Semiannual report to contract holders for the six months ended June 30, 2007

SEMIANNUAL REPORT

FOR CONTRACT HOLDERS OF SCUDDER DESTINATIONS℠

AIM Variable Insurance Funds

The Alger American Fund

Credit Suisse Trust

Dreyfus Investment Portfolios

The Dreyfus Socially Responsible Growth Fund, Inc.

DWS Investments VIT Funds

DWS Variable Series I

DWS Variable Series II

SECTOR EQUITY

Sector

AIM V.I. Utilities Fund

Semiannual Report to Shareholders ▪ June 30, 2007

The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The Fund's Form N-Q filings are available on the SEC Web site, sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202-942-8090 or 800-732-0330, or by electronic request at the following E-mail address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800-410-4246 or on the AIM Web site, AIMinvestments.com. On the home page, scroll down and click on AIM Funds Proxy Policy. The information is also available on the SEC Web site, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2007, is available at our Web site. Go to AIMinvestments.com, access the About Us tab, click on Required Notices and then click on Proxy Voting Activity. Next, select the Fund from the drop-down menu. The information is also available on the SEC Web site, sec.gov.

Unless otherwise noted, all data in this report are from A I M Management Group Inc.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Not FDIC insured	May lose value	No bank guarantee

Fund performance

Performance Summary

Fund vs. Indexes

Cumulative total returns, 12/31/06–6/30/07, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	12.76%
Series II Shares	12.55
S&P 500 Index[1] (Broad Market Index)	6.96
Lipper VUF Utility Funds Category Average[1] (Peer Group Index)	13.67
Lipper Utility Funds Index[1] (Former Peer Group Index)	11.16

Source: [1]Lipper Inc.

The unmanaged **S&P 500® Index** is an index of common stocks frequently used as a general measure of U.S. stock market performance.

The Fund has elected to use the **Lipper Variable Underlying Funds (VUF) Utility Funds Category Average** as its peer group instead of the Lipper Utility Funds Index. In 2006, Lipper began publishing VUF indexes, allowing the Fund to be compared with the Lipper VUF Utility Funds Category Average. The unmanaged Lipper VUF Utility Funds Category Average represents the average of all the variable insurance underlying Utility Funds tracked by Lipper Inc. Lipper Inc. is an independent mutual fund performance monitor.

The unmanaged **Lipper Utility Funds Index** represents an average of the largest utility funds tracked by Lipper Inc., an independent mutual fund performance monitor.

The Fund is not managed to track the performance of any particular index, including the indexes defined here, and consequently, the performance of the Fund may deviate significantly from the performance of the indexes.

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of an index of funds reflects fund expenses; performance of a market index does not.

Fund Performance

As of 6/30/07

Series I Shares	
Inception (12/30/94)	9.44%
10 Years	8.95
5 Years	17.67
1 Year	31.38

Series II Shares	
10 Years	8.68%
5 Years	17.38
1 Year	31.01

Series II shares' inception date is April 30, 2004. Returns since that date are historical. All other returns are the blended returns of the historical performance of Series II shares since their inception and the restated historical performance of Series I shares (for periods prior to inception of Series II shares) adjusted to reflect the Rule 12b-1 fees applicable to Series II shares. The inception date of Series I shares is December 30, 1994.

The performance of the Fund's Series I and Series II share classes will differ primarily due to different class expenses.

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Please contact your variable product issuer or financial advisor for the most recent month-end variable product performance. Performance figures reflect Fund expenses, reinvested distributions and changes in net asset value. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

The net annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.93% and 1.18%, respectively.[1] The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.96% and 1.21%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

AIM V.I. Utilities Fund, a series portfolio of AIM Variable Insurance Funds, is currently offered through insurance companies issuing variable products. You cannot purchase shares of the Fund directly. Performance figures given represent the Fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees assessed in connection with a variable product. Sales charges, expenses and fees, which are determined by the variable product issuers, will vary and will lower the total return.

Per NASD requirements, the most recent month-end performance data at the Fund level, excluding variable product charges, is available on this AIM automated information line, 866-702-4402. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial advisor.

[1]Total annual operating expenses less any contractual fee waivers and/or expense reimbursement by the advisor in effect through at least April 30, 2009. See current prospectus for more information.

Portfolio Composition*

By industry, based on Net Assets
as of June 30, 2007

Electric Utilities	37.6%
Multi-Utilities	20.5
Integrated Telecommunication Services	12.6
Gas Utilities	10.5
Oil & Gas Storage & Transportation	9.7
Independent Power Producers & Energy Traders	7.4
Money Market Funds Plus Other Assets Less Liabilities	1.7

Schedule of Investments*

June 30, 2007
(Unaudited)

	Shares	Value
Common Stocks–98.26%		
Electric Utilities–37.55%		
Duke Energy Corp.	362,000	$ 6,624,600
E.ON A.G. (Germany)[(a)]	24,000	4,032,709
Edison International	124,000	6,958,880
Enel S.p.A. (Italy)[(a)]	189,000	2,035,711
Entergy Corp.	62,000	6,655,700
Exelon Corp.	104,000	7,550,400
FirstEnergy Corp.	71,000	4,595,830
FPL Group, Inc.	103,000	5,844,220
Pepco Holdings, Inc.	140,000	3,948,000
Portland General Electric Co.	81,818	2,245,086
PPL Corp.	116,000	5,427,640
Southern Co.	139,000	4,766,310
		60,685,086
Gas Utilities–10.50%		
AGL Resources Inc.	88,000	3,562,240
Equitable Resources, Inc.	100,000	4,956,000
Questar Corp.	160,000	8,456,000
		16,974,240
Independent Power Producers & Energy Traders–7.40%		
Constellation Energy Group	40,000	3,486,800
NRG Energy, Inc.[(b)]	204,000	8,480,280
		11,967,080
Integrated Telecommunication Services–12.59%		
Alaska Communications Systems Group Inc.	300,000	4,752,000
AT&T Inc.	240,000	9,960,000
Verizon Communications Inc.	137,000	5,640,290
		20,352,290
Multi-Utilities–20.52%		
Ameren Corp.	35,000	$ 1,715,350
CMS Energy Corp.	215,000	3,698,000
Dominion Resources, Inc.	50,000	4,315,500
National Grid PLC (United Kingdom)[(a)]	220,000	3,249,019
OGE Energy Corp.	29,000	1,062,850
PG&E Corp.	103,000	4,665,900
PNM Resources Inc.	20,000	555,800
SCANA Corp.	27,000	1,033,830
Sempra Energy	110,000	6,515,300
Veolia Environnement (France)[(a)]	42,000	3,282,641
Xcel Energy, Inc.	150,000	3,070,500
		33,164,690
Oil & Gas Storage & Transportation–9.70%		
El Paso Corp.	325,000	5,599,750
Spectra Energy Corp.	153,000	3,971,880
Williams Cos., Inc. (The)	193,000	6,102,660
		15,674,290
Total Common Stocks (Cost $111,851,327)		158,817,676
Money Market Funds–1.70%		
Liquid Assets Portfolio–Institutional Class[(c)]	1,370,619	1,370,619
Premier Portfolio–Institutional Class[(c)]	1,370,619	1,370,619
Total Money Market Funds (Cost $2,741,238)		2,741,238
TOTAL INVESTMENTS–99.96% (Cost $114,592,565)		161,558,914
OTHER ASSETS LESS LIABILITIES–0.04%		64,367
NET ASSETS–100.00%		$161,623,281

Notes to Schedule of Investments:

* Industry classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International Inc. and Standard & Poor's.

(a) In accordance with the procedures established by the Board of Trustees, the foreign security is fair valued using adjusted closing market prices. The aggregate value of these securities at June 30, 2007 was $12,600,080, which represented 7.80% of the Fund's Net Assets. See Note 1A.

(b) Non-income producing security.

(c) The money market fund and the Fund are affiliated by having the same investment advisor. See Note 3.

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Assets and Liabilities

June 30, 2007
(Unaudited)

Assets:	
Investments, at value (Cost $111,851,327)	$158,817,676
Investments in affiliated money market funds (Cost $2,741,238)	2,741,238
Total investments (Cost $114,592,565)	161,558,914
Foreign currencies, at value (Cost $131,857)	126,633
Receivables for:	
Investments sold	1,550,788
Fund shares sold	27,129
Dividends	451,155
Investment for trustee deferred compensation and retirement plans	46,480
Other assets	2,173
Total assets	163,763,272
Liabilities:	
Payables for:	
Fund shares reacquired	1,950,862
Trustee deferred compensation and retirement plans	54,189
Accrued administrative services fees	103,208
Accrued distribution fees–Series II	1,886
Accrued trustees' and officer's fees and benefits	3,832
Accrued transfer agent fees	1,598
Accrued operating expenses	24,416
Total liabilities	2,139,991
Net assets applicable to shares outstanding	$161,623,281
Net assets consist of:	
Shares of beneficial interest	$ 96,277,597
Undistributed net investment income	4,505,820
Undistributed net realized gain	13,861,929
Unrealized appreciation	46,977,935
	$161,623,281
Net Assets:	
Series I	$158,566,747
Series II	$ 3,056,534
Shares outstanding, $0.001 par value per share, unlimited number of shares authorized:	
Series I	6,624,994
Series II	128,579
Series I:	
Net asset value per share	$ 23.93
Series II:	
Net asset value per share	$ 23.77

Statement of Operations

For the six months ended June 30, 2007
(Unaudited)

Investment income:	
Dividends (net of foreign withholding taxes of $40,190)	$ 2,268,761
Dividends from affiliated money market funds	133,314
Total investment income	2,402,075
Expenses:	
Advisory fees	465,554
Administrative services fees	203,138
Custodian fees	6,434
Distribution fees–Series II	3,466
Transfer agent fees	9,042
Trustees' and officer's fees and benefits	10,729
Other	29,250
Total expenses	727,613
Less: Fees waived and expense offset arrangements	(3,116)
Net expenses	724,497
Net investment income	1,677,578
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from:	
Investment securities	9,291,681
Foreign currencies	(13,331)
	9,278,350
Change in net unrealized appreciation of:	
Investment securities	7,155,037
Foreign currencies	8,883
	7,163,920
Net realized and unrealized gain	16,442,270
Net increase in net assets resulting from operations	$18,119,848

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Changes in Net Assets

For the six months ended June 30, 2007 and the year ended December 31, 2006
(Unaudited)

	June 30, 2007	December 31, 2006
Operations:		
Net investment income	$ 1,677,578	$ 2,903,361
Net realized gain	9,278,350	8,810,025
Change in net unrealized appreciation	7,163,920	16,338,522
Net increase in net assets resulting from operations	18,119,848	28,051,908
Distributions to shareholders from net investment income:		
Series I	—	(4,313,053)
Series II	—	(75,912)
Total distributions from net investment income	—	(4,388,965)
Distributions to shareholders from net realized gains:		
Series I	—	(2,662,863)
Series II	—	(47,944)
Total distributions from net realized gains	—	(2,710,807)
Decrease in net assets resulting from distributions	—	(7,099,772)
Share transactions–net:		
Series I	1,682,679	4,313,312
Series II	279,418	1,371,296
Net increase in net assets resulting from share transactions	1,962,097	5,684,608
Net increase in net assets	20,081,945	26,636,744
Net assets:		
Beginning of period	141,541,336	114,904,592
End of period (including undistributed net investment income of $4,505,820 and $2,828,242, respectively)	$161,623,281	$141,541,336

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Notes to Financial Statements

June 30, 2007
(Unaudited)

NOTE 1—Significant Accounting Policies

AIM V.I. Utilities Fund (the ''Fund'') is a series portfolio of AIM Variable Insurance Funds (the ''Trust''). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the ''1940 Act''), as an open-end series management investment company consisting of twenty separate portfolios, (each constituting a ''Fund''). The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies (''variable products''). Matters affecting each Fund or class will be voted on exclusively by the shareholders of such Fund or class. Current Securities and Exchange Commission (''SEC'') guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class. The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund.

The Fund's investment objective are capital growth and current income.

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and the ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange (''NYSE'').

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Short-term obligations, including commercial paper, having 60 days or less to maturity are recorded at amortized cost which approximates value. Debt securities are subject to interest rate and credit risks in addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and may make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trades is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, ADRs and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economical upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources and are valued at the last bid price in the case of equity securities and in the case of debt obligations, the mean between the last bid and asked prices.

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity.

B. Securities Transactions and Investment Income — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income is recorded on the ex-dividend date. Bond premiums and discounts are amortized and/or accreted for financial reporting purposes.

The Fund may receive proceeds from litigation settlements involving Fund investments. Any proceeds received are included in the Statement of Operations as realized gain/loss for investments no longer held and as unrealized gain/loss for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the realized and unrealized net gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the advisor.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, AIM may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America unless otherwise noted.

D. Distributions — Distributions from income and net realized capital gain, if any, are generally paid to separate accounts of participating insurance companies annually and recorded on ex-dividend date.

E. Federal Income Taxes — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

F. Expenses — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates.

H. Indemnifications — Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust (including the Trust's investment manager) is indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

I. Risks Involved in Investing in the Fund — Single Sector/Non-Diversified — The Fund's investments are concentrated in a comparatively narrow segment of the economy. Consequently, the Fund may tend to be more volatile than other mutual funds, and the value of the Fund's investments may tend to rise and fall more rapidly.

J. Foreign Currency Translations — Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (i) sales of foreign currencies, (ii) currency gains or losses realized between the trade and settlement dates on securities transactions, and (iii) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

The Fund may invest in foreign securities which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. Taxes are accrued based on the Fund's current interpretation of tax regulations and rates that exist in the foreign markets in which the Fund invests.

K. Foreign Currency Contracts — A foreign currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The Fund may enter into a foreign currency contract to attempt to minimize the risk to the Fund from adverse changes in the relationship between currencies. The Fund may also enter into a foreign currency contract for the purchase or sale of a security denominated in a foreign currency in order to ''lock in'' the U.S. dollar price of that security. Fluctuations in the value of these contracts are recorded as unrealized appreciation (depreciation) until the contracts are closed. When these contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains and losses on these contracts are included in the Statement of Operations. The Fund could be exposed to risk, which may be in excess of the amount reflected in the Statement of Assets and Liabilities, if counterparties to the contracts are unable to meet the terms of their contracts or if the value of the foreign currency changes unfavorably.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with A I M Advisors, Inc. (''AIM''). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to AIM based on the annual rate of 0.60% of the Fund's average daily net assets.

AIM has contractually agreed to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual operating expenses (excluding certain items discussed below) of Series I shares to 0.93% and Series II shares to 1.18% of average daily net assets, through at least April 30, 2009. In determining the advisor's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the net annual operating expenses to exceed the numbers reflected above: (i) interest; (ii) taxes; (iii) dividend expense on short sales; (iv) extraordinary items; (v) expenses related to a merger or reorganization, as approved by the Fund's Board of Trustees; and (vi) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Currently, in addition to the expense reimbursement arrangement with INVESCO PLC (''INVESCO'') (formerly ''AMVESCAP PLC'') described more fully below, the only expense offset arrangements from which the Fund may benefit are in the form of credits that the Fund receives from banks where the Fund or its transfer agent has deposit accounts in which it holds uninvested cash. These credits are used to pay certain expenses incurred by the Fund. To the extent that the annualized expense ratio does not exceed the expense limitation, AIM will retain its ability to be reimbursed for such fee waivers or reimbursements prior to the end of each fiscal year.

Further, effective July 1, 2007, AIM has contractually agreed through at least April 30, 2009 to waive 100% of the advisory fee AIM receives from the affiliated money market funds on investments by the Fund in such affiliated money market funds. Prior to July 1, 2007, AIM had voluntarily agreed to waive 25% of the advisory fee AIM receives from the affiliated money market funds on investments by the Fund in such affiliated money market funds.

For the six months ended June 30, 2007, AIM waived advisory fees of $2,935.

At the request of the Trustees of the Trust, INVESCO agreed to reimburse expenses incurred by the Fund in connection with market timing matters in the AIM Funds, which may include legal, audit, shareholder reporting, communications and trustee expenses. For the six months ended June 30, 2007, INVESCO did not reimburse any expenses.

The Trust has entered into a master administrative services agreement with AIM pursuant to which the Fund has agreed to pay AIM a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse AIM for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the six months ended June 30, 2007, AIM was paid $24,795 for accounting and fund administrative services and reimbursed $178,343 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with AIM Investment Services, Inc. (''AIS'') pursuant to which the Fund has agreed to pay AIS a fee for providing transfer agency and shareholder services to the Fund and reimburse AIS for certain expenses incurred by AIS in the course of providing such services. For the six months ended June 30, 2007, expenses incurred under the agreement are shown in the Statement of Operations as transfer agent fees.

