthy returns in 2017 amid synchronized global growth and muted financial market volatility. Real GDP growth in the G7 countries beat expectations for the first time since 2010, and emerging market growth accelerated, driven by better-than-expected economic data from China and a rally in key commodity prices during the second half of the year.

Corporate bonds continued their long stretch of outperformance as yield premiums<sup>a</sup> fell to their lowest level since mid-2007. This strength was underpinned by robust corporate earnings and balance sheets, as well as optimism around the new U.S. tax bill signed into law in December, which significantly reduces statutory corporate tax rates.

Growth momentum in the United States was strong, although inflation remained subdued. In December, as widely anticipated, the Federal Reserve (Fed) hiked interest rates for the third time in 2017. Jerome Powell was confirmed to succeed Janet Yellen as Fed Chair, and is widely seen as maintaining continuity in Fed monetary policy. The flattening of the U.S. yield curve was notable, as 2-year yields rose by 70 basis points<sup>b</sup> but longer-term rates fell modestly, resulting in the flattest curve since 2007.

In the eurozone, the economic expansion was solid and broad-based, providing support for the euro, which rose 14% against the U.S. dollar. In October, the European Central Bank (ECB) announced it would extend its asset-purchase program through September 2018, but at a significantly reduced pace. Brexit risk lingered over the course of the year, but negotiators announced “sufficient progress” in December toward a provisional agreement between the European Union and the United Kingdom, alleviating near-term tail risks for the UK economy.

Emerging market currencies generally strengthened versus the U.S. dollar, with the Polish zloty and other central and eastern European currencies performing best. Interest rate movements in the emerging markets varied, reflecting divergences in growth and inflation dynamics, central bank actions, and political events. For example, ten-year interest rates rose in India on growth and fiscal concerns related to economic policies and higher oil prices, while they fell in Indonesia, supported by subdued price pressures, robust export growth, and sovereign ratings upgrades.

## INVESTMENT STRATEGY

2017 was a strong year for the Fund’s performance. The positive economic and financial market backdrop propelled returns of “risk assets,” including many of the Fund’s corporate and emerging market holdings. As in 2016, last year the Fund’s significant allocation to credit<sup>c</sup> and strong security selection were the dominant contributors to the Fund’s 8.3% return. Currency and interest rate positioning also contributed positively to returns, led by the Fund’s sizeable weighting in Mexican government bonds.

During the year, we made a number of incremental changes to individual holdings. In aggregate, we reduced the Fund’s credit exposure and increased high-quality, short-duration<sup>d</sup> holdings. We also added incrementally to our emerging market bond holdings. Below we review investment themes in the three key dimensions of the Fund—credit, currency, and rates.

### Credit: A Valuation-Driven Approach

Credit valuations are less compelling than they have been in recent years, but remain a relatively attractive sector of the bond market. The Fund’s 47%<sup>e</sup> weighting in credit boosted performance in an environment of declining credit yield premiums and continues to be an important driver of the Fund’s significant yield advantage relative to the Bloomberg Barclays Global Agg (3.9% versus 1.7%).

Our positive outlook for credit is supported by strong corporate profitability and liquidity, as well as manageable leverage levels, a well-capitalized global banking system, and stability in commodity prices. However, valuation discipline is an essential element of our investment philosophy. Consequently, we have capitalized on the strong market environment by selectively reducing the Fund’s credit exposure in each of the last seven quarters. The Fund’s credit weighting declined 10 percentage points in the last year and 20 percentage points over the last two years. During the year, several companies (e.g., Time Warner, Vulcan Materials) conducted tenders in which they offered to buy back their debt from bondholders at above-market prices. We participated in the tenders, taking advantage of an efficient and attractive way to reduce our credit exposure.

As we have scaled back credit exposure, we have increased the Fund’s holdings of a variety of short-dated, high-quality bonds. Our experienced fixed income research team identified several opportunities to pick up incremental yield versus short-term U.S.

a Yield premiums are one way to measure a security’s valuation. Narrowing yield premiums result in a higher valuation. Widening yield premiums result in a lower valuation.

b One basis point is equal to 1/100th of 1%.

c Credit securities refers to corporate bonds and government-related securities, as classified by Bloomberg.

d Duration is a measure of a bond’s (or a bond portfolio’s) price sensitivity to changes in interest rates.

e Unless otherwise specified, all weightings and characteristics are as of December 31, 2017.

