DODGE & COX FUNDS®

Income Fund

TO OUR SHAREHOLDERS

The Dodge & Cox Income Fund had a total return of –1.2% for the six months ended June 30, 2018, compared to a return of –1.6% for the Bloomberg Barclays U.S. Aggregate Bond Index (Bloomberg Barclays U.S. Agg).

MARKET COMMENTARY

The U.S. investment-grade bond market delivered a negative return for the first half of 2018 as higher Treasury yields and wider credit spreads pushed bond prices lower. Interest rates fluctuated throughout the period as investors grappled with the offsetting influences of strong U.S. economic activity, rising inflation, geopolitical uncertainty, and intervals of volatility in financial markets. Overall, the two-year Treasury yield rose 65 basis points (bps)[a] to 2.53% and the ten-year yield rose 45 bps to 2.86%, resulting in the smallest gap between the yields since 2007.

Economic data released during the period was generally upbeat, indicating that the U.S. economy remained on a solid path of steady growth and higher inflation. Employers continued to add jobs at a consistent pace, and the unemployment rate declined to 3.8 percent, the lowest level since 2000. This was accompanied by strong retail sales, housing market data, and services sector activity. Meanwhile, Federal Reserve (Fed) officials raised short-term rates twice (by 25 bps each time) and revised their forecast upward to include a total of four hikes in 2018, citing the continued strength of the economy.

However, several geopolitical developments weighed on market sentiment. Investors grew concerned that escalating trade tensions between the United States and its key trading partners might lead to a broader trade war that could hurt economic growth. In addition, signs of political upheaval in Italy and elsewhere in Europe elevated volatility in financial markets.

The investment-grade Corporate sector generated a first half return of –3.3%,[b] underperforming comparable-duration[c] Treasuries by 1.8 percentage points. Reflecting the risk-averse tone in the market, credit yield premiums[d] widened to late 2016 levels. This underperformance occurred despite solid corporate earnings that reflected core business strength and as tax windfalls associated with the recent tax bill. Meanwhile, Agency[e] mortgage backed securities (MBS) returned –1.0%, underperforming comparable-duration Treasuries by 0.2 percentage points.

INVESTMENT STRATEGY

The Fund features sizable positions in corporate bonds and Agency MBS (34%[f] each) and smaller positions in government-related securities (6%) and asset-backed securities (7%). The Fund's 17% position in U.S. Treasuries represents "dry powder" we can deploy as we uncover interesting opportunities. We have maintained the Fund's defensive duration position given our longer-term expectations for interest rates to rise more than implied by current market valuations. Modest changes to portfolio positioning over the first half of 2018 reflected decisions made at the individual security and issuer levels by our investment team.

Credit: Continuing to Monitor Risks and Seek Opportunities

The Fund's weighting in credit-related issues declined by just one percentage point during the first half of 2018 to 41%, which understates a number of adjustments made at the individual security and issuer levels. For example, we trimmed certain holdings with somewhat less compelling risk/reward relationships after strong performance (e.g., Citigroup capital securities,[g] State of California, Telecom Italia). In addition, other holdings either matured (e.g., State of Illinois), were "make-whole" called[h] (e.g., Navient), or were redeemed by the issuer at a large premium to the market price (e.g., Bank of America capital securities).

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a One basis point (bps) is equal to 1/100th of one percent.

b Sector returns as calculated and reported by Bloomberg.

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

d 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.

e 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.

f Unless otherwise specified, all weightings and characteristics are as of June 30, 2018.

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

h A make-whole call provision is a call provision attached to a bond, whereby the borrower must make a payment to the lender in an amount equal to the net present value of the coupon payments that the lender will forgo if the borrower pays the bonds off early.

The recent widening in credit spreads generally—from 85 bps in early February to 123 bps at the end of June—has created incremental opportunities. These types of market movements have enabled us to add value over longer time periods, as we often use market weakness to add to existing positions or build new ones. For example, we purchased CVS bonds in the first quarter in connection with the company's levered acquisition of Aetna, and we added to the Fund's Charter Communications position at an attractive valuation as investor sentiment regarding cable television providers soured somewhat amid merger and acquisition (M&A) rumors.

We also initiated a position in Bayer AG, which issued approximately $20 billion of debt in June to fund its acquisition of Monsanto. The combination of Bayer and Monsanto creates a leader in crop science and pharmaceuticals, industries that are expected to benefit from global trends such as an aging population in developed markets, as well as population and income growth in emerging markets. In addition to the large scale and diverse nature of Bayer's business, we were attracted by the company's significant free cash flow, large equity cushion, and ample liquidity. The company's management is committed to rapidly delevering the balance sheet and returning the company to an A rating. Our firm's substantial knowledge of this company, based on the 14 years we've held Bayer equity in the Dodge & Cox International Stock Fund, facilitated our ability to comprehensively research its creditworthiness. We believe investors are being adequately compensated for the risks of high initial leverage for the combined companies, upcoming patent expirations, and potential M&A integration challenges.