The Trust has entered into a master distribution agreement with AIM Distributors, Inc. (''ADI'') to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the ''Plan''). The Fund, pursuant to the Plan, pays ADI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the six months ended June 30, 2007, expenses incurred under the Plan are detailed in the Statement of Operations as distribution fees.

Certain officers and trustees of the Trust are officers and directors of AIM, AIS and/or ADI.

NOTE 3—Investments in Affiliates

The Fund is permitted, pursuant to procedures approved by the Board of Trustees, to invest daily available cash balances in affiliated money market funds. The Fund and the money market funds below have the same investment advisor and therefore, are considered to be affiliated. The table below shows the transactions in and earnings from investments in affiliated money market funds for the six months ended June 30, 2007. During the period each investment maintained a $1.00 net asset value, as such there is no realized gain/(loss) and no change in unrealized appreciation/(depreciation).

Fund	Value 12/31/06	Purchases at Cost	Proceeds from Sales	Value 06/30/07	Dividend Income
Liquid Assets Portfolio–Institutional Class	$3,563,271	$19,940,669	$(22,133,321)	$1,370,619	$ 66,822
Premier Portfolio–Institutional Class	3,563,271	19,940,669	(22,133,321)	1,370,619	66,492
Total Investments in Affiliates	$7,126,542	$39,881,338	$(44,266,642)	$2,741,238	$133,314

NOTE 4—Expense Offset Arrangement

The expense offset arrangement is comprised of custodian credits which result from periodic overnight cash balances at the custodian. For the six months ended June 30, 2007, the Fund received credits from this arrangement, which resulted in the reduction of the Fund's total expenses of $181.

NOTE 5—Trustees' and Officer's Fees and Benefits

''Trustees' and Officer's Fees and Benefits'' include amounts accrued by the Fund to pay remuneration to certain Trustees and Officers of the Fund. Trustees have the option to defer compensation payable by the Fund, and ''Trustees' and Officer's Fees and Benefits'' also include amounts accrued by the Fund to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various AIM Funds in which their deferral accounts shall be deemed to be invested. Finally, certain current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. ''Trustees' and Officer's Fees and Benefits'' include amounts accrued by the Fund to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

During the six months ended June 30, 2007, the Fund paid legal fees of $2,480 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A member of that firm is a Trustee of the Trust.

NOTE 6—Borrowings

Pursuant to an exemptive order from the Securities and Exchange Commission, the Fund may participate in an interfund lending facility that AIM has established for temporary borrowings by the AIM Funds. An interfund loan will be made under this facility only if the loan rate (an average of the rate available on bank loans and the rate available on investments in overnight repurchase agreements) is favorable to both the lending fund and the borrowing fund. A loan will be secured by collateral if the Fund's aggregate borrowings from all sources exceeds 10% of the Fund's total assets. To the extent that the loan is required to be secured by collateral, the collateral is marked to market daily to ensure that the market value is at least 102% of the outstanding principal value of the loan.

The Fund participates in an uncommitted unsecured revolving credit facility with State Street Bank and Trust Company (''SSB''). The Fund may borrow up to the lesser of (i) $125,000,000, or (ii) the limits set by its prospectus for borrowings. The Fund and other funds advised by AIM which are parties to the credit facility can borrow on a first come, first served basis. Principal on each loan outstanding shall bear interest at the bid rate quoted by SSB at the time of the request for the loan.

During the six months ended June 30, 2007, the Fund did not borrow or lend under the interfund lending facility or borrow under the uncommitted unsecured revolving credit facility.

Additionally, the Fund is permitted to temporarily carry a negative or overdrawn balance in its account with SSB, the custodian bank. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (i) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (ii) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and AIM, not to exceed the contractually agreed upon rate.

NOTE 7—Tax Information

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryforward) under income tax regulations. The tax character of distributions paid during the year and the tax components of net assets will be reported at the Fund's fiscal year-end.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund had a capital loss carryforward as of December 31, 2006 which expires as follows:

Expiration	Capital Loss Carryforward*
December 31, 2009	$2,758,928

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code.

NOTE 8—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the six months ended June 30, 2007 was $38,889,828 and $30,943,254, respectively. For interim reporting periods, the cost of investments for tax purposes includes reversals of certain tax items, such as wash sales, that have occurred since the prior fiscal year-end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis	
Aggregate unrealized appreciation of investment securities	$47,500,266
Aggregate unrealized (depreciation) of investment securities	(640,222)
Net unrealized appreciation of investment securities	$46,860,044

Cost of investments for tax purposes is $114,698,870.

NOTE 9—Share Information

Changes in Shares Outstanding

	Six months ended June 30, 2007[a]		Year ended December 31, 2006	
	Shares	Amount	Shares	Amount
Sold:				
Series I	1,625,499	$37,830,294	2,859,050	$55,911,823
Series II	18,635	424,540	71,923	1,371,458
Issued as reinvestment of dividends:				
Series I	—	—	329,053	6,975,916
Series II	—	—	5,876	123,856
Reacquired:				
Series I	(1,550,462)	(36,147,615)	(3,038,761)	(58,574,427)
Series II	(6,637)	(145,122)	(6,299)	(124,018)
	87,035	$ 1,962,097	220,842	$ 5,684,608

(a) There are four entities that are each record owners of more than 5% of the outstanding shares of the Fund and in the aggregate they own 59% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or advisor, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, AIM and/or AIM affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, AIM and or AIM affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Trust has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

NOTE 10—New Accounting Standard

In June 2006, the Financial Accounting Standards Board (''FASB'') issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (''FIN 48''). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement for a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As required the Fund adopted FIN 48 provisions during the fiscal half year ending June 30, 2007. The adoption of these provisions has no impact on these financial statements.

NOTE 11—Financial Highlights

The following schedule presents financial highlights for a share of the Fund outstanding throughout the periods indicated.

	Series I					
	Six months ended June 30, 2007	Year ended December 31,				
		2006	2005	2004	2003	2002
Net asset value, beginning of period	$ 21.23	$ 17.83	$ 15.61	$ 12.95	$ 11.16	$ 14.08
Income from investment operations:						
Net investment income	0.25[a]	0.47[a]	0.42[a]	0.42[a]	0.33[a]	0.19
Net gains (losses) on securities (both realized and unrealized)	2.45	4.06	2.21	2.57	1.60	(3.05)
Total from investment operations	2.70	4.53	2.63	2.99	1.93	(2.86)
Less distributions:						
Dividends from net investment income	—	(0.70)	(0.41)	(0.33)	(0.14)	(0.06)
Distributions from net realized gains	—	(0.43)	—	—	—	—
Total distributions	—	(1.13)	(0.41)	(0.33)	(0.14)	(0.06)
Net asset value, end of period	$ 23.93	$ 21.23	$ 17.83	$ 15.61	$ 12.95	$ 11.16
Total return[b]	12.72%	25.46%	16.83%	23.65%	17.38%	(20.32)%
Ratios/supplemental data:						
Net assets, end of period (000s omitted)	$158,567	$139,080	$114,104	$159,554	$62,510	$31,204
Ratio of expenses to average net assets:						
With fee waivers and/or expense reimbursements	0.93%[c]	0.93%	0.93%	1.01%	1.08%	1.15%
Without fee waivers and/or expense reimbursements	0.93%[c]	0.96%	0.96%	1.01%	1.08%	1.15%
Ratio of net investment income to average net assets	2.17%[c]	2.40%	2.49%	3.09%	2.84%	2.59%
Portfolio turnover rate[d]	20%	38%	49%	52%	58%	102%

(a) Calculated using average shares outstanding.
(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
(c) Ratios are annualized and based on average daily net assets of $153,675,014.
(d) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year.

NOTE 11—Financial Highlights—(continued)

	Series II			
	Six months ended June 30, 2007	Year ended December 31, 2006	Year ended December 31, 2005	April 30, 2004 (Date commenced) to December 31, 2004
Net asset value, beginning of period	$21.12	$17.76	$15.57	$12.63
Income from investment operations:				
Net investment income[a]	0.22	0.42	0.38	0.26
Net gains on securities (both realized and unrealized)	2.43	4.06	2.20	2.68
Total from investment operations	2.65	4.48	2.58	2.94
Less distributions:				
Dividends from net investment income	—	(0.69)	(0.39)	—
Distributions from net realized gains	—	(0.43)	—	—
Total distributions	—	(1.12)	(0.39)	—
Net asset value, end of period	$23.77	$21.12	$17.76	$15.57
Total return[b]	12.55%	25.25%	16.55%	23.28%
Ratios/supplemental data:				
Net assets, end of period (000s omitted)	$3,057	$2,462	$ 801	$ 602
Ratio of expenses to average net assets:				
With fee waivers and/or expense reimbursements	1.18%[c]	1.18%	1.18%	1.28%[d]
Without fee waivers and/or expense reimbursements	1.18%[c]	1.21%	1.21%	1.28%[d]
Ratio of net investment income to average net assets	1.92%[c]	2.15%	2.24%	2.82%[d]
Portfolio turnover rate[e]	20%	38%	49%	52%

(a) Calculated using average shares outstanding.
(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
(c) Ratios are annualized and based on average daily net assets of $2,795,704.
(d) Annualized
(e) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year.

NOTE 12—Legal Proceedings

Terms used in the Legal Proceedings Note are defined terms solely for the purpose of this note.

Pending Litigation and Regulatory Inquiries

On August 30, 2005, the West Virginia Office of the State Auditor — Securities Commission (''WVASC'') issued a Summary Order to Cease and Desist and Notice of Right to Hearing to A I M Advisors, Inc. (''AIM'') and AIM Distributors, Inc. (''ADI'') (Order No. 05-1318). The WVASC makes findings of fact that AIM and ADI entered into certain arrangements permitting market timing of the AIM Funds and failed to disclose these arrangements in the prospectuses for such Funds, and conclusions of law to the effect that AIM and ADI violated the West Virginia securities laws. The WVASC orders AIM and ADI to cease any further violations and seeks to impose monetary sanctions, including restitution to affected investors, disgorgement of fees, reimbursement of investigatory, administrative and legal costs and an ''administrative assessment,'' to be determined by the Commissioner. Initial research indicates that these damages could be limited or capped by statute. By agreement with the Commissioner of Securities, AIM's time to respond to that Order has been indefinitely suspended.

Civil lawsuits, including purported class action and shareholder derivative suits, have been filed against certain of the AIM Funds, INVESCO Funds Group, Inc. (''IFG'') (the former investment advisor to certain AIM Funds), AIM, ADI and/or related entities and individuals, depending on the lawsuit, alleging:

- that the defendants permitted improper market timing and related activity in the AIM Funds;
- that certain AIM Funds inadequately employed fair value pricing; and
- that the defendants improperly used the assets of the AIM Funds to pay brokers to aggressively promote the sale of the AIM Funds over other mutual funds and that the defendants concealed such payments from investors by disguising them as brokerage commissions.

These lawsuits allege as theories of recovery, depending on the lawsuit, violations of various provisions of the Federal and state securities laws and ERISA, negligence, breach of fiduciary duty and/or breach of contract. These lawsuits seek remedies that include, depending on the lawsuit, damages, restitution, injunctive relief, imposition of a constructive trust, removal of certain directors and/or employees, various corrective measures under ERISA, rescission of certain AIM Funds' advisory agreements and/or distribution plans and recovery of all fees paid, an accounting of all fund-related fees, commissions and soft dollar payments, restitution of all commissions and fees paid, and prospective relief in the form of reduced fees.

All lawsuits based on allegations of market timing, late trading and related issues have been transferred to the United States District Court for the District of Maryland (the ''MDL Court''). Pursuant to an Order of the MDL Court, plaintiffs in these lawsuits consolidated their claims for pre-trial purposes into three amended complaints against various AIM- and IFG-related parties: (i) a Consolidated Amended Class Action Complaint purportedly brought on behalf of shareholders of the AIM Funds; (ii) a Consolidated Amended Fund Derivative Complaint purportedly brought on behalf of the AIM Funds and fund registrants;

NOTE 12—Legal Proceedings—(continued)

and (iii) an Amended Class Action Complaint for Violations of the Employee Retirement Income Securities Act (''ERISA'') purportedly brought on behalf of participants in INVESCO PLC's 401(k) plan. Based on orders issued by the MDL Court, all claims asserted against the AIM Funds that have been transferred to the MDL Court have been dismissed, although certain Funds remain nominal defendants in the Consolidated Amended Fund Derivative Complaint. On September 15, 2006, the MDL Court granted the INVESCO defendants' motion to dismiss the Amended Class Action Complaint for Violations of ERISA and dismissed such Complaint. The plaintiff has commenced an appeal from that decision.

IFG, AIM, ADI and/or related entities and individuals have received inquiries from numerous regulators in the form of subpoenas or other oral or written requests for information and/or documents related to one or more of the following issues, among others, some of which concern one or more AIM Funds: market timing activity, late trading, fair value pricing, excessive or improper advisory and/or distribution fees, mutual fund sales practices, including revenue sharing and directed-brokerage arrangements, investments in securities of other registered investment companies, contractual plans, issues related to Section 529 college savings plans and procedures for locating lost security holders. IFG, AIM and ADI have advised the Fund that they are providing full cooperation with respect to these inquiries. Regulatory actions and/or additional civil lawsuits related to these or other issues may be filed against the AIM Funds, IFG, AIM and/or related entities and individuals in the future.

At the present time, management of AIM and the Fund are unable to estimate the impact, if any, that the outcome of the Pending Litigation and Regulatory Inquiries described above may have on AIM, ADI or the Fund.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2007, through June 30, 2007.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

Actual expenses

The table below provides information about actual account values and actual expenses. You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Actual Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical example for comparison purposes

The table below also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return.

The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Share Class	Beginning Account Value (1/1/07)	Ending Account Value (6/30/07)[1]	Expenses Paid During Period[2]	Ending Account Value (6/30/07)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,127.60	$4.91	$1,020.18	$4.66	0.93%
Series II	1,000.00	1,125.50	6.22	1,018.94	5.91	1.18

[1] The actual ending account value is based on the actual total return of the Fund for the period January 1, 2007, through June 30, 2007, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

[2] Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 181/365 to reflect the most recent fiscal half year.

Approval of Investment Advisory Agreement

The Board of Trustees (the Board) of AIM Variable Insurance Funds is required under the Investment Company Act of 1940 to approve annually the renewal of the AIM V.I. Utilities Fund (the Fund) investment advisory agreement with A I M Advisors, Inc. (AIM). During contract renewal meetings held on June 25-27, 2007, the Board as a whole and the disinterested or "independent" Trustees, voting separately, approved the continuance of the Fund's investment advisory agreement for another year, effective July 1, 2007. In doing so, the Board determined that the Fund's advisory agreement is in the best interests of the Fund and its shareholders and that the compensation to AIM under the Fund's advisory agreement is fair and reasonable.

The independent Trustees met separately during their evaluation of the Fund's investment advisory agreement with independent legal counsel from whom they received independent legal advice, and the independent Trustees also received assistance during their deliberations from the independent Senior Officer, a full-time officer of the AIM Funds who reports directly to the independent Trustees. The following discussion more fully describes the process employed by the Board to evaluate the performance of the AIM Funds (including the Fund) throughout the year and, more specifically, during the annual contract renewal meetings.

The Board's Fund Evaluation Process

The Board's Investments Committee has established three Sub-Committees which are responsible for overseeing the management of a number of the series portfolios of the AIM Funds. This Sub-Committee structure permits the Trustees to focus on the performance of the AIM Funds that have been assigned to them. The Sub-Committees meet throughout the year to review the performance of their assigned funds, and the Sub-Committees review monthly and quarterly comparative performance information and periodic asset flow data for their assigned funds. These materials are prepared under the direction and supervision of the independent Senior Officer. Over the course of each year, the Sub-Committees meet with portfolio managers for their assigned funds and other members of management and review with these individuals the performance, investment objective(s), policies, strategies and limitations of these funds.

In addition to their meetings throughout the year, the Sub-Committees meet at designated contract renewal meetings each year to conduct an in-depth review of the performance, fees and expenses of their assigned funds. During the contract renewal process, the Trustees receive comparative performance and fee data regarding all the AIM Funds prepared by an independent company, Lipper, Inc., under the direction and supervision of the independent Senior Officer who also prepares a separate analysis of this information for the Trustees. Each Sub-Committee then makes recommendations to the Investments Committee regarding the performance, fees and expenses of their assigned funds. The Investments Committee considers each Sub-Committee's recommendations and makes its own recommendations regarding the performance, fees and expenses of the AIM Funds to the full Board. Moreover, the Investments Committee considers each Sub-Committee's recommendations in making its annual recommendation to the Board whether to approve the continuance of each AIM Fund's investment advisory agreement and sub-advisory agreement, if applicable (advisory agreements), for another year.

