

**Objective**

- 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 high-quality bonds and other fixed income securities, including U.S. government obligations, mortgage- and asset-backed securities, corporate bonds, collateralized mortgage obligations (CMOs), and others rated A or better by S&P, Moody's, or Fitch. To a lesser extent, the Fund may also invest in fixed income securities rated Baa/BBB or lower. The proportions held in the various fixed income 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 will consider many factors, including yield to maturity, quality, liquidity, call risk, current yield, 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. Bond investments are subject to interest rate risk, credit risk, and prepayment 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	\$12.96
Total Net Assets (billions)	\$19.3
30-Day SEC Yield <sup>(a)</sup>	4.51%
Expense Ratio <sup>(b)</sup>	0.43%
2009 Portfolio Turnover Rate	20%
Fund Inception	1989

No sales charges or distribution fees

**Investment Manager:** Dodge & Cox, San Francisco. Managed by the Fixed Income Investment Policy Committee, whose nine members' average tenure at Dodge & Cox is 16 years.

**PORTFOLIO CHARACTERISTICS**

	Fund	BCAG
Number of Fixed Income Securities	512	8,373
Effective Maturity (years)	6.7	6.8
Effective Duration (years)	3.8	4.6

**FIVE LARGEST CORPORATE ISSUERS<sup>(d)</sup>**

	Fund
Ford Motor Credit Co.	2.8%
Bank of America Corp.	2.3
Xerox Corp.	2.2
Time Warner, Inc.	2.2
GMAC, Inc.	2.2

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

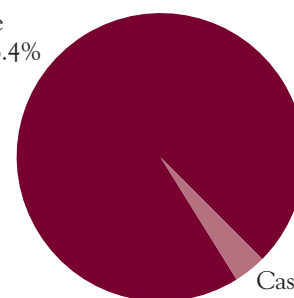
	Fund	BCAG
U.S. Government & Government Related	48.7%	73.2%
Aaa	1.3	4.8
Aa	2.4	4.1
A	11.6	9.7
Baa	20.5	8.2
Ba	4.5	0.0
B	3.4	0.0
Caa	1.8	0.0
Ca	2.2	0.0
C	0.0 <sup>(f)</sup>	0.0
Cash Equivalents	3.6	0.0

**Average Quality**

**Aa3**      **Aa1**

**ASSET ALLOCATION**

Fixed Income  
Securities: 96.4%



Cash  
Equivalents: 3.6%

**SECTOR DIVERSIFICATION**

	Fund	BCAG
U.S. Treasury & Government Related	8.3%	36.6%
Mortgage-Related Securities	42.6	36.8
Asset-Backed Securities/CMBS <sup>(c)</sup>	1.3	3.6
Corporate	44.2	18.8
Non-Corporate Yankee	0.0	4.2
Cash Equivalents	3.6	0.0

**MATURITY DIVERSIFICATION**

	Fund	BCAG
0-1 Years to Maturity	7.5%	0.0%
1-5	35.7	47.4
5-10	45.8	38.0
10-15	0.7	6.5
15-20	1.6	1.7
20-25	4.7	1.7
25 and Over	4.0	4.7

<sup>(a)</sup> SEC yield is an annualization of the Fund's total net investment income per share for the 30-day period ended on the last day of the month.

<sup>(b)</sup> 2008 expense ratio per Fund prospectus, dated May 1, 2009. The 2009 expense ratio is 0.43%.

<sup>(c)</sup> CMBS refers to commercial mortgage-backed securities, which are a component of the BCAG but not currently held by the Fund.

<sup>(d)</sup> The Fund's portfolio holdings are subject to change without notice. The mention of specific securities is not a recommendation or solicitation for any person to buy, sell, or hold any particular security.

<sup>(e)</sup> The Fund's credit quality ratings are from Moody's Investor Services. If no Moody's rating is available, the Standard & Poor's or Fitch rating is reported. If unrated, the investment manager determines a comparable rating. The BCAG's credit quality ratings are from Barclays Capital and reference Moody's, Standard & Poor's, and Fitch ratings. The BCAG's methodology for calculating average credit quality differs from that used by the Fund. Applying the BCAG methodology, the Fund's average credit quality would be A1. 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> Rounds to 0.0%.

## Average Annual Total Return\*

For periods ended

December 31, 2009	1 Year	3 Years	5 Years	10 Years	20 Years
Dodge & Cox Income Fund	16.05%	6.60%	5.40%	6.81%	7.43%
BCAG Index	5.93	6.04	4.97	6.33	7.01

www.dodgeandcox.com

Past performance does 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. Visit the Fund's web site at [www.dodgeandcox.com](http://www.dodgeandcox.com) or call 800-621-3979 for current performance figures.

The Dodge & Cox Income Fund had a total return of 1.8% for the fourth quarter of 2009, compared to a total return of 0.2% for the Barclays Capital U.S. Aggregate Bond Index (BCAG). The Fund had a total return of 16.1% for 2009, compared to 5.9% for the BCAG. At year end, the Fund had net assets of \$19.3 billion with a cash position of 3.6%.