Treasuries through investments in commercial paper, hedged Japanese Treasury Discount Bills, agency-guaranteed mortgage-backed securities, and asset-backed bonds.

The Fund's largest corporate sector concentration is the Communications sector (13% weighting). Concerns about acquisitions and technological changes have kept valuations at levels we deem attractive, and we believe the issuers held by the Fund have sufficient scale, diversity, and cash flows to succeed, even in the face of long-term secular challenges.

We continue to find value in euro-denominated emerging market credit securities, including bonds issued by the governments of Peru and Indonesia, as well as by Pemex,<sup>f</sup> Mexico's national oil company. These bonds trade at a discount to comparable U.S. dollar-denominated bonds (i.e., those with equivalent issuer, maturity, and seniority level). By virtue of its global mandate and active currency management, the Fund is able to take advantage of these opportunities and purchase whichever bonds are most attractively priced.

### Currency: Opportunities in Emerging Markets

The Fund remains largely invested in U.S. dollars (84% weighting), reflecting our view that U.S. economic prospects and policies continue to support the outlook for the U.S. dollar, especially with respect to other developed markets. However, we remain enthusiastic about the return prospects for emerging market government bonds and increased the Fund's exposure incrementally throughout 2017.

For example, we initiated a position in rupiah-dominated Indonesia government bonds given a reasonable currency valuation and attractive real yield levels, combined with an improving fundamental outlook. The Indonesian government, led by President Joko Widodo, has implemented a number of investor-friendly economic reforms in recent years, resulting in lower macroeconomic volatility and an upward trend in sovereign credit ratings. The outlook for growth and investment is positive, debt levels remain low, foreign reserves have risen, and inflation dynamics are stable.

We also established a small position in the Argentine peso via our purchase of bonds issued by the Province of Buenos Aires, the largest of Argentina's 23 provinces. These bonds offer high real yields that we believe adequately compensate for currency depreciation risks over our extended investment time horizon. President Mauricio Macri is leading Argentina through an ambitious institutional and macroeconomic reform agenda aimed at lowering inflation, reigniting growth, and attracting investment following nearly two decades of economic mismanagement under previous governments. We believe Argentina's improving credit profile will provide support for the currency and drive yield premiums lower.

The Mexican peso remains the Fund's largest non-U.S. dollar currency exposure (6% weighting) and was a large contributor to returns in 2017. We trimmed our exposure early in the year after a period of strong appreciation, but our view is that Mexican currency and rates valuations reflect excessive pessimism relative to our more sanguine view of the risk-return prospects.

### Duration: Remaining Defensive but Finding Pockets of Value

We continue to believe that the market is underpricing upside risks to inflation and interest rates in the United States and a number of other developed markets. Output gaps are closing in Europe and Japan, and U.S. growth is running above potential. In addition, important impending changes related to the new U.S. tax reform and the end of the ECB's asset purchases are likely to provide upward pressure on interest rates. To mitigate potential performance headwinds due to rising interest rates, the Fund maintains a relatively low overall duration (3.6 years).

In contrast to developed markets, several emerging markets offer high nominal and real rate levels, moderating inflation, and steep yield curves, providing attractive return opportunities. This underscores a key benefit of the global nature of the Fund: the ability to find pockets of value in various countries, as economic cycles and valuation levels differ across the globe. The Fund holds longer-term bonds in India, Indonesia, Mexico, and Peru.

### IN CLOSING

At Dodge & Cox, our intensive fundamental research process, credit-oriented investment strategy, and long-term investment horizon differentiate our global bond investment approach. As we look forward, our return outlook is tempered by the generally low level of yields and yield premiums, as well as by the dichotomy between low asset price volatility and high geopolitical uncertainty. Nonetheless, we remain optimistic about the Fund's positioning and continue to find investment opportunities across the global bond universe.