The independent Trustees, as mentioned above, are assisted in their annual evaluation of the advisory agreements by the independent Senior Officer. One responsibility of the Senior Officer is to manage the process by which the AIM Funds' proposed management fees are negotiated during the annual contract renewal process to ensure that they are negotiated in a manner which is at arms' length and reasonable. Accordingly, the Senior Officer must either supervise a competitive bidding process or prepare an independent written evaluation. The Senior Officer has recommended that an independent written evaluation be provided and, upon the direction of the Board, has prepared an independent written evaluation.

During the annual contract renewal process, the Board considered the factors discussed below under the heading "Factors and Conclusions and Summary of Independent Written Fee Evaluation" in evaluating the fairness and reasonableness of the Fund's advisory agreement at the contract renewal meetings and at their meetings throughout the year as part of their ongoing oversight of the Fund. The Fund's advisory agreement was considered separately, although the Board also considered the common interests of all of the AIM Funds in their deliberations. The Board comprehensively considered all of the information provided to them and did not identify any particular factor that was controlling. Furthermore, each Trustee may have evaluated the information provided differently from one another and attributed different weight to the various factors. The Trustees recognized that the advisory arrangements and resulting advisory fees for the Fund and the other AIM Funds are the result of years of review and negotiation between the Trustees and AIM, that the Trustees may focus to a greater extent on certain aspects of these arrangements in some years than others, and that the Trustees' deliberations and conclusions in a particular year may be based in part on their deliberations and conclusions of these same arrangements throughout the year and in prior years.

Factors and Conclusions and Summary of Independent Written Fee Evaluation

The discussion below serves as a summary of the Senior Officer's independent written evaluation, as well as a discussion of the material factors and related conclusions that formed the basis for the Board's approval of the Fund's advisory agreement. Unless otherwise stated, information set forth below is as of June 27, 2007 and does not reflect any changes that may have occurred since that date, including but not limited to changes to the Fund's performance, advisory fees, expense limitations and/or fee waivers.

A. Nature, Extent and Quality of Services Provided by AIM

The Board reviewed the advisory services provided to the Fund by AIM under the Fund's advisory agreement, the performance of AIM in providing these services, and the credentials and experience of the officers and employees of AIM who provide these services. The Board's review of the qualifications of AIM to provide these services included the Board's consideration of AIM's portfolio and product review process, various back office support functions provided by AIM, and AIM's equity and fixed income trading operations. The Board concluded that the nature, extent and quality of the advisory services provided to the Fund by AIM were appropriate and that AIM currently is providing satisfactory advisory services in accordance with the terms of the Fund's advisory agreement. In addition, based on their ongoing meetings throughout the year with the Fund's portfolio managers, the Board concluded that these individuals are competent and able to continue to carry out their responsibilities under the Fund's advisory agreement.

In determining whether to continue the Fund's advisory agreement, the Board considered the prior relationship between AIM and the Fund, as well as the Board's knowledge of AIM's operations, and concluded that it was beneficial to maintain the current relationship, in part, because of such knowledge. The Board also considered the steps that AIM and its affiliates have taken over the last several years to improve the quality and efficiency of the services they provide to the Funds in the areas of investment performance, product line diversification, distribution, fund operations, shareholder services and compliance. The Board concluded that the quality and efficiency of the services AIM and its affiliates provide to the AIM Funds in each of these areas have generally improved, and support the Board's approval of the continuance of the Fund's advisory agreement.

B. Fund Performance

The Board compared the Fund's performance during the past one, three and five calendar years to the performance of funds in the Fund's Lipper peer group that are not managed by AIM, and against the performance of all funds in the Lipper Variable Annuity Underlying Funds - Utility Index. The Board also reviewed the methodology used by Lipper to identify the Fund's peers. The Board noted that the Fund's performance was comparable to the median performance of its peers for the one, three and five year periods. The Board noted that the Fund's performance was comparable to the performance of the Index for the one, three and five year periods. The Board also considered the steps AIM has taken over the last several years to improve the quality and efficiency of the services that AIM provides to the AIM Funds. The Board concluded that AIM continues to be responsive to the Board's focus on fund performance. Although the independent written evaluation of the Fund's Senior Officer (discussed below) only considered Fund performance through the most recent calendar year, the Board also reviewed more

(continued)

recent Fund performance and this review did not change their conclusions.

C. Advisory Fees and Fee Waivers
The Board compared the Fund's contractual advisory fee rate to the contractual advisory fee rates of funds in the Fund's Lipper peer group that are not managed by AIM, at a common asset level and as of the end of the past calendar year. The Board noted that the Fund's advisory fee rate was below the median advisory fee rate of its peers. The Board also reviewed the methodology used by Lipper and noted that the contractual fee rates shown by Lipper include any applicable long-term contractual fee waivers. The Board also compared the Fund's contractual advisory fee rate to the contractual advisory fee rates of other clients of AIM and its affiliates with investment strategies comparable to those of the Fund, including one mutual fund advised by AIM. The Board noted that the Fund's rate was below the rate for the mutual fund.

The Board noted that AIM has contractually agreed to waive fees and/or limit expenses of the Fund through at least April 30, 2009 in an amount necessary to limit total annual operating expenses to a specified percentage of average daily net assets for each class of the Fund. The Board considered the contractual nature of this fee waiver and noted that it remains in effect until at least April 30, 2009. The Board reviewed the Fund's effective advisory fee rate, after taking account of this expense limitation, and considered the effect this expense limitation would have on the Fund's estimated total expenses. The Board concluded that the levels of fee waivers/expense limitations for the Fund were fair and reasonable.

After taking account of the Fund's contractual advisory fee rate, as well as the comparative advisory fee information and the expense limitation discussed above, the Board concluded that the Fund's advisory fees were fair and reasonable.

D. Economies of Scale and Breakpoints
The Board considered the extent to which there are economies of scale in AIM's provision of advisory services to the Fund. The Board also considered whether the Fund benefits from such economies of scale through contractual breakpoints in the Fund's advisory fee schedule or through advisory fee waivers or expense limitations. The Board noted that the Fund's contractual advisory fee schedule does not include any breakpoints. The Board considered whether it would be appropriate to add advisory fee breakpoints for the Fund or whether, due to the nature of the Fund and the advisory fee structures of comparable funds, it was reasonable to structure the advisory fee without breakpoints. Based on this review, the Board concluded that it was not necessary to add breakpoints to the Fund's advisory fee schedule. Based on this information, the Board concluded that, absent breakpoints, the Fund's contractual advisory fees remain constant and do not reflect economies of scale. The Board also noted that the Fund shares directly in economies of scale through lower fees charged by third party service providers based on the combined size of all of the AIM Funds and affiliates.

E. Profitability and Financial Resources of AIM
The Board reviewed information from AIM concerning the costs of the advisory and other services that AIM and its affiliates provide to the Fund and the profitability of AIM and its affiliates in providing these services. The Board also reviewed information concerning the financial condition of AIM and its affiliates. The Board also reviewed with AIM the methodology used to prepare the profitability information. The Board considered the overall profitability of AIM, as well as the profitability of AIM in connection with managing the Fund. The Board noted that AIM continues to operate at a net profit, although increased expenses in recent years have reduced the profitability of AIM and its affiliates. The Board concluded that the Fund's advisory fees were fair and reasonable, and that the level of profits realized by AIM and its affiliates from providing services to the Fund was not excessive in light of the nature, quality and extent of the services provided. The Board considered whether AIM is financially sound and has the resources necessary to perform its obligations under the Fund's advisory agreement, and concluded that AIM has the financial resources necessary to fulfill these obligations.

F. Independent Written Evaluation of the Fund's Senior Officer
The Board noted that, upon their direction, the Senior Officer of the Fund, who is independent of AIM and AIM's affiliates, had prepared an independent written evaluation to assist the Board in determining the reasonableness of the proposed management fees of the AIM Funds, including the Fund. The Board noted that they had relied upon the Senior Officer's written evaluation instead of a competitive bidding process. In determining whether to continue the Fund's advisory agreement, the Board considered the Senior Officer's written evaluation.

G. Collateral Benefits to AIM and its Affiliates
The Board considered various other benefits received by AIM and its affiliates resulting from AIM's relationship with the Fund, including the fees received by AIM and its affiliates for their provision of administrative, transfer agency and distribution services to the Fund. The Board considered the performance of AIM and its affiliates in providing these services and the organizational structure employed by AIM and its affiliates to provide these services. The Board also considered that these services are provided to the Fund pursuant to written contracts which are reviewed and approved on an annual basis by the Board. The Board concluded that AIM and its affiliates were providing these services in a satisfactory manner and in accordance with the terms of their contracts, and were qualified to continue to provide these services to the Fund.

The Board considered the benefits realized by AIM as a result of portfolio brokerage transactions executed through "soft dollar" arrangements. Under these arrangements, portfolio brokerage commissions paid by the Fund and/or other funds advised by AIM are used to pay for research and execution services. The Board noted that soft dollar arrangements shift the payment obligation for the research and executions services from AIM to the funds and therefore may reduce AIM's expenses. The Board also noted that research obtained through soft dollar arrangements may be used by AIM in making investment decisions for the Fund and may therefore benefit Fund shareholders. The Board concluded that AIM's soft dollar arrangements were appropriate. The Board also concluded that, based on their review and representations made by AIM, these arrangements were consistent with regulatory requirements.

The Board considered the fact that the Fund's uninvested cash and cash collateral from any securities lending arrangements may be invested in money market funds advised by AIM pursuant to procedures approved by the Board. The Board noted that AIM will receive advisory fees from these affiliated money market funds attributable to such investments, although AIM has contractually agreed to waive the advisory fees payable by the Fund with respect to its investment of uninvested cash in these affiliated money market funds through at least April 30, 2009. The Board considered the contractual nature of this fee waiver and noted that it remains in effect until at least April 30, 2009. The Board concluded that the Fund's investment of uninvested cash and cash collateral from any securities lending arrangements in the affiliated money market funds is in the best interests of the Fund and its shareholders.

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Alger American Balanced Portfolio

THE ALGER AMERICAN FUND

A pooled funding vehicle for:
- variable annuity contracts
- variable life insurance policies
- qualified pension plans
- qualified retirement plans

SEMI-ANNUAL REPORT

June 30, 2007

(Unaudited)

ALGER

Table Of Contents

THE ALGER AMERICAN FUND

Letter to Our Shareholders	1
Portfolio Highlights	5
Portfolio Summary	6
Schedule of Investments	8
Statement of Assets and Liabilities	14
Statement of Operations	15
Statements of Changes in Net Assets	16
Financial Highlights	18
Notes to Financial Statements	20
Additional Information	25

Dear Shareholders,

August 1, 2007

In our December 31, 2006 report, we likened the new global economy to a "Brave New World." While we are usually loath to recycle a metaphor so quickly, in this case, it seems fitting to continue to use it. Nothing that has happened over the past six months alters our view that we are entering uncharted waters for both the global economy and for the thousands of companies that are being reshaped by it.

As with any sweeping change, there are those who embrace it and try to anticipate the risks and rewards; there are those who deny that there is any change; and finally those who simply wait to see what everyone else thinks. At Alger; we fall into the first camp, and, in fact, believe that we are still in the early stages of a radical shift in how the global economy functions; one that has already produced new winners and losers, not just in terms of nations, but of companies that are seizing the opportunities and those that are unable to. While the story of China and India is familiar, it is hardly limited to them and now includes such disparate regions as Vietnam, Eastern Europe and Australia, to name three, all of which are adding additional complexity and additional fuel to the expanding global economy.

Here then is our six-month postcard from this Brave New World. The themes include the greening of corporate America and the lessons gleaned from the swift fall — and subsequent — sharp recovery of the equity markets on February 27. They include the coming of age of private equity as a force that can move and shape the markets, and the importance of free cash flow as a metric for measuring the strength of corporate balance sheets. And of course, one other theme stands out above all — the surprising (at least to most on Wall Street) strength of corporate earnings at the end of the first quarter.

The Convergence of Business and Green

The beginning of 2007 saw one of the warmest Januaries on record, and instead of snow, we were treated to a flurry of articles, announcements, conferences, and high level public speeches that demanded action on the part of countries, individuals and companies to address the issue of global warming. Appearing simultaneously but independently, ***Fortune***, ***The Economist*** and ***Business Week*** all ran lengthy cover stories describing the shift in corporate America to embrace socially responsible business practices as a better — and potentially more profitable — way of doing business. These articles were the most noticeable in a few weeks' span, but they were hardly a comprehensive list of the hundreds published about the greening of corporate America, not to mention Europe, Asia, and the world. By late January, whether or not "greening" was a mere zeitgeist was debatable. But on February 2, the Intergovernmental Panel on Climate Change issued their Fourth Assessment Report indicating that global warming was "unequivocal" — a real and growing danger.

In response, many dynamic, innovative companies are stepping up and looking for ways to solve the intractable issues of energy and the environment. Case in point is private equity firms Kohlberg Kravis Roberts and Texas Pacific Group, which announced plans to acquire one of the largest public utility companies in the United States, TXU. What made the TXU deal distinctive were the conditions attached to its approval. Under the proposed terms, KKR and Texas Pacific agreed to several substantial concessions to environmental groups including scaling back plans to build new coal-fired power plants while aggressively working on so-called "clean coal" technologies (i.e. coal gasification) that lower and potentially eliminate emissions. They also agreed to increase R&D spending on alternate energy by as much as half a billion dollars. Goldman Sachs, who brokered the deal, pressured both sides to agree to the pro-environment change in the initial plans. The result was a deal hailed by Wall Street and the green lobby in equal measure.

The convergence of vast amounts of private equity cash and environmentalism was a sign of the cultural, global shift taking place. Clearly, a number of the major investment banks already saw the long-term value in their companies "going green," and the rest of the financial world was swiftly joining them.

The Return of Volatility

On February 27 global stock markets saw their most dramatic sell-off in years. Wall Street pundits were, as usual, divided. Some said it was a long-awaited correction and a sign of a weakening economy, while others said it was simply the return of volatility to what has been a fairly stable market.

That said, nothing actually happened to trigger the declines. No sudden change in the economic forecasts. No critically bad economic or corporate news. However, there were rumors in Shanghai and Beijing that a government squeeze on credit and stock speculation was imminent, and that alone was enough to send investors fleeing. But even after the sell-off, the Shenzhen market — Shanghai's smaller sibling — was still up more than 30% year-to-date, and well over 100% for the past 12 months. Hardly comforting if you bought on Monday before the sell-off, but not bad for those who had been in those markets for more than a couple of months.

What happened? In our view this was a market phenomenon, a brief reminder of volatility after months of stability, and a bout of profit-taking and stepping aside that had been long overdue. Within days, fears of a "global bear market" dissipated as continued liquidity and private equity activity bolstered markets both in the United States and around the world.

Private Equity and Free Cash Flow

For the first half of the fiscal year, private equity activity was truly impressive, with the purchase of troubled companies such as Chrysler that in earlier years would have made unlikely buyout targets. While no major company today — public or private — seems beyond private equity interests, there is one theme that unites both private equity and mutual fund investors: free cash flow.

At Alger, as bottom-up, fundamental investors, one of the key metrics we use is the ability of companies to generate free cash flow. Why? Because free cash flow can fund further growth at a company, pay dividends, and allow for the buy-back of stock in order to return value to shareholders — all of which, properly done, can contribute to earnings growth and shareholder value. It is a sign of both a strong business model and disciplined financial management to be able to grow (at impressive rates) and not require constant infusions of new capital. We think that private equity firms buying public companies of all sizes and across many industries is not irrational. It is seizing an opportunity to acquire solid franchises that are generating strong cash flows at extraordinary valuations for the long-term investor. And the amount of private equity activity is another confirmation that globalization, broadly speaking, benefits US. corporate profits.

The Earnings Surprise

At the beginning of 2007, the overwhelming consensus was that after several years of strong, double-digit earnings growth, the first quarter would show the companies of the Standard & Poor's 500[i] slowing to an anemic 3-4% growth rate. That assumption was based on several factors including the woes of the U.S. housing market, the slowing of the U.S. industrial economy, and the basic assumption that corporate earnings would have to "revert to the mean" of their multi-decade average (about 7%) and hence dip significantly. All of these assumptions proved to be wrong.

When all was said and done at the end of reporting seasons for the first quarter of 2007, the S&P companies registered earnings growth of about 9%, and nearly three-quarters of all companies have reported positive "surprises" relative to expectations. Indeed, at the tail end of May, the S&P broke its own record, reaching heights last seen seven years ago during the heady days of the technology boom — and this despite another minor overnight sell-off in China. So what happened? It's a case of our friends back at the Old World struggling to explain New World geography in terms they're familiar with — even if those terms don't quite fit anymore.

