

## TO OUR SHAREHOLDERS

The Dodge & Cox Global Bond Fund had a total return of 8.6% for the year ended December 31, 2016, compared to a return of 2.1% for the Bloomberg Barclays Global Aggregate Bond Index (Bloomberg Barclays Global Agg).

## MARKET COMMENTARY

During 2016, economic and political shocks rattled global financial markets and included the devaluation of the Chinese renminbi, the UK vote to leave the European Union (Brexit), and Donald Trump's victory in the U.S. presidential election, as well as political upheaval in several emerging market countries. The U.S. dollar and interest rates generally followed a v-shaped pattern over the course of the year, declining early on and reversing course midway through the year. The upward movement accelerated in the fourth quarter, fueled by expectations that Mr. Trump and the Republican-controlled Congress could boost growth (and inflation) via stimulative fiscal policies and scaled-back business regulation. These moves drove significant volatility in Bloomberg Barclays Global Agg returns, which were modestly positive for the year but returned 5.9% in the first quarter and declined 7.1% in the fourth quarter. Year-over-year, the U.S. dollar appreciated 5% on a broad trade-weighted basis and longer-term U.S. interest rates rose modestly.

Corporate bonds had a banner year, returning over 6%, but also experiencing high interim volatility. Fear centered around China and commodity prices drove especially weak performance in the first two months of the year. However, credit spreads subsequently reversed not only 2016's widening but all of 2015's as well. Commodity-related issuers and lower-rated bonds fared particularly well, with the Bloomberg Barclays Global High Yield Index returning 14%, exceeding the S&P 500 return of 12%.

After a weak first quarter, the U.S. economy strengthened throughout the year, with encouraging signs from consumers, labor and housing markets, along with an improved manufacturing sector. These positive developments and a higher inflation outlook led the Federal Reserve (Fed) to raise interest rates for only the second time since the financial crisis. Meanwhile, the Bank of Japan, European Central Bank, and Bank of England continued stimulative policies and expanded asset purchase programs. The exceptionally low (or negative) levels of interest rates in these markets (e.g., 10-year rates in Germany and Japan of 0.21% and 0.05%, respectively) contributed to an ongoing search for yield in global markets.

Emerging market currency performance was highly differentiated in 2016 (e.g., the Brazilian real appreciated 22% while the Turkish lira fell 17%). Generally speaking, commodity-exporters fared best while currencies in countries with geopolitical risks and/or those most vulnerable to changes in trade policies with the United States suffered. Political and economic risks for many emerging market countries are elevated, but in several cases, currencies are undervalued and interest rates are high, providing scope for country selection to provide value over a long-term investment horizon.

## INVESTMENT STRATEGY

The Fund's 2016 performance was strong on an absolute and relative basis, led by significant gains in credit securities,<sup>a</sup> reflecting Dodge & Cox's expertise in this area. Whereas many global bond funds focus on government securities and are guided by a top-down investment style, our process is driven from the bottom up as we scour the global bond universe and apply our intensive research process to identify a select group of attractive securities. We construct our portfolio based on this bottom-up approach, carefully balancing the attendant risks and opportunities. We believe this philosophy and process will serve us well going forward, as it did in 2016.

Performance during 2016 also highlights our staying power through difficult market environments. In February, when panic gripped the markets, many of the Fund's commodity-related and/or emerging market holdings (e.g., Rio Oil, Petrobras, Teck Resources, Kinder Morgan<sup>b</sup>) fell in value. Our extensive experience and research process provided us with the conviction to hold these securities, despite short-term volatility and underperformance. In fact, these holdings ended 2016 as the Fund's strongest performers.

The surge in credit valuations that drove performance means that these valuations are now less compelling than they were at the beginning of 2016. In this environment we have reduced the Fund's credit weighting but remain constructive on the outlook for credit. We have also moderately increased the duration<sup>c</sup> of the portfolio and increased our U.S. dollar weighting. These changes are discussed below.

## Credit: Is the Party Over?

2016 was an exceptional year for credit markets and the Fund benefited handsomely from both its high weighting in credit as well as strong security selection within the credit universe. As discussed earlier, many of the strongest performers in 2016 were the weakest performers in 2015, particularly emerging market and/or commodity-related holdings. As the year progressed and valuations rose, we reduced exposure to selected credits that performed well, exhibiting valuation discipline as we capitalized on improvements in commodity prices and investor sentiment. As a result, the Fund's corporate weighting fell by 8% during 2016, but remains a large component of the Fund (49%<sup>d</sup>). As we exit a year with such strong performance for corporate bonds, does it make sense to continue to hold such a high (albeit reduced) weighting? To answer this question, we focus on valuation and long-term fundamentals, and we believe the answer is yes.