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

January 30, 2018

<sup>f</sup> The use of specific examples does not imply that they are more or less attractive investments than the Fund's other holdings.

**Objectives**

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

**Strategy**

- The Fund invests in bonds and other debt instruments of issuers from at least three different countries, including emerging market countries. The Fund invests 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, and other debt securities.
- The proportions of the Fund's assets held in 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, structure, covenants, credit quality, liquidity, call risk, duration, and capital appreciation potential.
- The Fund may enter into currency or interest rate-related derivatives, including forwards, futures, swaps, and options.

**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. Investing in non-U.S. securities may entail risk due to foreign economic and political developments; this risk may be higher when investing in emerging markets. 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**

Net Asset Value Per Share	\$10.92
Total Net Assets (millions)	\$156.3
Net Expense Ratio <sup>(a)</sup>	0.45%
Gross Expense Ratio	1.06%
Portfolio Turnover Rate	46%
30-Day SEC Yield (using net expenses) <sup>(a)(b)</sup>	3.49%
30-Day SEC Yield (using gross expenses)	2.88%
Number of Credit Issuers	45
Fund Inception	May 1, 2014

No sales charges or distribution fees

**Investment Manager:** Dodge & Cox, San Francisco. Managed by the Global Fixed Income Investment Committee, whose six members' average tenure at Dodge & Cox is 22 years.

**PORTFOLIO CHARACTERISTICS**

	Fund	BBG Barclays Global Agg
Effective Duration (years) <sup>(c)</sup>	3.6	7.0
Emerging Markets <sup>(d)</sup>	27.7%	4.9%
Non-USD Currency Exposure <sup>(e)</sup>	16.5%	55.5%

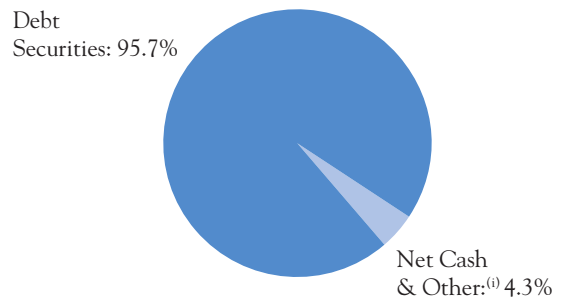
**FIVE LARGEST CREDIT ISSUERS (%)<sup>(f)</sup>**

	Fund
AT&T, Inc.	2.0
Kinder Morgan, Inc.	1.9
Naspers, Ltd.	1.9
Telecom Italia SPA	1.8
TransCanada Corp.	1.7

**CREDIT QUALITY (%)<sup>(g)(h)</sup>**

	Fund	BBG Barclays Global Agg
Aaa	25.1	39.6
Aa	0.5	16.3
A	18.4	26.8
Baa	39.7	17.3
Ba	9.2	0.0
B	1.6	0.0
Caa	1.2	0.0
Net Cash & Other <sup>(i)</sup>	4.3	0.0

**ASSET ALLOCATION**



**SECTOR DIVERSIFICATION (%)<sup>(h)</sup>**

	Fund	BBG Barclays Global Agg
Government	24.7	53.7
Government-Related	8.9	12.1
Securitized	24.0	15.2
Corporate	38.1	19.0
Net Cash & Other <sup>(i)</sup>	4.3	0.0

**REGION DIVERSIFICATION (%)<sup>(d)(h)</sup>**

	Fund	BBG Barclays Global Agg
United States	49.5	38.6
Latin America	19.1	1.1
Europe (excluding United Kingdom)	6.6	26.6
United Kingdom	6.2	5.7
Japan	5.1	16.6
Pacific (excluding Japan)	4.9	5.3
Africa	2.6	0.0 <sup>(i)</sup>
Canada	1.7	3.3
Middle East	0.0	0.6
Other	0.0	2.2

<sup>(a)</sup> Effective May 1, 2017, Dodge & Cox has contractually agreed to reimburse the Fund for all ordinary expenses to the extent necessary to maintain total annual fund operating expenses at 0.45% through April 30, 2018. The term of the agreement renews annually thereafter unless terminated with 30 days' written notice by either party prior to the end of the term. For periods prior to May 1, 2017, the Fund's Net Expense Ratio was 0.60%.