True, most top-down analysts were correct about their predictions of the slowdown of the U.S. economy. In fact, first quarter GDP growth was even worse than had been predicted, registering a paltry 0.6% growth on weak exports and slower corporate capital expenditures. But the experts also continued to use the United States and past economic patterns as a proxy for predicting earnings for U.S.-listed companies. This made perfect sense for the last half of the 20th century, when the United States was the dominant economic power globally and U.S. corporations reflected that strength. But while the United States remains far and away the largest economy, it is simply no longer the sole engine of growth or the fastest. As such, the U.S. economy and economic data are no longer a good proxy for how companies will do. Instead, they may well mislead investors and analysts to underestimate the growth of U.S.-listed companies.

We have said for the past three years — for most of this decade, in fact — that the U.S. markets have been good markets for "stock pickers" in that they have not been either notably frothy or notably flighty (occasional junctures notwithstanding). What is now emerging, we believe, is a global "stock picker" market, but many people are still playing markets rather than stocks. That leaves some markets and many stocks, especially U.S. listed ones and U.S.-listed growth equities above all, undervalued and less loved than they should be. And that, of course, represents an opportunity to pick and choose quality growth companies while the rest of the investing community focuses their eyes elsewhere.

Portfolio Matters

The Alger American Balanced Portfolio returned 6.83% for the six months, compared to the Russell 1000 Growth Index[ii] which returned 8.13%. Information technology represented an average weight of 28.91% of the Portfolio's equity holdings, an overweight compared to the benchmark, and outperformed in this sector. Strong performers included Research In Motion Ltd., a leader in wireless communications, MEMC Electronic Materials, Inc., and Apple, Inc. The Portfolio also showed an outperformance in the energy sector, where the Portfolio was overweight the benchmark at an average weight of 6.45%. Prominent contributors included National Oilwell Varco, Valero Energy Corp., and Schlumberger Ltd.

The financial sector accounted for an average weight of 10.02% of the Portfolio's holdings, an overweight to the benchmark, and outperformed. Strong contributions in this sector came from Hong Kong Exchanges & Clearing, Ltd., Jones Lang LaSalle, and IntercontinentalExchange Inc. The weakest performer in this sector was the investment broker Bear Stearns Cos.

At an average weight of 11.89% the Portfolio was underweight the benchmark in the industrials sector and underperformed. Despite contributions from ITT Corp., and General Electric Co., the Portfolio suffered from weaker performances including FedEx, and United Airlines.

For the six months ended June 30, 2007, the fixed income portion of the Alger American Balanced fund returned 1.12% versus the Lehman Brothers Government/Credit Bond Index[iii] return of 0.98%. As of June 30, the fixed income portion of the Portfolio was comprised of 34% in Corporate securities, 36% in mortgage/asset backed securities, 20% in U.S. Treasuries, 9% in Government Agencies and 1% in cash.

In Summary

Six months ago, we surmised that braving the waters of the new global economy would provide both challenges and opportunities. Indeed, the first half of the year bore this out and often rewarded the innovative, dynamic companies and investors that embraced those changes. Going forward, we expect more of the same as the global, economic landscape continues to expand and evolve. As the first six months of this fiscal year come to a close, we would like to thank you for continuing to journey with us and entrusting us with your investing needs.

Respectfully submitted,

Daniel C. Chung
Chief Investment Officer

Zachary Karabell
Chief Economist

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i Standard & Poor's 500 Index is an index of the 500 largest and most profitable companies in the United States.

ii The Russell 1000 Growth Index is an unmanaged index designed to measure the performance of the largest 1000 companies in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Index measures the performance of the 3000 largest U.S. companies based on the total market capitalization, which represents 98% of the U.S. Equity Market.

iii Lehman Brothers Government/Credit Bond Index is an index designed to track performance of government and corporate bonds.

Investors cannot invest directly in an index. Index performance does not reflect a deduction of fees, expenses or taxes.

This report and the financial statements contained herein are submitted for the general information of shareholders of the Fund. This report is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by an effective prospectus for the Fund. Fund returns represent the semiannual period return of Class O shares prior to the deduction of any sales charges. The performance data quoted represent past performance, which is not an indication or guarantee of future results. The investment return and principal value of an investment in a fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month-end, visit us at www.alger.com, or call us at (800) 992-3863.

The views and opinions of the Fund's management and the portfolio holdings described in this report are as of June 30, 2007 and are subject to change at any time subsequent to this date. There is no guarantee that any of the assumptions that formed the basis for the opinions stated herein are accurate or that they will materialize. Moreover, the information forming the basis for such assumptions is from sources believed to be reliable, however, there is no guarantee that such information is accurate. Any securities mentioned, whether owned in a portfolio or otherwise, are considered in the context of the construction of an overall portfolio of securities and therefore reference to them should not be construed as a recommendation or offer to purchase or sell any such security. Inclusion of such securities in a portfolio and transactions in such securities, if any, may be for a variety of reasons, including without limitation, in response to cash flows, inclusion in a benchmark and risk control. The reference to a specific security should also be understood in such context and not viewed as a statement that the security is a significant holding in a Portfolio. Please refer to the Schedule of Investments for the Portfolio which is included in this report for a complete list of portfolio holdings as of June 30, 2007.

A Word About Risk

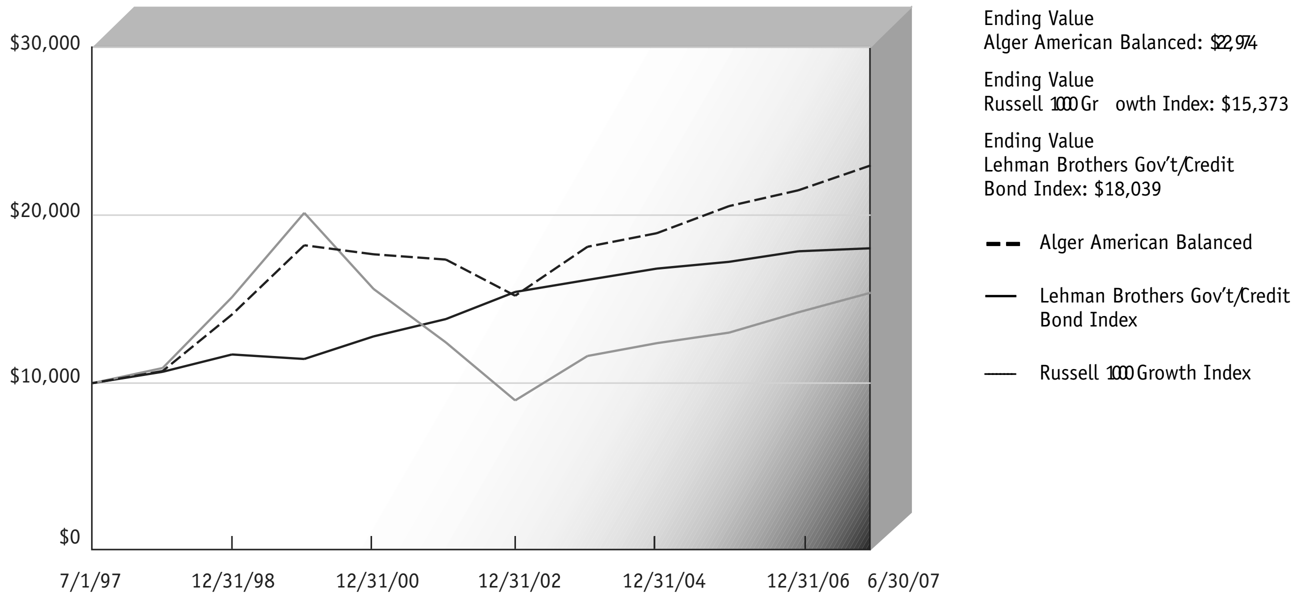
Growth stocks tend to be more volatile than other stocks as the prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments. Portfolios that invest in fixed-income securities, such as the Balanced Portfolio, are subject to the fixed-income securities' sensitivity to interest rate movements; their market values tend to fall when interest rates rise and to rise when interest rates fall. These portfolios are also subject to the risk of a decline in the value of the portfolio's securities in the event of an issue's falling credit rating or actual default. For a more detailed discussion of the risks associated with the Fund, please see the Fund's Prospectus.

Mutual funds are not insured by the FDIC, are not deposits or other obligations of, or guaranteed by banks, and are subject to investment risks, including possible loss of principal amount invested.

Before investing, carefully consider the Fund's investment objectives, risks and charges and expenses. The Fund's prospectus contains this and other information about the Fund, and may be obtained by asking your financial advisor, calling us at (800) 992-3863, or visiting our website at www.alger.com, or contacting the Fund's distributor, Fred Alger & Company, Incorporated, 111 Fifth Avenue, New York 10003. Member NYSE, SIPC. Read the prospectus carefully before investing.

HYPOTHETICAL $10,000 INVESTMENT

— 10 years ended June 30, 2007



The chart above illustrates the growth in value of a hypothetical $10,000 investment made in Alger American Balanced Class O shares, the Russell 1000 Growth Index, and the Lehman Brothers Government/Credit Bond Index for the ten years ended June 30, 2007. Figures for the Alger American Balanced Class O shares, the Russell 1000 Growth Index (an unmanaged index of common stocks), and the Lehman Brothers Government/Credit Bond Index (an unmanaged index of government and corporate bonds), include reinvestment of dividends and/or interest. Performance for the Alger American Balanced Class S shares will vary from the results shown above due to differences in expenses that class bears and cash flows to that share class.

PERFORMANCE COMPARISON THROUGH JUNE 30, 2007

AVERAGE ANNUAL TOTAL RETURNS	1 YEAR	5 YEARS	10 YEARS	SINCE INCEPTION
Class O (Inception 9/5/89)	14.28%	7.58%	8.67%	9.09%
Russell 1000 Growth Index	19.06%	9.29%	4.39%	9.45%
Lehman Brothers Gov't/Credit Bond Index	6.02%	4.70%	6.08%	7.16%
Class S (Inception 5/1/02)	16.42%	7.77%	—	6.70%
Russell 1000 Growth Index	19.06%	9.29%	—	6.44%
Lehman Brothers Gov't/Credit Bond Index	6.02%	4.70%	—	4.90%

The performance data quoted represent past performance, which is not an indication or a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. For performance current to the most recent month-end, visit us at www.alger.com, or call us at (800) 254-3797.

Returns indicated assume reinvestment of all distributions, no transaction costs or taxes, and are net of management fees and fund operating expenses only. Total return does not include deductions at the Portfolio or contract level for cost of insurance charges, premium load, administrative charges, mortality and expense risk charges or other charges that may be incurred under the variable annuity contract, variable life insurance plan or retirement plan for which the Portfolio serves as an underlying investment vehicle. If these charges were deducted, the total return figures would be lower. Please refer to the variable insurance product or retirement plan disclosure documents for any additional applicable expenses. Investing in the stock market involves gains and losses and may not be suitable for all investors.

Portfolio Summary*
June 30, 2007 *(Unaudited)*

SECTORS/SECURITY TYPES

Consumer Discretionary	8.3%
Consumer Staples	7.4
Energy	4.0
Financials	6.1
Health Care	7.5
Industrials	7.5
Information Technology	20.8
Materials	0.9
Telecommunication Services	0.7
Utilities	0.7
Total Common Stocks	63.9%
Corporate Obligations	16.9%
U.S. Agency Obligations	9.6
U.S. Treasury Obligations	7.9
Total Obligations	34.4%
Cash and Net Other Assets	1.7%
	100.0%

* *Based on net assets for the Portfolio.*

COMMON STOCKS—63.9%	SHARES	VALUE
AEROSPACE & DEFENSE—2.1%		
Boeing Company	21,400	$ 2,057,824
General Dynamics Corporation	39,900	3,120,978
		5,178,802
BEVERAGES—1.2%		
PepsiCo, Inc.	45,900	**2,976,615**
BIOTECHNOLOGY—.8%		
Genentech, Inc.*	26,500	**2,004,990**
CABLE—.7%		
Time Warner Cable, Inc.*	42,700	**1,672,559**
CAPITAL MARKETS—1.1%		
Bear Stearns Companies Inc.	11,550	1,617,000
Goldman Sachs Group, Inc.	4,400	953,700
		2,570,700
COMMUNICATION EQUIPMENT—3.0%		
Cisco Systems, Inc.*	177,000	4,929,450
QUALCOMM Inc.	34,100	1,479,599
Research In Motion Limited*	5,000	999,950
		7,408,999
COMPUTERS & PERIPHERALS—4.4%		
Apple Computer, Inc.*	22,300	2,721,492
Dell Inc.*	75,100	2,144,105
Hewlett-Packard Company	32,100	1,432,302
Memc Electronic Materials, Inc.*	46,550	2,845,136
SanDisk Corporation*	33,200	1,624,808
		10,767,843
COMPUTER SERVICES—.6%		
Akamai Technologies, Inc.*	31,200	**1,517,568**
CONGLOMERATE—1.2%		
ITT Corporation	44,200	**3,017,976**
DIVERSIFIED FINANCIAL SERVICES—.6%		
Citigroup Inc.	29,100	**1,492,539**
ELECTRONIC EQUIPMENT & INSTRUMENTS—.6%		
Emerson Electric Co.	33,400	**1,563,120**
ELECTRONICS—1.2%		
Nintendo Co., Ltd. ADR#	64,700	**2,953,529**
ENERGY EQUIPMENT & SERVICES—2.9%		
Cameron International Corp.*	21,100	1,508,017
National-Oilwell Varco Inc.*	16,200	1,688,688
Schlumberger Limited	23,650	2,008,831
Transocean Inc.*	16,600	1,759,268
		6,964,804
FINANCE—.6%		
IntercontinentalExchange Inc.*	9,900	**1,463,715**
FINANCIAL SERVICES—2.0%		
Chicago Mercantile Exchange Holdings Inc.	3,800	2,030,568
Hong Kong Exchanges & Clearing Limited	92,600	1,307,452
UBS AG	26,650	1,599,266
		4,937,286

COMMON STOCKS—(CONT.)	SHARES	VALUE
FOOD & STAPLES RETAILING—3.4%		
CVS Caremark Corporation	21,300	$ 776,385
Walgreen Co.	73,100	3,182,774
Wal-Mart Stores, Inc.	51,700	2,487,287
Whole Foods Market, Inc.	47,900	1,834,570
		8,281,016
FREIGHT & LOGISTICS—.9%		
FedEx Corp.	18,700	**2,075,139**
HEALTH & PERSONAL CARE—.6%		
Brookdale Senior Living Inc.	29,850	**1,360,265**
HEALTH CARE EQUIPMENT & SUPPLIES—1.1%		
Hologic, Inc.*	20,000	1,106,200
Medtronic, Inc.	29,200	1,514,312
		2,620,512
HEALTH CARE PROVIDERS & SERVICES—1.9%		
Health Net Inc.*	52,200	2,756,160
UnitedHealth Group Incorporated	37,400	1,912,636
		4,668,796
HOTELS, RESTAURANTS & LEISURE—3.7%		
Hilton Hotels Corporation	56,700	1,897,749
International Game Technology	42,200	1,675,340
Las Vegas Sands Corp.*	20,100	1,535,439
MGM MIRAGE*	11,600	956,768
Starbucks Corporation	111,500	2,925,760
		8,991,056
HOUSEHOLD PRODUCTS—1.6%		
Procter & Gamble Company	65,300	**3,995,707**
INDUSTRIAL CONGLOMERATES—2.2%		
3M Co.	21,700	1,883,343
General Electric Company	90,900	3,479,652
		5,362,995
INFORMATION TECHNOLOGY SERVICES—.6%		
Cognizant Technology Solutions Corporation Cl. A*	19,300	**1,449,237**
INSURANCE—1.1%		
American International Group, Inc.	39,100	**2,738,173**
INTERNET & CATALOG RETAIL—1.3%		
eBay Inc.*	89,650	2,884,937
IAC/InterActiveCorp.*	11,300	391,093
		3,276,030
INTERNET SOFTWARE & SERVICES—2.6%		
comScore Inc.*	700	16,205
Google Inc. Cl. A*	8,700	4,553,406
Yahoo! Inc.*	65,600	1,779,728
		6,349,339
MACHINERY—.5%		
Joy Global Inc.	19,250	**1,122,853**
MEDIA—2.2%		
Comcast Corporation Special Cl. A*	101,900	2,849,124
News Corporation Cl. A	57,300	1,215,333
XM Satellite Radio Holdings Inc. Cl. A*	101,800	1,198,186
		5,262,643
METALS & MINING—1.5%		
Freeport-McMoRan Copper & Gold, Inc. Cl. B	26,399	2,186,365
Peabody Energy Corporation	32,000	1,548,160
		3,734,525