### MARKET COMMENTARY

Although the U.S. unemployment rate reached a 26-year high of just over 10%, there were indications of positive momentum in the U.S. economy. After four consecutive quarters of negative GDP growth, the U.S. economy grew at a 2.2% (annualized) rate during the third quarter with a consensus forecast for 4.2% GDP growth in the fourth quarter. Manufacturing sector activity reached its highest level in three years, retail sales improved, and many residential housing indicators continued to rise from anemic levels. Despite the double-digit unemployment rate, some improving trends could be observed in the labor market: weekly initial jobless claims submissions dipped below 500,000 for the first time in over a year and the rate of job loss slowed considerably. Nevertheless, ongoing weakness in the labor market and restricted access to (and demand for) credit among consumers and some (particularly small) businesses remain obstacles to a more vigorous economic recovery.

The Federal Reserve left short-term interest rates at effectively zero but reaffirmed plans to wind down certain financial support programs in the near future. Inflation remained subdued, although inflation expectations rose as investors considered the potential effects of a sustained economic recovery and massive fiscal/monetary stimulus on future inflation.

As was the case much of the year, U.S. Treasury prices fell as their yields moved higher, resulting in a negative 1.3% return<sup>1</sup> for the quarter (and a negative 3.6% return for the year). This reflected growing investor confidence in economic recovery and a willingness to embrace riskier sectors of the bond market. In contrast, investment-grade corporate bonds outperformed comparable Treasuries by 3.1 percentage points despite a modest 1.4% quarterly return; for the year, the sector returned an impressive 18.7%. The Barclays Capital High Yield Index (not part of the BCAG) recorded a 6.2% quarterly return and an extraordinary 58.2% return for 2009. Attractive valuations and better-than-expected earnings drove continued investor appetite for corporate bonds, despite significant issuance of corporate debt in 2009.

Agency and Government Sponsored Enterprise (GSE)-guaranteed<sup>2</sup> mortgage-backed securities (MBS) returned 0.6% and outperformed comparable short- and intermediate-duration Treasuries for a fourth consecutive quarter. For the year, GSE-guaranteed MBS posted a 5.9% return, outperforming similar-duration Treasuries by 5.0 percentage points. The sector continued to benefit from relatively modest levels of prepayments.

### FOURTH QUARTER PERFORMANCE REVIEW

The Fund outperformed the BCAG by 1.6 percentage points for the quarter.

### KEY CONTRIBUTORS TO RELATIVE RESULTS

- The Fund's significant Corporate sector overweight benefited relative returns as corporates outperformed other major sectors. In addition, many Fund holdings<sup>3</sup> within the sector performed well, including SLM Corp. (up 27%), Dillard's (up 14%), Macy's (up 14%), AIG (up 13%), and GMAC (up 6%).

- The Fund's shorter relative duration<sup>4</sup> position (83% of the BCAG), largely achieved through holding no intermediate- or long-term Treasuries, benefited relative returns as interest rates rose significantly during the quarter.
- The Fund's GSE-guaranteed MBS holdings outperformed the overall MBS sector as well as comparable-duration Treasuries.
- The Fund's nominal yield advantage benefited relative returns.

### KEY DETRACTORS FROM RELATIVE RESULTS

- The Fund's State of California taxable municipal holdings performed poorly (e.g., down 11% for the longest-maturity holding).
- Certain individual Corporate bonds performed poorly, including Federal Express (down 3%), HSBC (down 2%), and Union Pacific (down 2%).

### 2009 PERFORMANCE REVIEW

The Fund outperformed the BCAG by 10.1 percentage points for the year, its highest-ever margin of outperformance.

### KEY CONTRIBUTORS TO RELATIVE RESULTS

- The Fund's Corporate sector overweight added significantly to relative returns with the meaningful performance recovery of the sector starting in March. We continued to build the Fund's Corporate weighting in the first half of 2009, further benefiting returns.
- Many corporate bond holdings performed well, including Dillard's (up 181%), Macy's (up 75%), Ford Motor Credit (up 48%), AIG (up 39%), HCA (up 32%), and GMAC (up 30%).
- The Fund's shorter relative duration position, largely achieved through holding no intermediate- or long-term Treasuries, benefited relative returns as interest rates rose significantly year-over-year.
- The Fund's GSE-guaranteed MBS performed well relative to the overall MBS sector and similar-duration Treasuries.
- The Fund's nominal yield advantage significantly benefited relative returns.

### KEY DETRACTORS FROM RELATIVE RESULTS

- The Fund held no commercial mortgage-backed securities and less than 2% on average in asset-backed securities, reflecting an underweight relative to the BCAG; both sectors performed extremely well in 2009.

### ADDITIONAL REPORTING

For further review of the Fund's performance and long-term investment strategy, please visit [www.dodgeandcox.com](http://www.dodgeandcox.com) and download the Fund's Annual Report, which will be available in February.

January 2010

<sup>1</sup> Sector returns as calculated and reported by Barclays Capital.

<sup>2</sup> The U.S. Government does not guarantee the Fund's shares, yield, and net asset value. The guarantee does not eliminate market risk.

<sup>3</sup> Unless otherwise noted, represents total return of largest holding of a given issuer, if multiple holdings.

<sup>4</sup> Duration is a measure of a bond's price sensitivity to changes in interest rates.

\*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. Index returns include interest income and, unlike Fund returns, do not reflect fees or expenses. The Barclays Capital Aggregate Bond Index (BCAG) is a widely-recognized, unmanaged index of U.S. dollar-denominated investment-grade fixed-income securities.

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You should carefully consider the Fund's investment objectives, management fees, risks, and expenses before investing. To obtain a Fund's prospectus which contains this and other important information visit [www.dodgeandcox.com](http://www.dodgeandcox.com) or call 800-621-3979. Please carefully read the prospectus before investing.