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

b The use of specific examples does not imply that they are more attractive investments than the Fund's other holdings.

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

d Unless otherwise specified, all weightings and characteristics are as of December 31, 2016.

First, it's important to emphasize that the Fund's credit weighting is the result of our bottom-up approach to portfolio construction rather than a top-down view of the market. It is undeniable that broad credit market valuations are less compelling today than they were in recent years. The Bloomberg Barclays Global Credit Index's option-adjusted spread of 125 is below its 5- and 10-year medians, but well above its post-crisis low in mid-2014. We are in the later stages of a long-tenured economic expansion which could peak over our time horizon, but we see no clear catalyst for broad-based deterioration. Corporate leverage has risen in recent years, but not to alarming levels, while interest coverage remains robust, commodity prices have stabilized, and banks are well capitalized. The Fed's gradual hiking cycle, the business-friendly bias of the new Republican administration, and the continued accommodative stances of central banks outside the United States should support credit valuations. Thus, on balance, we retain a positive outlook for credit and particularly for the Fund's credit holdings which are selected on an individual basis because of their fundamental and relative attractiveness. However, as always, we remain vigilant regarding potential shifts in sentiment or cracks in the foundation of our underlying fundamental views, and remain highly selective in adding credit exposure.

Despite a net reduction in credit during 2016, we continued to find new attractive investment opportunities. One of the Fund's newer holdings is Ultrapar Participacoes, a leading distributor of fuel for cars and trucks, as well as residential cooking. Ultrapar was a relatively unknown issuer for the U.S. bond market but was previously a long-held equity investment at Dodge & Cox and thus a company that our investment team knows well. As a result, we were able to capitalize on the company's new bond issue in September. Our investment thesis centers on Ultrapar's franchise strength, strong free cash flow generation, conservative leverage philosophy, and high-quality management team. The security was attractively priced, reflecting the headline risks of being in a challenged country (Brazil) and industry (Energy), but we believe the fundamental strength of the business largely mitigates these risks. Even as Brazil's economy contracted in 2015 and 2016 and energy prices swooned, Ultrapar's profits grew.

### Currency: Finding Diamonds in the Rough

The Fund's U.S. dollar weighting of 86% reflects our team's assessment that the return prospects for many non-U.S. developed market currencies are meager, especially on a risk-adjusted basis. In 2016, the broad trade-weighted dollar rose for the fifth consecutive year, creating a challenging environment for investing in non-U.S. currencies. But the rally in 2016 was both smaller in magnitude and less broad-based than that of 2015, with high dispersion in currency returns providing ample opportunity for country and currency selection in 2016. The Fund's holdings in the Colombian peso and the Chilean peso did well, while the Mexican peso exposure was a significant detractor from Fund returns. Mexico faces a number of headwinds, including uncertainty over U.S. relations and trade policies, fiscal and current account deficits, and dwindling oil production. However, we believe the outlook is promising given that macroeconomic policymaking remains sound, the benefits from structural reforms should materialize over time, and the currency looks significantly undervalued, reflecting excessive pessimism.

Our research team conducts rigorous country analysis, considering qualitative factors and utilizing a variety of quantitative tools to assess valuation and identify key drivers of individual currencies. The Fund's newest currency exposure is the Peruvian Sol. Peru has a relatively high growth rate (around 4%), stable and relatively low inflation levels, and strong and credible policymakers. The currency appears moderately undervalued and the central bank intervenes to mitigate its volatility, improving the risk/reward proposition.

### Rates: Caution Still Warranted

We continue to be concerned about the absolute level of interest rates, which offer only scant compensation available to offset even small increases from today's very low starting yields. Despite a notable rise in global interest rates after the U.S. election in November, yields in Europe and Japan fell over the year and U.S. rates rose only modestly. The Fund's overall duration of 3.7 years reflects our caution with regards to interest rate risk. However, we believe interest rate levels are more appealing in selected markets. For example, during the fourth quarter, we increased the Fund's duration in Peru, Colombia, and Mexico, via the purchase of 10- to 12-year maturity bonds with yields between 6% and 8%. We believe these yields provide attractive compensation relative to inflation, currency, and other country risks.

In the United States, we expect the Fed to raise rates gradually but slightly faster than what is currently priced in by the markets. This belief is underpinned by the strength of the U.S. economy and rising inflation expectations. While uncertainty exists, the potential for increased fiscal stimulus under the new administration could push yields even higher over a long-run horizon.