COMMON STOCKS—(CONT.)	SHARES	VALUE
MULTILINE RETAIL—.4%		
Penny, (JC) Co. Inc.	13,200	**$ 955,416**
OIL & GAS—.5%		
EOG Resources, Inc.	16,600	**1,212,796**
PHARMACEUTICALS—3.1%		
Abbott Laboratories	42,500	2,275,875
Johnson & Johnson	27,900	1,719,198
Merck & Co. Inc.	40,600	2,021,880
Sepracor Inc.*	17,400	713,748
Wyeth	14,000	802,760
		7,533,461
REAL ESTATE—.7%		
Jones Lang LaSalle Incorporated	15,050	**1,708,175**
SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT—3.1%		
Broadcom Corporation Cl. A*	49,000	1,433,250
Intel Corporation	123,200	2,927,232
Maxim Integrated Products, Inc.	23,800	795,158
Micron Technology, Inc.*	64,100	803,173
NVIDIA Corporation*	38,700	1,598,697
		7,557,510
SOFTWARE—4.1%		
Adobe Systems Incorporated	29,100	1,168,365
Microsoft Corporation	162,750	4,796,243
Symantec Corporation*	111,150	2,245,230
TomTom NV*	34,500	1,755,574
		9,965,412
SPECIALTY RETAIL—1.2%		
Home Depot, Inc.	29,100	1,145,085
Urban Outfitters, Inc.*	76,900	1,847,907
		2,992,992
TOBACCO—1.2%		
Altria Group, Inc.	41,200	**2,889,768**
UTILITIES—.7%		
Veolia Environnement	20,350	**1,595,643**
WIRELESS TELECOMMUNICATION SERVICES—.7%		
NII Holdings Inc. Cl. B*	21,700	**1,752,058**
TOTAL COMMON STOCKS		
(Cost $142,266,504)		**155,942,562**

CORPORATE BONDS—16.9%	PRINCIPAL AMOUNT	
AEROSPACE & DEFENSE—.6%		
L-3 Communications Holdings, 3.00%, 8/1/35	$ 650,000	736,125
Systems 2001 Asset Trust Cl. G, 6.664%, 9/15/13 (a)	767,661	796,245
		1,532,370
AUTOMOTIVE—.9%		
Capital Auto Receivables Asset Trust, 5.32%, 3/20/10 (a)	1,570,000	1,568,257
Ford Motor Credit Company, 7.80%, 6/1/12	620,000	605,431
		2,173,688
BUILDING & CONSTRUCTION—.1%		
Martin Marietta Materials Inc., 6.25%, 5/1/37	360,000	**350,244**
CABLE—.4%		
Cox Communications, Inc., 4.625%, 6/1/13	1,145,000	**1,073,760**
CAPITAL MARKETS—.2%		
Morgan Stanley, 5.55%, 4/27/17	620,000	**595,942**

CORPORATE BONDS—(CONT.)	PRINCIPAL AMOUNT	VALUE
COMMERCIAL BANKS—2.6%		
Associates Corp. North America, 6.95%, 11/1/18	$ 1,575,000	$ 1,710,680
Banc of America Commercial Mortgage Inc., 5.634%, 7/10/46	1,392,000	1,367,568
Bank of America Corp., 4.875%, 9/15/12	1,235,000	1,194,786
Regions Bank, 6.45%, 6/26/37	650,000	656,478
Wachovia Bank Commercial Mortgage Trust, 5.342%, 12/15/43	1,400,000	1,345,698
		6,275,210
DIVERSIFIED TELECOMMUNICATION SERVICES—.1%		
Qwest Corporation, 6.50%, 6/1/17 (a)	300,000	**287,250**
ELECTRIC UTILITIES—.8%		
General Electric Capital Corp., 5.50%, 11/15/11	1,350,000	1,340,887
WPS Resources Co., 6.11%, 12/1/66	600,000	576,352
		1,917,239
ELECTRONICS—.3%		
Centerpoint Energy Transition Bond Company, 4.97%, 8/1/14	655,000	**646,047**
ENERGY EQUIPMENT & SERVICES—.3%		
Cameron International Corp., 2.50%, 6/15/26	640,000	**781,600**
FINANCE—1.1%		
Merrill Lynch Mortgage Trust, 5.844%, 5/12/39	1,600,000	1,589,595
Toll Brothers Finance Corp., 5.15%, 5/15/15	1,200,000	1,084,409
		2,674,004
FINANCIAL SERVICES—3.6%		
American Tower Trust, 5.9568%, 4/15/37	1,450,000	1,417,375
Countrywide Financial Corp., 5.80%, 6/7/12	650,000	646,103
Jefferies Group, Inc., 6.25%, 1/15/36	1,350,000	1,269,059
JP Morgan Chase Commercial Mortgage SEC CO, 6.066%, 4/15/45	1,900,000	1,912,680
Lazard Group, 6.85%, 6/15/17 (a)	600,000	601,485
Morgan Stanley Capital I, 5.439%, 2/20/44	1,300,000	1,272,759
Morgan Stanley Capital I, 5.514%, 11/12/49	1,400,000	1,364,593
Residential Capital LLC, 6.50%, 6/1/12	300,000	293,040
		8,777,094
FOOD PRODUCTS—.3%		
General Mills Inc., 5.70%, 2/15/17	600,000	**585,872**
HEALTH CARE PROVIDERS & SERVICES—.4%		
CIGNA Corporation, 5.375%, 3/15/17	500,000	478,479
UnitedHealth Group, 6.00%, 6/15/17 (a)	600,000	598,879
		1,077,358
INSURANCE—1.4%		
Liberty Mutual Group, 7.80%, 3/15/37	1,350,000	1,274,585
Radian Group Inc., 7.75%, 6/1/11	1,350,000	1,443,126
XL Capital Ltd., 6.50%, 12/31/49	650,000	611,546
		3,329,257
MANUFACTURING—.8%		
Cooper US Inc., 6.10%, 7/1/17	600,000	608,691
Reliance Steel & Alum, 6.85%, 11/15/36	1,390,000	1,388,966
		1,997,657
MEDIA—.2%		
Time Warner Inc., 5.50%,11/15/11	585,000	**579,051**
MISCELLANEOUS—.7%		
Jefferson Valley Floating Rate, 6.76%, 3/20/16 (b)	1,700,000	**1,662,367**
OIL & GAS—.6%		
Inergy LP / Inergy Fin Corp., 8.25%, 3/1/16	653,000	674,222
Tesoro Corp., 6.25%, 11/1/12	800,000	798,000
		1,472,222

CORPORATE BONDS—(CONT.)	PRINCIPAL AMOUNT	VALUE
OIL AND GAS EXTRACTION—.6%		
Enterprise Products Partners, 8.375%, 8/1/66	$ 1,350,000	**$ 1,443,095**
SOFTWARE—.7%		
Computer Associates International Inc., 6.50%, 4/15/08	310,000	312,744
Oracle Corporation, 5.25%, 1/15/16	1,300,000	1,248,606
		1,561,350
UTILITIES—.2%		
Southern Co., 5.30%, 1/15/12	525,000	**519,076**
TOTAL CORPORATE BONDS		
(Cost $41,837,726)		**41,311,753**

U.S. GOVERNMENT & AGENCY OBLIGATIONS—17.5%		
Federal Home Loan Banks,		
3.75%, 8/15/08	850,000	836,257
5.375%, 5/18/16	1,500,000	1,495,143
Federal Home Loan Mortgage Corporation,		
5.60%, 10/17/13	2,100,000	2,090,348
5.50%, 1/15/15	1,508,831	1,501,863
5.75%, 6/27/16	1,170,000	1,180,204
5.50%, 10/15/16	1,244,776	1,236,892
5.75%, 12/15/18	1,537,828	1,525,629
5.50%, 12/15/20	1,164,057	1,146,533
6.00%, 8/15/29	1,880,000	1,887,886
6.00%, 5/15/32	1,790,000	1,783,032
6.00%, 3/15/36	1,588,501	1,595,276
Federal National Mortgage Association,		
5.15%, 9/21/07	1,200,000	1,199,318
5.00%, 4/1/18	1,139,886	1,105,993
5.50%, 10/25/20	1,350,000	1,334,733
5.50%, 12/25/20	1,278,539	1,257,787
6.625%, 11/15/30	508,000	574,281
6.00%, 4/25/35	1,800,000	1,778,718
Government National Mortgage Association,		
6.00%, 3/15/36	1,851,501	1,827,113
U.S. Treasury Bonds,		
7.50%, 11/15/16	2,094,000	2,470,103
5.25%, 11/15/28	1,000,000	1,007,188
4.50%, 2/15/36	2,000,000	1,811,564
U.S. Treasury Notes,		
3.125%, 9/15/08	132,000	129,195
6.00%, 8/15/09	1,385,000	1,415,406
3.50%, 11/15/09	3,100,000	3,004,578
5.00%, 8/15/11	2,385,000	2,396,180
4.625%, 8/31/11	1,800,000	1,780,313
4.25%, 8/15/13	1,900,000	1,835,134
4.25%, 11/15/14	900,000	859,008
4.50%, 2/15/16	640,000	617,050
TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS		
(Cost $43,187,820)		**42,682,725**

SHORT-TERM INVESTMENTS—1.4%	PRINCIPAL AMOUNT	VALUE
U.S. AGENCY OBLIGATIONS		
Federal Home Loan Mortgage Corporation, 4.65%, 7/2/07 (Cost $3,399,121)	$ 3,400,000	**$ 3,399,121**

Total Investments (Cost $230,691,171) (c)	99.7%	243,336,161
Other Assets in Excess of Liabilities	0.3	711,373
NET ASSETS	**100.0%**	**$244,047,534**

* *Non-income producing security.*
\# *American Depositary Receipts.*
(a) *Pursuant to Securities and Exchange Commission Rule 144A, these securities may be sold prior to their maturity only to qualified institutional buyers. These securities are deemed to be liquid and represent 1.6% of the net assets of the fund.*
(b) *Security may be sold prior to its maturity only to qualified institutional buyers. Security was acquired on 2/29/06 for a cost of $1,690,650.*
(c) *At June 30, 2007, the net unrealized appreciation of investments, based on cost for federal income tax purposes of $235,286,315 amounted to $8,049,846 which consisted of aggregate gross unrealized appreciation of $16,655,463 and aggregate gross unrealized depreciation of $8,605,617.*

Statement of Assets and Liabilities (Unaudited) *June 30, 2007*

ASSETS:	
Investments in securities, at value (identified cost*)— see accompanying schedule of investments	$ 243,336,161
Cash	6,889
Receivable for investment securities sold	2,572,090
Receivable for shares of beneficial interest sold	38,816
Interest and dividends receivable	903,765
Prepaid expenses	14,322
Total Assets	246,872,043
LIABILITIES:	
Payable for investment securities purchased	1,935,900
Payable for shares of beneficial interest redeemed	696,578
Accrued investment advisory fees	131,332
Accrued administration fees	7,841
Accrued distribution fees	38
Accrued expenses	52,820
Total Liabilities	2,824,509
NET ASSETS	**$244,047,534**
Net Assets Consist of:	
Paid-in capital	$ 217,587,742
Undistributed net investment income	2,233,020
Undistributed net realized gain	11,581,782
Net unrealized appreciation	12,644,990
NET ASSETS	**$244,047,534**
Class O — Net asset value per share	**$13.89**
Class S — Net asset value per share	**$14.71**
SHARES OF BENEFICIAL INTEREST OUTSTANDING— NOTE 6	
Class O	**17,557,217**
Class S	**12,980**
*Identified cost	$ 230,691,171

See Notes to Financial Statements.

Statement of Operations (Unaudited) *For the six months ended June 30, 2007*

INVESTMENT INCOME	
Interest	$ 2,666,694
Dividends (net of foreign withholding taxes*)	819,842
Total Income	3,486,536
EXPENSES:	
Investment advisory fee—Note 3(a)	951,379
Administrative fees—Note 3(a)	53,584
Interest on line of credit utilized—Note 5	288
Custodian fees	15,527
Professional fees	11,711
Transfer agent fees	11,895
Printing fees	21,245
Distribution fees—Note 3(b)	
Class S	26,978
Trustees' fees	5,455
Miscellaneous	55,865
Total Expenses	1,153,927
Less expense reimbursements—Note 3(a)	(53,855)
Net Expenses	1,100,072
NET INVESTMENT INCOME (LOSS)	2,386,464
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FOREIGN CURRENCY AND OPTIONS:	
Net realized gain on investments	16,164,931
Net realized gain on foreign currency transactions	12,991
Net change in unrealized appreciation (depreciation) on investments and foreign currency translations	(291,426)
Net realized and unrealized gain on investments, foreign currency and options	15,886,496
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$18,272,960**
* Foreign withholding taxes	$ 30,765

See Notes to Financial Statements.

THE ALGER AMERICAN FUND | ALGER AMERICAN BALANCED PORTFOLIO

Statement of Changes in Net Assets (Unaudited) *For the six months ended June 30, 2007*

Net investment income	$ 2,386,464
Net realized gain on investments, foreign currency transactions and options	16,177,922
Net change in unrealized appreciation (depreciation) on investments, foreign currency translations and options	(291,426)
Net increase in net assets resulting from operations	18,272,960
Dividends and distributions to shareholders from:	
Net investment income	
Class O	(5,229,295)
Net realized gains	
Class O	(14,353,492)
Class S	(12,304)
Total dividends and distributions to shareholders	(19,595,091)
Decrease from shares of beneficial interest transactions:	
Class O	(7,659,639)
Class S	(33,078,502)
Decrease from shares of beneficial interest transactions—Note 6	(40,738,141)
Total decrease	(42,060,272)
Net Assets	
Beginning of period	286,107,806
END OF PERIOD	**$244,047,534**
Undistributed net investment income (accumulated loss)	$ 2,233,020

THE ALGER AMERICAN FUND | ALGER AMERICAN BALANCED PORTFOLIO

Statement of Changes in Net Assets *For the year ended December 31, 2006*

Net investment income	$ 5,045,810
Net realized gain on investments, foreign currency transactions	11,071,260
Net change in unrealized appreciation (depreciation) on investments, foreign currency translations	(3,415,314)
Net increase in net assets resulting from operations	12,701,756
Dividends and distributions to shareholders from:	
Net investment income	
Class O	(4,155,477)
Class S	(404,093)
Net realized gains	
Class O	(14,015,672)
Class S	(1,726,857)
Total dividends and distributions to shareholders	(20,302,099)
Decrease from shares of beneficial interest transactions:	
Class O	(30,965,017)
Class S	(11,321,983)
Net decrease from shares of beneficial interest transactions—Note 6	(42,287,000)
Total decrease	(49,887,343)
Net Assets	
Beginning of year	335,995,149
END OF YEAR	**$286,107,806**
Undistributed net investment income (accumulated loss)	$ 4,932,153

See Notes to Financial Statements.

		INCOME FROM INVESTMENT OPERATIONS			
	Net Asset Value, Beginning of Period	Net Investment Income (Loss)	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Dividends from Net Investment Income
Class O					
Six months ended 6/30/07(i)(iv)	$14.11	$ 0.13(iii)	$ 0.83	$ 0.96	$(0.32)
Year ended 12/31/06	14.44	0.24(iii)	0.39	0.63	(0.22)
Year ended 12/31/05	13.55	0.20	0.92	1.12	(0.23)
Year ended 12/31/04	13.16	0.19	0.40	0.59	(0.20)
Year ended 12/31/03	11.29	0.19	1.94	2.13	(0.26)
Year ended 12/31/02	13.08	0.20	(1.79)	(1.59)	(0.20)
Class S					
Six months ended 6/30/07(i)(iv)	$14.30	$ 0.10(iii)	$ 1.17	$ 1.27	$ —
Year ended 12/31/06	14.61	0.20(iii)	0.40	0.60	(0.17)
Year ended 12/31/05	13.71	0.14	0.96	1.10	(0.20)
Year ended 12/31/04	13.34	0.17	0.39	0.56	(0.19)
Year ended 12/31/03	11.47	0.23	1.90	2.13	(0.26)
Eight months ended 12/31/02(i)(ii)	12.50	0.02	(1.05)	(1.03)	—

(i) Ratios have been annualized; total return has not been annualized.
(ii) Commenced operations May 1, 2002.
(iii) Amount was computed based on average shares outstanding during the period.
(iv) Unaudited.
(v) Amount has been reduced by 0.04% due to expense reimbursement.

See Notes to Financial Statements.