<sup>(b)</sup> 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.

<sup>(c)</sup> Interest rate derivatives reduce total Fund duration by 1.7 years (i.e., total portfolio duration is 5.3 without derivatives).

<sup>(d)</sup> The Fund may classify an issuer in a different category than the Bloomberg Barclays 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.

<sup>(e)</sup> 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.

<sup>(f)</sup> 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.

<sup>(g)</sup> 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 7.0% 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.

<sup>(h)</sup> Excludes the Fund's derivative contracts.

<sup>(i)</sup> Net Cash & Other includes cash, short-term investments, derivatives, receivables, and payables.

<sup>(j)</sup> Rounds to 0.0%

## Average Annual Total Return<sup>1</sup>

For periods ended December 31, 2017	1 Year	3 Years	5 Years	Since Inception (December 5, 2012)
Dodge & Cox Global Bond Fund	8.31%	3.34%	2.86%	2.86%
Bloomberg Barclays Global Agg Index	7.39	2.02	0.79	0.64

dodgeandcox.com

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](http://dodgeandcox.com) or call 800-621-3979 for current month-end performance figures.

The Dodge & Cox Global Bond Fund had a total return of 0.5% for the fourth quarter of 2017, compared to 1.1% for the Bloomberg Barclays Global Aggregate Bond Index (Bloomberg Barclays Global Agg). For 2017, the Fund had a total return of 8.3%, compared to 7.4% for the Bloomberg Barclays Global Agg.

### INVESTMENT COMMENTARY

Global markets delivered healthy returns in the fourth quarter amid synchronized global growth and muted financial market volatility. Real GDP growth in G7 countries beat expectations for the first time since 2010, and emerging market growth was lifted by a rally in commodity prices and better-than-expected economic data from China. As in recent quarters, this backdrop propelled demand for and returns of risk assets, including many of the Fund's corporate and emerging market holdings.

Corporate bonds continued their long stretch of outperformance, as corporate bond yield premiums fell to their lowest level since mid-2007. This strength was underpinned by robust corporate earnings and balance sheets, as well as optimism around the new U.S. tax bill signed in December, which significantly reduces statutory corporate tax rates. Even though corporate bond fundamentals appear solid, we trimmed the Fund's exposure selectively based on relative value considerations.

Growth momentum in the United States was strong, though inflation remained subdued. As anticipated, the Federal Reserve (Fed) hiked interest rates in December—the third time in 2017. Jerome Powell was nominated to replace Janet Yellen as Fed Chair, a choice that was widely seen as maintaining continuity in Fed monetary policy. The flattening of the U.S. yield curve was notable, as 2-year yields rose by 40 basis points but longer term rates remained anchored—resulting in the flattest curve since 2007. The Fund's duration<sup>2</sup> remains relatively low to mitigate potential return headwinds due to rising interest rates.

In the Eurozone, the economic expansion was solid and broad-based, providing support for the euro, which rose 1.6% against the U.S. dollar during the quarter, capping off a strong year (up 14%). The European Central Bank extended its asset-purchase program through September 2018, but at a significantly reduced pace. Meanwhile, Brexit negotiators announced "sufficient progress" toward a provisional agreement between the European Union and the United Kingdom, alleviating near-term tail risks for the U.K. economy.

Emerging market currency and rate performance was mixed, generally driven by idiosyncratic political and economic factors. The South African rand was the star performer as Cyril Ramaphosa was elected President of the African National Congress, fueling investor hopes for more market-oriented policies. Conversely, the Mexican peso depreciated (down 7.1%) and its 10-year rates rose, largely because of uncertainty over NAFTA negotiations. We remain optimistic about the total return prospects for a number of emerging market bonds, and increased the Fund's exposure to Argentina, India, and Indonesia, where real rates are attractive and long-term fundamentals are favorable.