### IN CLOSING

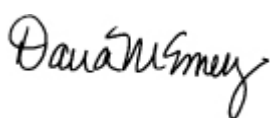
The uncertainty and shocks that characterized 2016 seem more likely than not to continue in 2017, given a range of upcoming elections across the globe and the big unknowns regarding President Trump's policies. But uncertainty is a challenge, not a roadblock to successful investing. And for patient investors like us, uncertainty can present attractive risk/reward opportunities. We believe our experienced investment team and our bottom-up, value-oriented, active investment approach will serve the Fund well through this environment and beyond.

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  
January 31, 2017



Dana M. Emery,  
President

**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	\$10.33
Total Net Assets (millions)	\$109.8
Net Expense Ratio <sup>(a)</sup>	0.60%
2016 Gross Expense Ratio	1.33%
Portfolio Turnover Rate	73%
30-Day SEC Yield (using net expenses) <sup>(a)(b)</sup>	3.50%
30-Day SEC Yield (using gross expenses)	2.77%
Number of Credit Issuers	48
Fund Inception	May 1, 2014
<i>No sales charges or distribution fees</i>	

**Investment Manager:** Dodge & Cox, San Francisco. Managed by the Global Bond Investment Policy Committee, whose six members' average tenure at Dodge & Cox is 21 years.

**PORTFOLIO CHARACTERISTICS**

	<b>Fund</b>	BBG Barclays Global Agg
Effective Duration (years)	3.7	6.9
Emerging Markets <sup>(c)</sup>	25.7%	5.0%

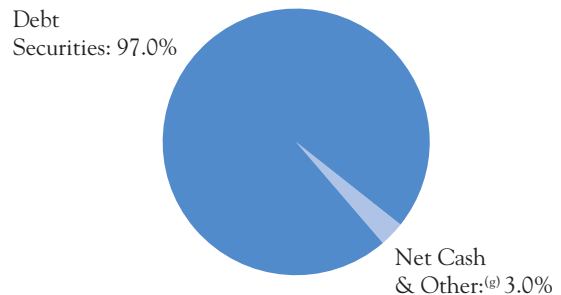
**FIVE LARGEST CREDIT ISSUERS (%)<sup>(d)</sup>**

	<b>Fund</b>
Kinder Morgan, Inc.	2.0
Cemex SAB de CV	2.0
Telecom Italia SPA	1.9
Chicago Transit Authority RB	1.9
Naspers, Ltd.	1.9

**CREDIT QUALITY (%)<sup>(e)(f)</sup>**

	<b>Fund</b>	BBG Barclays Global Agg
Aaa	20.5	40.3
Aa	1.0	16.5
A	18.7	26.9
Baa	41.5	16.3
Ba	11.1	0.0
B	2.5	0.0
Caa	1.7	0.0
Net Cash & Other <sup>(g)</sup>	3.0	0.0

**ASSET ALLOCATION**



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

	<b>Fund</b>	BBG Barclays Global Agg
Government	20.0	54.0
Government-Related	8.5	12.2
Securitized	19.9	15.2
Corporate	48.6	18.6
Net Cash & Other <sup>(g)</sup>	3.0	0.0

**REGION DIVERSIFICATION (%)<sup>(e)(f)</sup>**

	<b>Fund</b>	BBG Barclays Global Agg
United States	51.3	39.2
Latin America	20.9	1.1
Europe (excluding United Kingdom)	7.3	25.2
United Kingdom	6.7	5.6
Japan	4.0	17.4
Africa/Middle East	2.9	0.9
Pacific (excluding Japan)	2.4	5.1
Canada	1.5	3.3
Other	0.0	2.2

<sup>(a)</sup> 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 0.60% through April 30, 2017. 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.

<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> 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>(d)</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>(e)</sup> The credit quality distributions shown for the Fund and the Index are based on the middle of Moody's, S&P's, 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's, and Fitch ratings to comply with the quality requirements stated in its prospectus. On that basis, the Fund held 7.9% 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>(f)</sup> Excludes the Fund's derivative contracts.

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

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

For periods ended December 31, 2016	1 Year	3 Years	Since Inception (December 5, 2012)
Dodge & Cox Global Bond Fund	8.64%	1.19%	1.56%
Bloomberg Barclays Global Agg Index	2.09	-0.19	-0.96

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 Global Bond Fund had a total return of -0.4% for the fourth quarter of 2016, compared to -7.1% for the Bloomberg Barclays Global Aggregate Bond Index (Bloomberg Barclays Global Agg). For 2016, the Fund had a total return of 8.6%, compared to 2.1% for the Bloomberg Barclays Global Agg.