				RATIOS/SUPPLEMENTAL DATA			
Distributions from Net Realized Gains	Total Distributions	Net Asset Value, End of Period	Total Return	Net Assets, End of Period (000's omitted)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
$(0.86)	$(1.18)	$13.89	6.83%	$ 243,857	0.80%(v)	1.81%	62.93%
(0.74)	(0.96)	14.11	4.72	254,579	0.86	1.71	288.73
—	(0.23)	14.44	8.42	292,412	0.81	1.29	218.77
—	(0.20)	13.55	4.57	309,744	0.87	1.41	177.66
—	(0.26)	13.16	19.03	308,990	0.87	1.60	135.67
—	(0.20)	11.29	(12.29)	254,290	0.87	2.16	188.76
$(0.86)	$(0.86)	$14.71	8.93%	$ 191	1.08%(v)	1.48%	62.93%
(0.74)	(0.91)	14.30	4.46	31,528	1.11	1.43	288.73
—	(0.20)	14.61	8.15	43,583	1.06	1.05	218.77
—	(0.19)	13.71	4.27	44,435	1.12	1.20	177.66
—	(0.26)	13.34	18.73	28,680	1.11	1.25	135.67
—	—	11.47	(8.24)	494	1.17	1.67	188.76

NOTE 1 — General:

The Alger American Fund (the "Fund") is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing six series of shares of beneficial interest: American Growth Portfolio, American Small Capitalization Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio and American Leveraged AllCap Portfolio. These financial statements include only the American Balanced Portfolio (the "Portfolio"). The Portfolio's investment objectives are current income and long-term capital appreciation which it seeks to achieve through investing in equity and fixed income securities. Shares of the Portfolios are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

The Portfolio offers Class O and Class S shares. Each class has identical rights to assets and earnings except that only Class S shares have a plan of distribution and bear the related expenses.

NOTE 2 — Significant Accounting Policies:

(a) Investment Valuation: Investments of the Portfolio are generally valued on each day the New York Stock Exchange (the "NYSE") is open as of the close of the NYSE (normally 4:00 p.m. Eastern time). Securities for which such information is readily available are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded. In the absence of reported sales, securities are valued at a price within the bid and asked price or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued.

Securities for which market quotations are not readily available or for which the market quotation does not, in the opinion of the investment advisor, reflect the securities true value are valued at fair value, as determined in good faith pursuant to procedures established by the Board of Trustees.

Securities in which the Portfolio invests may be traded in markets that close before the close of the NYSE. Developments that occur between the close of the foreign markets and the close of the NYSE (normally 4:00 p.m. Eastern time) may result in adjustments to closing prices to reflect what the investment advisor, pursuant to policies established by the Board of Trustees, believes to be the fair value of these securities as of the close of the NYSE. The Portfolio may also fair value securities in other situations, for example, when a particular foreign market is closed but the Portfolio is open.

Securities having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value.

In September 2006, the Financial Accounting Standards Board (FASB) issued *Statement on Financial Accounting Standards No. 157, "Fair Value Measurements"* (FAS 157). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of June 30, 2007 the Portfolio does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements, however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal period.

(b) Security Transactions and Investment Income: Security transactions are recorded on a trade date basis. Resulting receivables and payables are carried at amounts which approximate fair value. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

Premiums and discounts on debt securities purchased are amortized or accreted over the lives of the respective securities.

(c) Foreign Currency Transactions: The books and records of the Portfolio are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the prevailing rates of exchange on the valuation date. Purchases and sales of investment securities and income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of such transactions.

Net realized gains and losses on foreign currency transactions represent net gains and losses from the disposition of foreign currencies, currency gains and losses realized between the trade dates and settlement dates of security transactions, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. The effects of changes in foreign currency exchange rates on investments in securities are included in realized and unrealized gain or loss on investments in the Statement of Operations.

(d) Repurchase Agreements: The Portfolio enters into repurchase agreements with approved institutions. The repurchase agreements are collateralized by U.S. Government securities, which are either received and held in physical possession by the custodian or received by such custodian in book-entry form through the Federal Reserve book-entry system. The collateral is valued on a daily basis during the term of the agreement to ensure that its value equals or exceeds the agreed-upon repurchase price to be repaid to the Portfolio. Additional collateral is obtained when necessary.

(e) Option Contracts: When a Portfolio writes an option, an amount equal to the premium received by the Portfolio is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Portfolio on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Portfolio has realized a gain or loss. If a written put option is exercised, the premium reduces the cost basis of the securities purchased by the Portfolio. The Portfolio as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

The Portfolio may also purchase put and call options. Purchasing call and put options tends to decrease the Portfolio's exposure to the underlying instrument. The Portfolio pays a premium which is included in the Portfolio's Statement of Assets and Liabilities as an investment and subsequently marked to market to reflect the current value of the option. Premiums paid for purchasing options which expire are treated as realized losses. The risk associated with purchasing put and call options is limited to the premium paid. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying security to determine the realized gain or loss.

(f) Lending of Portfolio Securities: The Portfolio may lend its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one third of the Portfolio's total assets. The Portfolio earns fees on the securities loaned. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day. There were no securities on loan during the six months ended June 30, 2007.

(g) Dividends to Shareholders: Dividends payable to shareholders are recorded by the Fund on the ex-dividend date.

Dividends from net investment income are declared and paid annually.

Dividends from net realized gains, offset by any loss carryforward, are declared and paid annually after the end of the fiscal year in which earned.

Each class is treated separately in determining the amounts of dividends of net investment income and capital gains payable to holders of its shares.

The characterization of distributions to shareholders for financial reporting purposes is determined in accordance with federal income tax rules. Therefore, the source of the Portfolio's distributions may be shown in the accompanying financial statements as either from, or in excess of, net investment income or net realized gain on investment transactions, or return of capital, depending on the type of book/tax differences that may exist.

Capital accounts within the financial statements are adjusted for permanent book/tax differences. Reclassifications result primarily from the difference in tax treatment of net operating losses, premium/discount of debt securities, and realized gains from redemptions in kind. The reclassifications had no impact on the net asset values of the Portfolio and are designed to present the Portfolio's capital accounts on a tax basis.

(h) Federal Income Taxes: It is the Portfolio's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of the taxable income, including net realized capital gains, of the Portfolio to its respective shareholders. Therefore, no federal income tax provision is required. The Portfolio is treated as a separate entity for the purpose of determining such compliance.

The Fund has adopted the Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. There are no unrecognized tax benefits as of June 30, 2007.

(i) Allocation Methods: The Fund accounts separately for the assets, liabilities and operations of each Portfolio. Expenses directly attributable to each Portfolio are charged to that Portfolio's operations; expenses which are applicable to all Portfolios are allocated among them based on net assets. Income, realized and unrealized gains and losses, and expenses of each Portfolio are allocated among the Portfolio's classes based on relative net assets, with the exception of distribution fees, which are only applicable to Class S shares.

(j) Indemnification: The Fund enters into contracts that contain a variety of indemnification provisions. The Fund's maximum exposure under these arrangements is unknown. The Fund does not anticipate recognizing any loss related to these arrangements.

(k) Other: These financial statements have been prepared in accordance with U.S. generally accepted accounting principles using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

NOTE 3 — Investment Advisory Fees and Other Transactions with Affiliates:

(a) Investment Advisory and Administration Fees: Fees incurred by the Portfolio, pursuant to the provisions of its Investment Advisory Agreement and Administration Agreement with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of the Portfolio at the following annual rates:

Advisory Fee	Administration Fee
.710%	.04%

As part of the settlement with the New York State Attorney General (see Note 8–Litigation) Alger Management has agreed to reduce its advisory fee to 0.67% for the Portfolio for the period from December 1, 2006 through November 30, 2011.

(b) Distribution Fees: Class S shares—The Fund has adopted a Distribution Plan pursuant to which Class S shares of the Portfolio pay Fred Alger & Company, Incorporated, the Fund's distributor (the "Distributor"), a fee at the annual rate of .25% of the respective average daily net assets of the Class S shares of the designated Portfolio to compensate the Distributor for its activities and expenses incurred in distributing the Class S shares. The fees paid may be more or less than the expenses incurred by the Distributor.

(c) Brokerage Commissions: During the six months ended June 30, 2007, the Portfolio paid the Distributor $149,960 in connection with securities transactions.

(d) Shareholder Administrative Fees: The Fund has entered into a shareholder administrative service agreement with Alger Shareholder Services, Inc. ("Alger Services") to compensate Alger Services on a per account basis for its liaison and administrative oversight of the transfer agent and related services. During the six months ended June 30, 2007, the Portfolio incurred fees of $44 for these services.

(e) Other: Certain trustees and officers of the Fund are directors and officers of Alger Management, the Distributor and Alger Services. The Portfolio pays each trustee who is not affiliated with Alger Management or its affiliates an annual fee of $2,000. The Chairman of the Board of Trustees receives an additional annual fee of $10,000 which is paid, pro rata, by all funds for which he serves in that role. Additionally, each member of the audit committee receives an additional annual fee of $200 per Portfolio.

NOTE 4 — Securities Transactions:

Purchases and sales of securities, other than short-term securities, for the six months ended June 30, 2007, were $165,721,834 and $220,780,394, respectively.

NOTE 5 — Lines of Credit:

The Fund participates in committed lines of credits with other mutual funds managed by Alger Management. All Borrowings have variable interest rates and are payable on demand.

The Portfolio borrows under such lines of credit exclusively for temporary or emergency purposes. For the six months ended June 30, 2007, the Portfolio had no such borrowings.

NOTE 6 — Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of $.001 par value which are divided into six series. The Portfolio is divided into two separate classes.

During the six months ended June 30, 2007, transactions of shares of beneficial interest were as follows:

	SHARES	AMOUNT
Class O:		
Shares sold	343,356	$ 4,979,519
Dividends reinvested	1,420,072	19,582,787
Shares redeemed	(2,247,633)	(32,221,945)
Net decrease	**(484,205)**	**$ (7,659,639)**
Class S:		
Shares sold	6,477	$ 94,504
Dividends reinvested	842	12,304
Shares redeemed	(2,199,429)	(33,185,310)
Net decrease	**(2,192,110)**	**$(33,078,502)**

During the year ended December 31, 2006, transactions of shares of beneficial interest were as follows:

Class O:		
Shares sold	956,880	$ 13,408,352
Dividends reinvested	1,368,309	18,171,149
Shares redeemed	(4,527,182)	(62,544,518)
Net decrease	**(2,201,993)**	**$(30,965,017)**
Class S:		
Shares sold	98,708	$ 1,419,142
Dividends reinvested	158,082	2,130,950
Shares redeemed	(1,034,385)	(14,872,075)
Net decrease	**(777,595)**	**$(11,321,983)**

NOTE 7 — Tax Character of Distributions to Shareholders:

The tax character of distributions paid during the six months ended June 30, 2007 and the year ended December 31, 2006 were as follows:

	SIX MONTHS ENDED JUNE 30, 2007	YEAR ENDED DECEMBER 31, 2006
Distributions paid from:		
Ordinary Income	$ 18,216,201	$ 14,869,576
Long-Term capital gains	1,378,890	5,432,523
Total distributions paid	**$19,595,091**	**$20,302,099**

As of December 31, 2006, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$ 18,213,991
Undistributed long-term gain	1,378,765
Unrealized appreciation (depreciation)	8,189,171

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is determined annually and is attributable primarily to the tax deferral of losses on wash sales and the tax treatment of premium/discount on debt securities. Tax basis unrealized appreciation as of June 30, 2007, does not reflect any potential adjustments subsequent to December 31, 2006.

NOTE 8 — Litigation:

Alger Management has responded to inquiries, document requests and/or subpoenas from various regulatory authorities, in connection with their investigations of practices in the mutual fund industry identified as "market timing" and "late trading." On October 11, 2006, Alger Management, Alger Inc. and Alger Shareholder Services, Inc. executed an Assurance of Discontinuance with the Office of the New York State Attorney General ("NYAG"). On January 18, 2007 the Securities and Exchange Commission issued an order implementing settlements reached with Alger Management and Alger Inc. As part of the settlements with the Commission and the NYAG, without admitting or denying liability, the firms paid $30 million to reimburse fund shareholders and a fine of $10 million; and agreed to certain other remedial measures including a reduction in management fees of $1 million per year for five years. The entire $40 million and fee reduction will be available for the benefit of investors. Alger Management has advised the Fund that the settlement has not adversely affected the operations of Alger Management, Alger Inc. or their affiliates, or adversely affected their ability to continue to provide services to the Fund.

On August 31, 2005, the West Virginia Securities Commissioner (the "WVSC") in an ex parte Summary Order to Cease and Desist and Notice of Right to Hearing concluded that Alger Management and Alger Inc. had violated the West Virginia Uniform Securities Act (the "WVUSA"), and ordered Alger Management and Alger Inc. to cease and desist from further violations of the WVUSA by engaging in the market-timing related conduct described in the order. The ex parte order provided notice of their right to a hearing with respect to the violations of law asserted by the WVSC. Other firms unaffiliated with Alger Management were served with similar orders. Alger Management and Alger Inc. intend to request a hearing for the purpose of seeking to vacate or modify the order.

In addition, in 2003 and 2004 several purported class actions and shareholder derivative suits were filed against various parties in the mutual fund industry, including Alger Management, certain mutual funds managed by Alger Management (the "Alger Mutual Funds"), and certain current and former Alger Mutual Fund trustees and officers, alleging wrongful conduct related to market-timing and late-trading by mutual fund shareholders. These cases were transferred to the U.S. District Court of Maryland by the Judicial Panel on Multidistrict Litigation for consolidated pre-trial proceedings. In September 2004, consolidated amended complaints involving these cases — a Consolidated Amended Fund Derivative Complaint (the "Derivative Complaint") and two substantially identical Consolidated Amended Class Action Complaints (together, the "Class Action Complaint") — were filed in the Maryland federal district court under the caption number 1:04-MD-15863 (JFM). In April 2005, a civil lawsuit involving similar allegations was filed by the West Virginia Attorney General and also transferred to the Maryland District Court, but such lawsuit has since been withdrawn.

The Derivative Complaint alleged (i) violations, by Alger Management and, depending on the specific offense alleged, by Alger Inc. and/or the fund trustee defendants, of Sections 36(a), 36(b), 47, and 48 of the Investment Company Act of 1940, as amended, (the "Investment Company Act") and of Sections 206 and 215 of the Investment Advisers Act of 1940, as amended, breach of fiduciary duty, and breach of contract, (ii) various offenses by other third-party defendants, and (iii) unjust enrichment by all the named defendants. The Class Action Complaint alleged, in addition to the offenses listed above, (i) violations, by Alger Management, Alger Inc., their affiliates, the funds named as defendants, including the Fund, and the current and former fund trustees and officers, of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, as amended, Sections 10(b) (and Rule 10b-5 thereunder) and 20(a) of the Securities Exchange Act of 1934, as amended, (the "1934 Act"), and Section 34(b) of the Investment Company Act, (ii) breach of contract by the funds named as defendants, and (iii) unjust enrichment of the defendants.

Motions to dismiss the Class Action Complaint and the Derivative Complaint were subsequently filed.

As a result of a series of court orders, all claims in the Class Action Complaint and the Derivative Complaint have been dismissed, other than claims under the 1934 Act against Alger Management, Alger Inc., Alger Associates, Inc. and Alger Shareholder Services, Inc., and certain present and former members of the senior management of Alger Management and/or Alger Inc., and claims under Section 36(b) of the Investment Company Act against Alger Management, Alger Inc., Alger Associates, Inc. and Alger Shareholder Services, Inc.

Shareholder Expense Example

As a shareholder of a Portfolio, you incur two types of costs: transaction costs, if applicable; and ongoing costs, including management fees, distribution (12b-1) fees, if applicable, and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in a Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

The example below is based on an investment of $1,000 invested at the beginning of the six-month period starting January 1, 2007 and ending June 30, 2007.

Actual Expenses

The first line for each class of shares in the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you would have paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During the Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each class of shares in the table below provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratios for each class of shares and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in a Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs or deduction of insurance charges against assets or annuities. Therefore, the second line under each class of shares in the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

		Beginning Account Value January 1, 2007	Ending Account Value June 30, 2007	Expenses Paid During the Period January 1, 2007 to June 30, 2007(b)	Ratio of Expenses to Average Net Assets For the Six Months Ended June 30, 2007(c)
Class O	Actual	$1,000.00	$1,068.30	$4.10	0.80%
	Hypothetical(a)	1,000.00	1,020.83	4.01	0.80
Class S	Actual	1,000.00	1,089.30	5.59	1.08
	Hypothetical(a)	1,000.00	1,019.44	5.41	1.08

(a) 5% annual return before expenses.
(b) Expenses are equal to the annualized expense ratio of the respective share class, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).
(c) Annualized.

Proxy Voting Results

A special meeting of the Fund's shareholders was held on January 17, 2007. The results of votes taken among shareholders on the proposal before them are reported below. Each vote reported represents one share held on the record date for the meeting.

Proposal 1 – To elect six trustees of the Fund.

Hilary M. Alger	# of Votes	% of Votes
For	72,047,808	96.2%
Withheld	2,826,718	3.8%
Total	74,874,526	100.0%

Charles F. Baird, Jr.	# of Votes	% of Votes
For	72,282,060	96.5%
Withheld	2,592,466	3.5%
Total	74,874,526	100.0%

Roger P. Cheever	# of Votes	% of Votes
For	72,223,384	96.5%
Withheld	2,651,142	3.5%
Total	74,874,526	100.0%

Lester L. Colbert, Jr.	# of Votes	% of Votes
For	72,116,899	96.3%
Withheld	2,757,627	3.7%
Total	74,874,526	100.0%

Stephen E. O'Neil	# of Votes	% of Votes
For	72,060,886	96.2%
Withheld	2,813,640	3.8%
Total	74,874,526	100.0%

Nathan E. Saint-Amand	# of Votes	% of Votes
For	72,095,603	96.3%
Withheld	2,778,923	3.7%
Total	74,874,526	100.0%

Proposal 2 – To approve an Investment Advisory Agreement with Fred Alger Management, Inc.