2017 proved to be a strong year for the global economy and the Fund's performance. As we look forward, our return outlook is tempered by the low level of yields and yield premia, as well as the uncomfortable dichotomy between low asset price volatility and high geopolitical uncertainty. However, we remain optimistic about the Fund's positioning and holdings, and continue to find pockets of value in the expansive global bond universe. We thank our fellow shareholders for your continued confidence in Dodge & Cox.

### FOURTH QUARTER PERFORMANCE REVIEW

The Fund underperformed the Bloomberg Barclays Global Agg by 0.6 percentage points during the quarter.

### KEY DETRACTORS FROM RELATIVE RESULTS

- The Fund's overweight position in Mexican government bonds (6%<sup>3</sup> versus 0%<sup>4</sup> in the Bloomberg Barclays Global Agg) detracted from relative returns as the peso depreciated 7% versus the U.S. dollar, and interest rates rose.
- Lack of exposure to the euro (compared to 25% in the Bloomberg Barclays Global Agg) hurt relative returns as the currency appreciated 2% versus the U.S. dollar.
- The Fund's lower exposure to interest rates in the United Kingdom, Eurozone, and Japan detracted from relative returns.

### KEY CONTRIBUTORS TO RELATIVE RESULTS

- The Fund's large allocation to corporate bonds (42% versus 19% in the Bloomberg Barclays Global Agg) added to relative returns as credit yield premiums declined.
- Certain credits outperformed, including Chicago Transit Authority, Kinder Morgan, Rio Oil Finance Trust, and euro-denominated Province of Buenos Aires.

### 2017 PERFORMANCE REVIEW

The Fund outperformed the Bloomberg Barclays Global Agg by 0.9 percentage points in 2017.

### KEY CONTRIBUTORS TO RELATIVE RESULTS

- Security selection was strong, led by Rio Oil Finance Trust, Telecom Italia, Indonesia sovereign credit, and Naspers.
- The Fund's large position in the Mexican peso (8% versus 0%<sup>4</sup> in the Bloomberg Barclays Global Agg) added to relative returns as the currency appreciated 5% versus the U.S. dollar.
- The Fund's overweight to corporate bonds (49% versus 19% in the Bloomberg Barclays Global Agg) benefited relative returns as credit yield premiums declined.

### KEY DETRACTORS FROM RELATIVE RESULTS

- Currency positioning hurt relative returns, predominantly due to the Fund's lack of exposure to the euro (24% in the Bloomberg Barclays Global Agg), which appreciated 14% versus the U.S. dollar. Lack of exposure to other appreciating developed market currencies, including the Japanese yen and the British pound (combined 22% in the Bloomberg Barclays Global Agg), also detracted.

<sup>1</sup> 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 interest income but, unlike Fund returns, do not reflect fees or expenses. The Bloomberg Barclays Global Aggregate Bond Index is a widely recognized, unmanaged index of multi-currency, investment-grade debt securities. All returns are stated in U.S. dollars, unless otherwise noted. A private fund managed and funded by Dodge & Cox (the "Private Fund") was reorganized into the Fund and the Fund commenced operations on May 1, 2014. The Private Fund commenced operations on December 5, 2012, and had an investment objective, policies, and strategies that were, in all material respects, the same as those of the Fund, and was managed in a manner that, in all material respects, complied with the investment guidelines and restrictions of the Fund. However, the Private Fund was not registered as an investment company under the Investment Company Act of 1940 (the "1940 Act"), and therefore was not subject to certain investment limitations, diversification requirements, liquidity requirements, and other restrictions imposed by the 1940 Act and the Internal Revenue Code, which, if applicable, may have adversely affected its performance. Expense reimbursements have been in effect for the Fund since its inception. Without the expense reimbursements, returns for the Fund would have been lower.

<sup>2</sup> Duration is a measure of a bond's (or a bond portfolio's) price sensitivity to changes in interest rates.

<sup>3</sup> Unless otherwise noted, figures cited in this section denote positioning at the beginning of the period.

<sup>4</sup> Rounds to zero.

Bloomberg is a registered trademark of Bloomberg Finance L.P. and its affiliates. Barclays® is a trademark of Barclays Bank PLC.

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](http://dodgeandcox.com) or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.