We remain constructive on the Fund's credit holdings which, in our view, offer attractive long-term value relative to Treasuries. In general, fundamentals remain strong: corporate profitability is solid and the operating environment is healthy. There is sustained global growth, and the banking system remains well capitalized and liquid. That said, concerns about higher leverage, particularly in association with M&A activity, and macro uncertainty have weighed on credit spreads. We recognize certain factors could create volatility in credit markets (e.g., escalating trade tensions, geopolitical events, equity market volatility), but such short-term turbulence can provide opportunities as prices fluctuate. Our rigorous, downside-focused underwriting process is designed to mitigate default risk, underpin the conviction necessary to maintain holdings through periods of stress, and facilitate the long-term compounding of incremental yield. The result is a credit portfolio that is significantly differentiated from the broad credit market. Demonstrating this fact, the Fund's credit holdings offer a yield premium of 186 bps versus 116 bps for the broad investment-grade Credit Index.[i]

Securitized: A Source of Consistency, Liquidity, and Incremental Yield

The Fund's holdings in the Securitized sector consist predominantly of Agency MBS, with a small position in AAA-rated asset-backed securities (ABS). As a group, these securities add incremental yield over Treasuries in the intermediate portion of the yield curve and, given their high credit quality and strong liquidity, provide ballast for the overall Fund portfolio. As with credit investments, we utilize in-house fundamental research on securities in this sector to identify attractive total return opportunities over a broad range of scenarios.

In the first half of the year, we added modestly to the Fund's weighting (from 36% to 41%), slightly changing the composition of underlying Agency MBS holdings and also adding to ABS holdings. Within MBS, we added slightly to the Fund's position in Ginnie Mae-guaranteed Home Equity Conversion Mortgages. These floating rate securities offer attractive spreads and low prepayment risk with high interest rate caps. We also reduced the Fund's holdings of 15-year MBS and added to 30-year 4% coupon securities in response to changes in relative valuations. We continue to favor 30-year 4% and 4.5% MBS; their highly liquid and heterogeneous nature allows for deep security selection across various characteristics. Within ABS, we added to specific AAA-rated, floating rate ABS backed by 97% federally guaranteed student loans. These short-duration securities trade at attractive levels relative to ABS and MBS alternatives, and their floating rate coupon, based on LIBOR, adds a defensive duration element to the portfolio.

In the MBS market, the Fed's well-telegraphed, ongoing balance sheet reduction process, which began in October 2017, is expected to reach its maximum runoff target of $20 billion of MBS per month by the end of the year. While well organized, this process presents a potential supply headwind with the possibility of incremental spread widening. We will continue to evaluate opportunities and risks in the MBS market as the Fed's policy normalizes.

Defensive Duration: Mitigating Interest Rate Risk

We continue to position the Fund defensively with regard to interest rate risk, with a duration of 4.4 years (equal to 73% of the Bloomberg Barclays U.S. Agg's duration). This represents a slightly less defensive duration position versus the end of 2017—a change we made by reducing the Fund's short position in Treasury futures and extending certain short-duration Treasuries into the intermediate part of the curve as the gap has narrowed somewhat between market expectations for the pace of future federal funds rate increases (implied by the forward curve) and the Fed's stated expectations. Despite the narrower gap and the Fed's recent federal funds rate hikes, we continue to believe that a shorter relative duration is prudent. The significant tightening in measures of unemployment is likely to lead to higher wages. Coupled with stimulative tax and spending measures, the prospects for more rapid economic growth and somewhat higher inflation have

i Credit Index refers to the Bloomberg Barclays U.S. Credit Index.

risen. Keeping in mind the Fed's dual mandate of full employment and stable inflation, these factors should keep the Fed nudging short-term rates higher and add upward pressure on longer-term rates.

IN CLOSING

While we are pleased with the Fund's relative results, we continue to encourage shareholders to temper near-term total return expectations for bonds. The first half of 2018, in which the broad bond market was down 1.6%, illustrates the potential for low, and even negative, bond market returns over shorter time periods. That said, we are optimistic about the long-term prospects for the Fund. Bonds serve a vital defensive role in a diversified portfolio by offering liquidity, income generation, downside protection, and low correlation to riskier asset classes. We continue to position the Fund defensively from a capital preservation standpoint, while seeking opportunities to build portfolio yield through our bottom-up, research-driven investment approach. 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

August 1, 2018

June 30, 2018

DODGE & COX FUNDS®

Income Fund

Ticker Symbol DODIX

Objectives

- The Fund seeks a high and stable rate of current income, consistent with long-term preservation of capital. A secondary objective is to take advantage of opportunities to realize capital appreciation.