	# of Votes	% of Votes
For	18,440,235	95.0%
Against	316,708	1.7%
Abstain/Broker No Votes	645,625	3.3%
Total	19,402,568	100.0%

Proposal 3 – To approve revisions to the fundamental investment policies of the Fund.

Convert the Portfolio's investment objective from fundamental to non-fundamental	# of Votes	% of Votes
For	18,172,919	93.7%
Against	610,351	3.1%
Abstain/Broker No Votes	619,298	3.2%
Total	19,402,568	100.0%

Revise the fundamental policy relating to borrowing money	# of Votes	% of Votes
For	18,082,390	93.2%
Against	680,112	3.5%
Abstain/Broker No Votes	640,066	3.3%
Total	19,402,568	100.0%

Revise the fundamental policy relating to underwriting	# of Votes	% of Votes
For	18,200,080	93.8%
Against	488,359	2.5%
Abstain/Broker No Votes	714,129	3.7%
Total	19,402,568	100.0%

Revise the fundamental policy relating to lending	# of Votes	% of Votes
For	18,232,729	94.0%
Against	559,407	2.9%
Abstain/Broker No Votes	610,432	3.1%
Total	19,402,568	100.0%

Revise the fundamental policy relating to issuing senior securities	# of Votes	% of Votes
For	18,145,302	93.5%
Against	576,036	3.0%
Abstain/Broker No Votes	681,230	3.5%
Total	19,402,568	100.0%

Revise the fundamental policy relating to real estate	# of Votes	% of Votes
For	18,414,668	94.9%
Against	458,924	2.4%
Abstain/Broker No Votes	528,976	2.7%
Total	19,402,568	100.0%

Revise the fundamental policy relating to commodities	# of Votes	% of Votes
For	18,300,928	94.3%
Against	534,375	2.8%
Abstain/Broker No Votes	567,265	2.9%
Total	19,402,568	100.0%

Revise the fundamental policy relating to concentration	# of Votes	% of Votes
For	18,386,390	94.8%
Against	454,430	2.3%
Abstain/Broker No Votes	561,748	2.9%
Total	19,402,568	100.0%

Revise the fundamental policy relating to diversification	# of Votes	% of Votes
For	18,526,687	95.5%
Against	376,331	1.9%
Abstain/Broker No Votes	499,550	2.6%
Total	19,402,568	100.0%

Remove the fundamental policy relating to the purchase of illiquid securities	# of Votes	% of Votes
For	17,997,809	92.8%
Against	854,504	4.4%
Abstain/Broker No Votes	550,255	2.8%
Total	19,402,568	100.0%

Remove the fundamental policy relating to both purchasing securities on margin and engaging in short sales	# of Votes	% of Votes
For	18,114,533	93.4%
Against	698,034	3.6%
Abstain/Broker No Votes	590,001	3.00%
Total	19,402,568	100.0%

Remove the fundamental policy relating to investment in other investment companies	# of Votes	% of Votes
For	18,270,282	94.1%
Against	593,952	3.1%
Abstain/Broker No Votes	538,334	2.8%
Total	19,402,568	100.0%

Remove the fundamental policy relating to pledging assets	# of Votes	% of Votes
For	18,071,017	93.1%
Against	730,473	3.8%
Abstain/Broker No Votes	601,078	30.1%
Total	19,402,568	100.0%

Proposal 4 – To Approve Amendments to the Fund's Agreement and Declaration of Trust.

Eliminate the requirement that shareholders approve the liquidation of a Portfolio or a class of shares of a Portfolio	# of Votes	% of Votes
For	67,815,065	90.6%
Against	4,738,885	6.3%
Abstain/Broker No Votes	2,320,576	3.1%
Total	74,874,526	100.0%

Eliminate the requirement that shareholders approve the termination of the Fund	# of Votes	% of Votes
For	67,249,561	89.8%
Against	5,315,307	7.1%
Abstain/Broker No Votes	2,309,658	3.1%
Total	74,874,526	100.0%

Eliminate (subject to a qualification) the requirement that shareholders approve the reorganization of the Fund or a Portfolio	# of Votes	% of Votes
For	67,526,592	90.2%
Against	5,068,400	6.8%
Abstain/Broker No Votes	2,279,534	3.0%
Total	74,874,526	100.0%

Add a demand requirement for shareholder derivative suits	# of Votes	% of Votes
For	68,486,852	91.5%
Against	3,626,709	4.8%
Abstain/Broker No Votes	2,760,965	3.7%
Total	74,874,526	100.0%

Proxy Voting Policies

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities and the proxy voting record is available, without charge, by calling (800) 992-3863 or online on the Fund's website at http://www.alger.com or on the SEC's website at http://www.sec.gov.

Quarterly Fund Holdings

The Portfolio files its complete schedule of portfolio holdings with the SEC for the first and third quarter of each fiscal year on Form N-Q. Forms N-Q are available online on the Fund's website at http://www.alger.com or on the SEC's website at http://www.sec.gov. The Portfolio's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information regarding the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330. A copy of the most recent quarterly holdings may also be obtained from the Fund by calling (800) 992-3863.

Alger American Leveraged AllCap Portfolio

THE ALGER AMERICAN FUND

A pooled funding vehicle for:

- **variable annuity contracts**
- **variable life insurance policies**
- **qualified pension plans**
- **qualified retirement plans**

SEMI-ANNUAL REPORT

June 30, 2007

(Unaudited)

ALGER

Table Of Contents

THE ALGER AMERICAN FUND

Letter to Our Shareholders	1
Portfolio Highlights	4
Portfolio Summary	5
Schedule of Investments	6
Statement of Assets and Liabilities	12
Statement of Operations	13
Statements of Changes in Net Assets	14
Financial Highlights	16
Notes to Financial Statements	18
Additional Information	23

Dear Shareholders,

August 1, 2007

In our December 31, 2006 report, we likened the new global economy to a "Brave New World." While we are usually loath to recycle a metaphor so quickly, in this case, it seems fitting to continue to use it. Nothing that has happened over the past six months alters our view that we are entering uncharted waters for both the global economy and for the thousands of companies that are being reshaped by it.

As with any sweeping change, there are those who embrace it and try to anticipate the risks and rewards; there are those who deny that there is any change; and finally those who simply wait to see what everyone else thinks. At Alger; we fall into the first camp, and, in fact, believe that we are still in the early stages of a radical shift in how the global economy functions; one that has already produced new winners and losers, not just in terms of nations, but of companies that are seizing the opportunities and those that are unable to. While the story of China and India is familiar, it is hardly limited to them and now includes such disparate regions as Vietnam, Eastern Europe and Australia, to name three, all of which are adding additional complexity and additional fuel to the expanding global economy.

Here then is our six-month postcard from this Brave New World. The themes include the greening of corporate America and the lessons gleaned from the swift fall — and subsequent — sharp recovery of the equity markets on February 27. They include the coming of age of private equity as a force that can move and shape the markets, and the importance of free cash flow as a metric for measuring the strength of corporate balance sheets. And of course, one other theme stands out above all — the surprising (at least to most on Wall Street) strength of corporate earnings at the end of the first quarter.

The Convergence of Business and Green

The beginning of 2007 saw one of the warmest Januaries on record, and instead of snow, we were treated to a flurry of articles, announcements, conferences, and high level public speeches that demanded action on the part of countries, individuals and companies to address the issue of global warming. Appearing simultaneously but independently, ***Fortune***, ***The Economist*** and ***Business Week*** all ran lengthy cover stories describing the shift in corporate America to embrace socially responsible business practices as a better — and potentially more profitable — way of doing business. These articles were the most noticeable in a few weeks' span, but they were hardly a comprehensive list of the hundreds published about the greening of corporate America, not to mention Europe, Asia, and the world. By late January, whether or not "greening" was a mere zeitgeist was debatable. But on February 2, the Intergovernmental Panel on Climate Change issued their Fourth Assessment Report indicating that global warming was "unequivocal" — a real and growing danger.

In response, many dynamic, innovative companies are stepping up and looking for ways to solve the intractable issues of energy and the environment. Case in point is private equity firms Kohlberg Kravis Roberts and Texas Pacific Group, which announced plans to acquire one of the largest public utility companies in the United States, TXU. What made the TXU deal distinctive were the conditions attached to its approval. Under the proposed terms, KKR and Texas Pacific agreed to several substantial concessions to environmental groups including scaling back plans to build new coal-fired power plants while aggressively working on so-called "clean coal" technologies (i.e. coal gasification) that lower and potentially eliminate emissions. They also agreed to increase R&D spending on alternate energy by as much as half a billion dollars. Goldman Sachs, who brokered the deal, pressured both sides to agree to the pro-environment change in the initial plans. The result was a deal hailed by Wall Street and the green lobby in equal measure.

The convergence of vast amounts of private equity cash and environmentalism was a sign of the cultural, global shift taking place. Clearly, a number of the major investment banks already saw the long-term value in their companies "going green," and the rest of the financial world was swiftly joining them.

The Return of Volatility

On February 27 global stock markets saw their most dramatic sell-off in years. Wall Street pundits were, as usual, divided. Some said it was a long-awaited correction and a sign of a weakening economy, while others said it was simply the return of volatility to what has been a fairly stable market.

That said, nothing actually happened to trigger the declines. No sudden change in the economic forecasts. No critically bad economic or corporate news. However, there were rumors in Shanghai and Beijing that a government squeeze on credit and stock speculation was imminent, and that alone was enough to send investors fleeing. But even after the sell-off, the Shenzhen market — Shanghai's smaller sibling — was still up more than 30% year-to-date, and well over 100% for the past 12 months. Hardly comforting if you bought on Monday before the sell-off, but not bad for those who had been in those markets for more than a couple of months.

What happened? In our view this was a market phenomenon, a brief reminder of volatility after months of stability, and a bout of profit-taking and stepping aside that had been long overdue. Within days, fears of a "global bear market" dissipated as continued liquidity and private equity activity bolstered markets both in the United States and around the world.

Private Equity and Free Cash Flow

For the first half of the fiscal year, private equity activity was truly impressive, with the purchase of troubled companies such as Chrysler that in earlier years would have made unlikely buyout targets. While no major company today — public or private — seems beyond private equity interests, there is one theme that unites both private equity and mutual fund investors: free cash flow.

At Alger, as bottom-up, fundamental investors, one of the key metrics we use is the ability of companies to generate free cash flow. Why? Because free cash flow can fund further growth at a company, pay dividends, and allow for the buy-back of stock in order to return value to shareholders — all of which, properly done, can contribute to earnings growth and shareholder value. It is a sign of both a strong business model and disciplined financial management to be able to grow (at impressive rates) and not require constant infusions of new capital. We think that private equity firms buying public companies of all sizes and across many industries is not irrational. It is seizing an opportunity to acquire solid franchises that are generating strong cash flows at extraordinary valuations for the long-term investor. And the amount of private equity activity is another confirmation that globalization, broadly speaking, benefits US. corporate profits.

The Earnings Surprise

At the beginning of 2007, the overwhelming consensus was that after several years of strong, double-digit earnings growth, the first quarter would show the companies of the Standard & Poor's 500[i] slowing to an anemic 3-4% growth rate. That assumption was based on several factors including the woes of the U.S. housing market, the slowing of the U.S. industrial economy, and the basic assumption that corporate earnings would have to "revert to the mean" of their multi-decade average (about 7%) and hence dip significantly. All of these assumptions proved to be wrong.

When all was said and done at the end of reporting seasons for the first quarter of 2007, the S&P companies registered earnings growth of about 9%, and nearly three-quarters of all companies have reported positive "surprises" relative to expectations. Indeed, at the tail end of May, the S&P broke its own record, reaching heights last seen seven years ago during the heady days of the technology boom — and this despite another minor overnight sell-off in China. So what happened? It's a case of our friends back at the Old World struggling to explain New World geography in terms they're familiar with — even if those terms don't quite fit anymore.

True, most top-down analysts were correct about their predictions of the slowdown of the U.S. economy. In fact, first quarter GDP growth was even worse than had been predicted, registering a paltry 0.6% growth on weak exports and slower corporate capital expenditures. But the experts also continued to use the United States and past economic patterns as a proxy for predicting earnings for U.S.-listed companies. This made perfect sense for the last half of the 20th century, when the United States was the dominant economic power globally and U.S. corporations reflected that strength. But while the United States remains far and away the largest economy, it is simply no longer the sole engine of growth or the fastest. As such, the U.S. economy and economic data are no longer a good proxy for how companies will do. Instead, they may well mislead investors and analysts to underestimate the growth of U.S.-listed companies.

We have said for the past three years — for most of this decade, in fact — that the U.S. markets have been good markets for "stock pickers" in that they have not been either notably frothy or notably flighty (occasional junctures notwithstanding). What is now emerging, we believe, is a global "stock picker" market, but many people are still playing markets rather than stocks. That leaves some markets and many stocks, especially U.S. listed ones and U.S.-listed growth equities above all, undervalued and less loved than they should be. And that, of course, represents an opportunity to pick and choose quality growth companies while the rest of the investing community focuses their eyes elsewhere.

Portfolio Matters

The Alger American Leveraged AllCap Portfolio gained 15.00% for the six months ended June 30, 2007, compared to the Russell 3000 Growth Index[ii] return of 8.22%. Information technology represented an average weight of 35.68% of the Portfolio's holdings, an overweight to the benchmark and outperformed. Strong IT performers included MEMC Electronic Materials, Inc., Google, Inc., and Apple, Inc. The Portfolio saw minor detractors in Symantec Corp., and Net I U.E.P.S. Technologies, Inc.

Energy stocks accounted for an average weight of 8.93% of the Portfolio, an overweight to the benchmark and outperformed with prominent performances from companies including Petrobank Energy & Resources, Ltd., a Calgary-based oil and natural gas exploration and production company, Diamond Offshore Drilling, Inc., a leading deepwater drilling contractor, and Valero Energy Corp.

The Portfolio's industrial holdings, at an average weight of 6.28%, were underweight to the benchmark and outperformed. Strong performers included Armor Holdings, Inc., BE Aerospace, Inc., and McDermott International, Inc.

In the health care sector, the Portfolio was underweight the benchmark at 15.47%, but outperformed due to substantial returns by Gilead Sciences, Inc., a biopharmaceutical company developing innovative therapeutics in areas of unmet medical need, Intuitive Surgical, Inc., a leader in surgical robotics, and Hologic, Inc., a developer and manufacturer of proprietary x-ray systems. The Portfolio did see weaker performances in this sector from Amgen, Inc., a leading human therapeutics company in the biotechnology industry, and Sepracor, Inc., a prominent pharmaceutical company.

In Summary

Six months ago, we surmised that braving the waters of the new global economy would provide both challenges and opportunities. Indeed, the first half of the year bore this out and often rewarded the innovative, dynamic companies and investors that embraced those changes. Going forward, we expect more of the same as the global, economic landscape continues to expand and evolve. As the first six months of this fiscal year come to a close, we would like to thank you for continuing to journey with us and entrusting us with your investing needs.

Respectfully submitted,

Daniel C. Chung
Chief Investment Officer

Zachary Karabell
Chief Economist

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[i] Standard & Poor's 500 Index is an index of the 500 largest and most profitable companies in the United States.

[ii] The Russell 3000 Growth Index is an unmanaged index designed to measure the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Index measures the performance of the 3000 largest U.S. companies based on the total market capitalization, which represents 98% of the U.S. Equity Market.

Investors cannot invest directly in an index. Index performance does not reflect a deduction of fees, expenses or taxes.

This report and the financial statements contained herein are submitted for the general information of shareholders of the Fund. This report is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by an effective prospectus for the Fund. Fund returns represent the semiannual period return of Class O shares prior to the deduction of any sales charges. The performance data quoted represent past performance, which is not an indication or guarantee of future results. The investment return and principal value of an investment in a fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month-end, visit us at www.alger.com, or call us at (800) 992-3863.

The views and opinions of the Fund's management and the portfolio holdings described in this report are as of June 30, 2007 and are subject to change at any time subsequent to this date. There is no guarantee that any of the assumptions that formed the basis for the opinions stated herein are accurate or that they will materialize. Moreover, the information forming the basis for such assumptions is from sources believed to be reliable, however, there is no guarantee that such information is accurate. Any securities mentioned, whether owned in a portfolio or otherwise, are considered in the context of the construction of an overall portfolio of securities and therefore reference to them should not be construed as a recommendation or offer to purchase or sell any such security. Inclusion of such securities in a portfolio and transactions in such securities, if any, may be for a variety of reasons, including without limitation, in response to cash flows, inclusion in a benchmark and risk control. The reference to a specific security should also be understood in such context and not viewed as a statement that the security is a significant holding in a Portfolio. Please refer to the Schedule of Investments for the Portfolio which is included in this report for a complete list of portfolio holdings as of June 30, 2007.