### INVESTMENT COMMENTARY

The U.S. election in November was the dominant event in the fourth quarter, triggering substantial moves across global markets. Interest rates in the United States (and most other countries) rose significantly and most currencies depreciated against the U.S. dollar, fueled by expectations that Mr. Trump and the Republican-controlled Congress could boost growth (and inflation) via stimulatory fiscal policies and cuts in business regulations. These moves drove strongly negative returns for the Bloomberg Barclays Global Agg. The Fund's performance was largely insulated from these declines as the Fund features less interest rate risk, limited non-U.S. dollar exposure, and a high weighting in credit securities, which performed relatively well.

Encouraging U.S. economic data (e.g., strengthening labor market, rising consumer confidence, improving manufacturing sector) and rising inflation expectations drove the Federal Reserve to increase the federal funds rate from 0.50% to 0.75% in December (only the second hike since the financial crisis), and market participants increased their expectations for further hikes in 2017 and beyond. The renewed theme of significant divergences in growth, inflation, and interest rates between the United States and other developed markets buoyed the U.S. dollar, which appreciated 5% on a broad trade-weighted basis. Notably, the euro and the yen fell 6% and 13%, respectively, against the U.S. dollar. The Fund continues to fully hedge any underlying exposure to these currencies as economic and policy divergences are likely to continue exerting depreciation pressure. Although commodity prices increased, several emerging market currencies also fared poorly as geopolitical risks and fears about the potential for restrictive trade policies intensified. Some of the moves are overdone in our view, and we have continued to find investment opportunities in bonds from several emerging market countries with relatively high yields, undervalued currencies, and promising fundamentals.

Corporate bonds, which constitute almost half of the Fund's assets, performed relatively well during the quarter, especially bonds of banks and healthcare companies which benefited from prospects for higher interest rates and regulatory reform. As valuations rose to levels that are now above multi-year averages, we tactically reduced the Fund's corporate bond weighting. However, we remain optimistic with respect to the Fund's credit holdings, which are selected on an individual basis for their fundamental and relative attractiveness. As we look forward in 2017, we are excited about the prospects for the Fund and believe it is well positioned to take advantage of investment opportunities as geopolitical, policy, and economic events unfold.

### FOURTH QUARTER PERFORMANCE REVIEW

The Fund outperformed the Bloomberg Barclays Global Agg by 6.7 percentage points during the quarter.

### KEY CONTRIBUTORS TO RELATIVE RESULTS

- Currency positioning contributed significantly to outperformance, primarily due to the Fund's lack of exposure to the yen and the euro (no currency exposure versus a combined 43%<sup>2</sup> in the Bloomberg Barclays Global Agg), which depreciated 13% and 6% versus the U.S. dollar, respectively.

- Security selection was strongly positive as commodity-related holdings performed well, led by Kinder Morgan and Rio Oil Finance Trust. Other notable outperformers included Macy's and HSBC.
- The Fund's minimal exposure to rising long-term government bond yields in Europe and Japan benefited relative returns.
- The Fund's higher allocation to corporate bonds (54% versus 18% in the Bloomberg Barclays Global Agg) added to relative returns as credit yield premiums tightened.

### KEY DETRACTORS FROM RELATIVE RESULTS

- The Fund's overweight exposure to local government bonds in Mexico and Colombia (10% versus 0.3% in the Bloomberg Barclays Global Agg) detracted from returns, as the currencies depreciated.

### 2016 PERFORMANCE REVIEW

The Fund outperformed the Bloomberg Barclays Global Agg by 6.6 percentage points in 2016.

### KEY CONTRIBUTORS TO RELATIVE RESULTS

- Security selection contributed significantly to outperformance, led by Brazil holdings (including Rio Oil Finance Trust and Petrobras) and other energy-related securities (including Kinder Morgan and Teck Resources).
- The Fund's relatively low exposure to the euro and the pound (combined 3% versus 30% in the Bloomberg Barclays Global Agg), which depreciated 3% and 16% versus the U.S. dollar, respectively, boosted relative performance.
- The Fund's government bond holdings in Brazil, Colombia, and Chile (combined 6% versus 0.01% in the Bloomberg Barclays Global Agg) added to relative returns.
- The Fund's higher allocation to corporate bonds (58% versus 18% in the Bloomberg Barclays Global Agg) added to relative returns as credit yield premiums tightened.

### KEY DETRACTORS FROM RELATIVE RESULTS

- The Fund's minimal exposure to declining long-term government bond yields in Europe and Japan detracted from relative returns.
- The Fund's overweight to the Mexican peso (8% versus 0.4% in the Bloomberg Barclays Global Agg) detracted from returns as the currency depreciated 17% versus the U.S. dollar.

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

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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.