Strategy

- The Fund invests in a diversified portfolio consisting primarily of investment-grade debt securities, including government and government-related obligations, mortgage- and asset-backed securities, corporate and municipal bonds, and other debt securities. To a lesser extent, the Fund may also invest in below investment-grade debt securities.
- The proportions held in various debt securities will be revised in light of Dodge & Cox's appraisal of the economy, the relative yields of securities in the various market sectors, the investment prospects for issuers, and other factors. In selecting securities, Dodge & Cox considers many factors, including yield, credit rating, liquidity, call risk, duration, structure, and capital appreciation potential.

Risks

- The Fund invests in individual bonds whose yields and market values fluctuate, so that 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. Please read the prospectus for specific details regarding the Fund's risk profile.

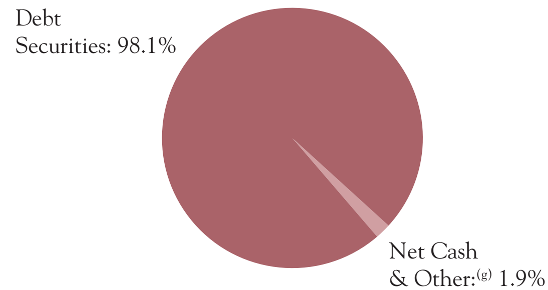
GENERAL INFORMATION

Net Asset Value Per Share	$13.37
Total Net Assets (billions)	$56.3
Expense Ratio	0.43%
Portfolio Turnover Rate (1/1/18 to 6/30/18, unannualized)	19%
30-Day SEC Yield[a]	3.21%
Number of Credit Issuers	52
Fund Inception	1989

No sales charges or distribution fees

Investment Manager: Dodge & Cox, San Francisco. Managed by the U.S. Fixed Income Investment Committee, whose ten members' average tenure at Dodge & Cox is 21 years.

ASSET ALLOCATION



PORTFOLIO CHARACTERISTICS

	Fund	BBG Barclays U.S. Agg
Effective Duration (years)[b]	**4.4**	6.0

FIVE LARGEST CREDIT ISSUERS (%)[c]

	Fund
Charter Communications, Inc.	**2.6**
Petroleos Mexicanos	**1.8**
State of California GO	**1.7**
Cox Enterprises, Inc.	**1.5**
Wells Fargo & Co.	**1.5**

CREDIT QUALITY (%)[d]

	Fund	BBG Barclays U.S. Agg
U.S. Treasury/Agency/GSE[e]	**51.4**	68.3
Aaa	**3.3**	4.3
Aa	**5.3**	3.2
A	**4.1**	11.0
Baa	**27.5**	13.2
Ba	**6.5**	0.0
B	**0.0**	0.0
Caa	**0.0**	0.0
Net Cash & Other[g]	**1.9**	0.0

SECTOR DIVERSIFICATION (%)

	Fund	BBG Barclays U.S. Agg
U.S. Treasury[e]	**17.4**	37.8
Government-Related[f]	**6.0**	6.6
Securitized	**40.6**	30.6
Corporate	**34.1**	25.0
Net Cash & Other[g]	**1.9**	0.0

MATURITY DIVERSIFICATION (%)[e]

	Fund	BBG Barclays U.S. Agg
0-1 Years to Maturity	**4.9**	0.0
1-5	**34.6**	39.6
5-10	**44.1**	44.4
10-15	**2.3**	1.5
15-20	**4.5**	2.4
20-25	**3.6**	4.0
25 and Over	**6.0**	8.1

(a) 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.

(b) Interest rate derivatives reduce total Fund duration by 0.1 years (i.e., total Fund duration is 4.5 years without derivatives).

(c) 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.

(d) 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 determine compliance with the quality requirements stated in its prospectus. On that basis, the Fund held 2.9% 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.

(e) Data as presented excludes the Fund's position in Treasury futures contracts.

(f) The portfolio's Government-Related holdings include tax-exempt municipal securities; the Index classifies these securities as Municipal Bonds.

(g) Net Cash & Other includes cash, short-term investments, derivatives, receivables, and payables.

Average Annual Total Return[1]

For periods ended June 30, 2018	1 Year	3 Years	5 Years	10 Years	20 Years
Dodge & Cox Income Fund	0.37%	2.64%	3.09%	4.86%	5.24%
Bloomberg Barclays U.S. Agg Index	–0.40	1.72	2.27	3.72	4.70

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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 or call 800-621-3979 for current month-end performance figures.

The Dodge & Cox Income Fund had a total return of –0.3% for the second quarter of 2018, compared to a total return of –0.2% for the Bloomberg Barclays U.S. Aggregate Bond Index (Bloomberg Barclays U.S. Agg). For the six months ended June 30, 2018, the Fund had a total return of –1.2%, compared to –1.6% for the Bloomberg Barclays U.S. Agg.

INVESTMENT COMMENTARY

The U.S. investment-grade bond market generated a slightly negative return in the second quarter of 2018 as wider credit spreads and higher Treasury yields pushed bond prices lower. Interest rates fluctuated throughout the quarter as investors grappled with the offsetting influences of strong U.S. economic activity and geopolitical uncertainty.

Economic data released during the quarter was generally upbeat, indicating that the U.S. economy remained on a solid path of steady growth and firming inflation. Employers continued to add jobs at a steady pace and the unemployment rate declined to 3.8 percent, the lowest level since 2000. This was accompanied by strong retail sales, housing market data, and services sector activity. Meanwhile, Federal Reserve officials announced a widely-anticipated 25 basis point[2] rate hike in June—the second such increase this year—and revised their forecast to include a total of four hikes in 2018, citing the continued strength of the economy.

Several geopolitical developments weighed on investor sentiment. For example, investors sought to digest the impacts of escalating trade tensions between the United States and its key trading partners. In addition, signs of political upheaval in Italy and elsewhere in Europe elevated volatility in financial markets.

The investment-grade Corporate sector generated a return of –1.0%,[3] underperforming comparable-duration[4] Treasuries by one percentage point. Reflecting the risk-averse tone in the market, credit yield premiums[5] widened for the second consecutive quarter, returning to the same levels as late 2016. Rising trade tensions and other geopolitical concerns weighed on investor sentiment and overwhelmed the effect of generally solid corporate earnings that reflected core business strength as well as tax windfalls associated with the recent tax bill. Meanwhile, Agency[6] MBS returned 0.2%, outperforming comparable-duration Treasuries by 0.2 percentage points.

We made modest adjustments to the Fund's holdings during the second quarter in response to changing valuations and new opportunities. For example, we initiated a position in Bayer AG debt issued to fund its merger with Monsanto, and we added to issues from Charter Communications and Petrobras at attractive valuations. The Fund's overall credit weighting remained steady, however, as several holdings matured and others were sold into attractively priced tender offers. We also maintained the Fund's defensive duration position given our longer-term expectations for interest rates to rise more than implied by current market valuations.

Overall, we remain optimistic about the long-term prospects for the Fund based on current positioning. Thank you for your continued confidence in Dodge & Cox.

SECOND QUARTER PERFORMANCE REVIEW

The Fund underperformed the Bloomberg Barclays U.S. Agg by 0.2 percentage points during the quarter.

KEY DETRACTORS FROM RELATIVE RESULTS

- Security selection within credit was negative as several corporate holdings underperformed, including AT&T, HSBC, and Telecom Italia. Certain emerging market holdings also underperformed, particularly Pemex.
- The Fund's overweight to corporate bonds and underweight to U.S. Treasuries detracted from relative returns given the poor performance of credit.
- Despite the overall move higher in rates, the Fund's lower exposure to long-term (10+ years) bonds detracted from relative returns as the yield curve flattened.

KEY CONTRIBUTORS TO RELATIVE RESULTS

- The Fund's shorter relative duration (69%[7] of the Bloomberg Barclays U.S. Agg's duration) added to relative returns.
- The Fund's Bank of America capital securities significantly outperformed due to redemption by the issuer at a premium to the market price.

YEAR-TO-DATE PERFORMANCE REVIEW

The Fund outperformed the Bloomberg Barclays U.S. Agg by 0.4 percentage points year to date.

KEY CONTRIBUTORS TO RELATIVE RESULTS

- The Fund's shorter relative duration (71% of the Bloomberg Barclays U.S. Agg's duration) added significantly to relative returns.
- Security selection within credit was positive as several holdings performed well, particularly Bank of America capital securities, which outperformed due to redemption by the issuer at a premium to the market price. Other outperformers included Macy's, Rio Oil Finance Trust, and Verizon.

KEY DETRACTORS FROM RELATIVE RESULTS

- The Fund's overweight to corporate bonds and underweight to U.S. Treasuries detracted from relative returns given the poor performance of credit.
- Certain non-U.S. domiciled holdings underperformed, including HSBC, Pemex, and Telecom Italia.

[1] 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 dividends and/or interest income but, unlike Fund returns, do not reflect fees or expenses. The Bloomberg Barclays U.S. Aggregate Bond Index is a widely recognized, unmanaged index of U.S. dollar-denominated investment-grade fixed income securities.

[2] One basis point is equal to 1/100th of 1%.

[3] Sector returns as calculated and reported by Bloomberg.

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

[5] 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.

[6] 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.

[7] 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 or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.