A Word About Risk

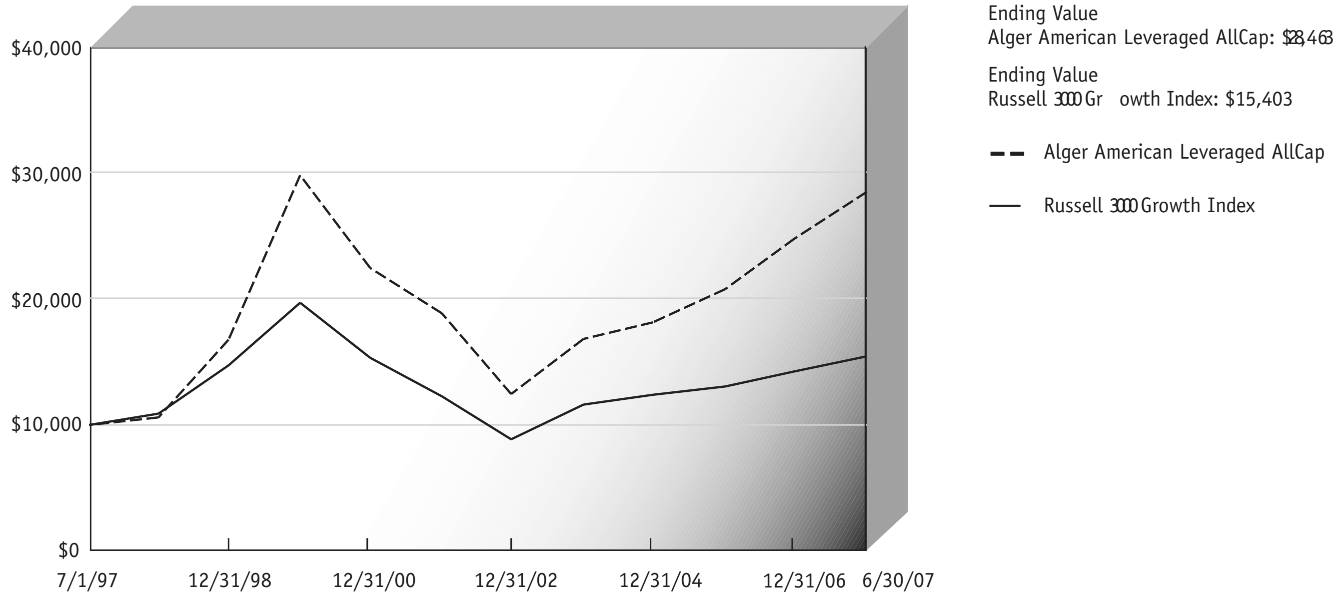
Growth stocks tend to be more volatile than other stocks as the prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments. Stocks of small- and mid-sized companies are subject to greater risk than stocks of larger, more established companies owing to such factors as limited liquidity, inexperienced management, and limited financial resources. Portfolios that participate in leveraging, such as the Leveraged AllCap Portfolio, are subject to the risk that the cost of borrowing money to leverage will exceed the returns for securities purchased or that the securities purchased may actually go down in value; thus, the portfolio's net asset value can decrease more quickly than if the portfolio had not borrowed. For a more detailed discussion of the risks associated with the Fund, please see the Fund's Prospectus.

Mutual funds are not insured by the FDIC, are not deposits or other obligations of, or guaranteed by banks, and are subject to investment risks, including possible loss of principal amount invested.

Before investing, carefully consider the Fund's investment objectives, risks and charges and expenses. The Fund's prospectus contains this and other information about the Fund, and may be obtained by asking your financial advisor, calling us at (800) 992-3863, or visiting our website at www.alger.com, or contacting the Fund's distributor, Fred Alger & Company, Incorporated, 111 Fifth Avenue, New York 10003. Member NYSE, SIPC. Read the prospectus carefully before investing.

HYPOTHETICAL $10,000 INVESTMENT

— 10 years ended June 30, 2007



The chart above illustrates the growth in value of a hypothetical $10,000 investment made in Alger American Leveraged AllCap Class O shares and the Russell 3000 Growth Index for the ten years ended June 30, 2007. Figures for the Alger American Leveraged AllCap Class O shares and the Russell 3000 Growth Index (an unmanaged index of common stocks), include reinvestment of dividends. Performance for Alger American Leveraged AllCap Class S shares will vary from the results shown above due to differences in expenses that class bears.

PERFORMANCE COMPARISON THROUGH JUNE 30, 2007

AVERAGE ANNUAL TOTAL RETURNS	1 YEAR	5 YEARS	10 YEARS	SINCE INCEPTION
Class O (Inception 1/25/95)	33.13%	13.58%	11.03%	15.92%
Russell 3000 Growth Index	18.83%	9.57%	4.41%	9.20%
Class S (Inception 5/1/02)	32.83%	13.29%	—	10.22%
Russell 3000 Growth Index	18.83%	9.57%	—	6.67%

The performance data quoted represent past performance, which is not an indication or a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. For performance current to the most recent month-end, visit us at www.alger.com, or call us at (800) 254-3797.

Returns indicated assume reinvestment of all distributions, no transaction costs or taxes, and are net of management fees and fund operating expenses only. Total return does not include deductions at the Portfolio or contract level for cost of insurance charges, premium load, administrative charges, mortality and expense risk charges or other charges that may be incurred under the variable annuity contract, variable life insurance plan or retirement plan for which the Portfolio serves as an underlying investment vehicle. If these charges were deducted, the total return figures would be lower. Please refer to the variable insurance product or retirement plan disclosure documents for any additional applicable expenses. Investing in the stock market involves gains and losses and may not be suitable for all investors.

Portfolio Summary* | ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO

June 30, 2007 *(Unaudited)*

SECTORS	
Consumer Discretionary	11.1%
Consumer Staples	7.3
Energy	6.5
Financials	11.3
Health Care	13.8
Industrials	7.2
Information Technology	36.0
Materials	4.1
Telecommunication Services	4.5
Utilities	0.0
Cash and Net Other Assets	-1.8
	100.0%

* *Based on net assets for the Portfolio.*

COMMON STOCKS—101.3%	SHARES	VALUE
AEROSPACE & DEFENSE—3.4%		
BE Aerospace, Inc.*	18,100	$ 747,530
Boeing Company	16,000	1,538,560
General Dynamics Corporation	128,000	10,012,160
		12,298,250
AUTO EQUIPMENT & SERVICE—.7%		
The Goodyear Tire & Rubber Company*	73,300	**2,547,908**
BIOTECHNOLOGY—1.7%		
InterMune, Inc.*	52,200	1,354,068
Neurocrine Biosciences, Inc.*	109,900	1,234,177
Onyx Pharmaceuticals, Inc.*	92,100	2,477,490
Regeneron Pharmaceuticals, Inc.*	66,500	1,191,680
		6,257,415
BUILDING MATERIALS & GARDEN SUPPLIES—.4%		
American Standard Companies	24,300	**1,433,214**
BUSINESS SERVICES—1.0%		
Endeavor Acquisition Corp.*	309,900	**3,656,820**
CAPITAL MARKETS—1.2%		
Bear Stearns Companies Inc.	12,300	1,722,000
National Financial Partners Corporation	56,100	2,597,991
		4,319,991
CASINOS & RESORTS—1.2%		
Bally Technologies Inc.*	170,300	**4,499,326**
COMMERCIAL BANKS—.7%		
Bank of America Corporation	52,000	**2,542,280**
COMMERCIAL SERVICES & SUPPLIES—1.2%		
Net 1 UEPS Technologies, Inc.*	177,850	**4,295,077**
COMMUNICATION EQUIPMENT—5.4%		
Cisco Systems, Inc.*	630,600	17,562,210
Sonus Networks, Inc.*	264,300	2,251,836
		19,814,046
COMPUTER SERVICES—.7%		
Digital River, Inc.*	57,500	**2,601,875**
COMPUTER TECHNOLOGY—1.0%		
Atheros Communications*	123,000	**3,793,320**
COMPUTERS & PERIPHERALS—6.2%		
Apple Computer, Inc.*	39,400	4,808,376
Autodesk, Inc.	50,500	2,377,540
Hewlett-Packard Company	74,300	3,315,266
Memc Electronic Materials, Inc.*	102,800	6,283,136
Network Appliance, Inc. *	42,300	1,235,160
SanDisk Corporation*	83,200	4,071,808
Seagate Technology	28,700	624,799
		22,716,085
CONSTRUCTION & ENGINEERING—.5%		
McDermott International, Inc.*	22,500	**1,870,200**
DRUGS & PHARMACEUTICALS—1.4%		
United Therapeutics Corporation*	81,600	**5,202,816**
ENERGY EQUIPMENT & SERVICES—1.8%		
Diamond Offshore Drilling Inc.	41,200	4,184,272
National-Oilwell Varco Inc.*	22,000	2,293,280
		6,477,552

COMMON STOCKS—(CONT.)	SHARES	VALUE
FINANCE—.8%		
IntercontinentalExchange Inc. *	19,300	$ **2,853,505**
FINANCIAL INFORMATION SERVICES—1.1%		
GFI Group Inc.*	58,100	**4,211,088**
FINANCIAL SERVICES—5.3%		
AllianceBernstein Holding LP	39,800	3,466,182
Chicago Mercantile Exchange Holdings Inc.†	17,750	9,484,890
Dollar Financial Corporation*	79,000	2,251,500
Lazard Ltd.	73,300	3,300,699
Nymex Holdings Inc.*	6,800	854,284
		19,357,555
FOOD & STAPLES RETAILING—1.3%		
CVS Caremark Corporation	132,700	**4,836,915**
HEALTH CARE EQUIPMENT & SUPPLIES—5.1%		
Cytyc Corporation*	65,200	2,810,772
Hologic, Inc.*	181,200	10,022,172
Illumina, Inc.	59,000	2,394,810
Intuitive Surgical, Inc.*	19,200	2,664,384
Thoratec Corporation*	48,400	890,076
		18,782,214
HEALTH CARE PROVIDERS & SERVICES—2.1%		
Cardinal Health, Inc.	47,100	3,327,144
Manor Care, Inc.	68,100	4,446,249
		7,773,393
HOTELS, RESTAURANTS & LEISURE—4.5%		
Accor SA	46,400	4,092,988
Hilton Hotels Corporation	92,300	3,089,281
MGM MIRAGE *	43,100	3,554,888
Penn National Gaming, Inc.*	35,400	2,127,186
Starbucks Corporation	139,000	3,647,360
		16,511,703
HOUSEHOLD PRODUCTS—1.0%		
Procter & Gamble Company	59,927	**3,666,933**
INDUSTRIAL CONGLOMERATES—.8%		
General Electric Company	72,300	**2,767,644**
INSURANCE—1.2%		
American International Group, Inc.	62,300	**4,362,869**
INTERNET & CATALOG RETAIL—2.1%		
Coldwater Creek Inc.*	34,500	801,435
eBay Inc.*	209,500	6,741,710
		7,543,145
INTERNET SOFTWARE & SERVICES—5.1%		
DealerTrack Holdings Inc.*	112,200	4,133,448
Google Inc. Cl. A*	18,800	9,839,544
SINA Corp.*	114,000	4,772,040
		18,745,032
LEISURE & ENTERTAINMENT—.4%		
Cinemark Holdings, Inc.*	78,200	**1,398,998**
LEISURE EQUIPMENT & PRODUCTS—.2%		
Smith & Wesson Holding Corporation*	51,000	**854,250**
MACHINERY—2.2%		
Oshkosh Truck Corporation*	126,200	**7,940,504**

COMMON STOCKS—(CONT.)	SHARES	VALUE
MEDIA—3.7%		
Dolby Laboratories Inc. Cl. A*	125,400	$ 4,440,414
DreamWorks Animation SKG, Inc. Cl. A*	107,200	3,091,648
Focus Media Holding Limited ADR*#	33,300	1,681,650
NeuStar, Inc. Cl. A*	80,600	2,334,982
Regal Entertainment Group	83,900	1,839,927
		13,388,621
MEDICAL PRODUCTS—.3%		
Northstar Neuroscience, Inc.*	101,400	**1,179,282**
METALS—1.9%		
HudBay Minerals, Inc.*	90,400	1,889,360
Thompson Creek Metals Co., Inc.*	259,700	3,887,709
Uranium One, Inc.*	90,400	1,151,696
		6,928,765
METALS & MINING—4.6%		
Cameco Corporation	98,600	5,002,964
Freeport-McMoRan Copper & Gold, Inc. Cl. B	56,300	4,662,766
Inmet Mining Corporation	13,100	1,013,285
Paladin Resources Limited*	512,300	3,568,170
Peabody Energy Corporation	54,700	2,646,386
		16,893,571
OIL AND GAS EXPLORATION SERVICES—1.6%		
Petrobank Energy and Resources Ltd.*	226,900	**5,699,728**
OIL & GAS—.8%		
Range Resources Corporation	7,600	284,316
Warren Resources Inc.*	215,400	2,515,872
		2,800,188
PHARMACEUTICAL PREPARATIONS—1.0%		
Adams Respiratory Therapeutics, Inc.*	91,600	**3,608,124**
PHARMACEUTICALS—2.1%		
Abbott Laboratories	119,800	6,415,290
Salix Pharmaceuticals, Ltd.*	108,800	1,338,240
		7,753,530
SEMICONDUCTOR CAPITAL EQUIPMENT—.5%		
FormFactor Inc.*	45,500	**1,742,650**
SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT—10.3%		
Intel Corporation	277,200	6,586,272
Lam Research Corporation*	75,600	3,885,840
ON Semiconductor Corporation*	1,516,000	16,251,520
Rambus Inc.*	70,000	1,258,600
Tessera Technologies Inc.*	175,605	7,120,783
Texas Instruments Incorporated	20,700	778,941
Trident Microsystems, Inc.*	92,400	1,695,540
		37,577,496
SOFTWARE—2.5%		
Adobe Systems Incorporated	66,500	2,669,975
Microsoft Corporation	47,900	1,411,613
Solera Holdings Inc.*	101,600	1,969,008
TomTom NV*	57,300	2,915,780
		8,966,376
SPECIALTY RETAIL—1.5%		
Urban Outfitters, Inc.*	228,000	**5,478,840**
TEXTILES & APPAREL—1.3%		
Iconix Brand Group, Inc.*	214,500	**4,766,190**

COMMON STOCKS—(CONT.)	SHARES	VALUE
TOBACCO—3.6%		
Altria Group, Inc.	189,400	**$ 13,284,516**
WIRELESS TELECOMMUNICATION SERVICES—3.9%		
America Movil S.A. de C.V. Series L ADR#	61,850	3,830,370
American Tower Corporation Cl. A*	69,242	2,908,164
NII Holdings Inc. Cl. B*	91,200	7,363,488
		14,102,022
TOTAL COMMON STOCKS		
(Cost $348,352,324)		**370,101,822**

PURCHASED OPTIONS—.1%	CONTRACTS	
PUT OPTIONS		
Chicago Mercantile Exchange/September/530†		
(Cost $246,709)	103	**250,290**

CONVERTIBLE CORPORATE BOND—.5%	PRINCIPAL AMOUNT	
TEXTILES & APPAREL		
Iconix Brand Group, Inc.*, 1.875%, 6/30/12 (a)		
(Cost $1,850,000)	$1,850,000	**1,898,563**

SHORT-TERM INVESTMENTS—1.4%		
U.S. AGENCY OBLIGATIONS		
Freddie Mac, 4.65%, 7/2/07		
(Cost $5,128,675)	5,130,000	**5,128,675**

Total Investments		
(Cost $355,577,708) (b)	103.3%	377,379,350
Liabilities in Excess of Other Assets	(3.3)	(12,016,652)
NET ASSETS	**100.0%**	**$365,362,698**

* *Non-income producing security.*
† *All or portion of the securities are pledged as collateral for options written.*
\# *American Depositary Receipts.*
(a) *Pursuant to Securities and Exchange Commission Rule 144A, this security may be sold prior to its maturity only to qualified institutional buyers. This security is deemed to be liquid and represents 0.5% of the net assets of the fund.*
(b) *At June 30, 2007, the net unrealized appreciation of investments, based on cost for federal income tax purposes of $356,965,358 amounted to $20,413,992 which consisted of aggregate gross unrealized appreciation of $28,228,420 and aggregate gross unrealized depreciation of $7,814,428.*

Schedule of Options Written (Unaudited) *June 30, 2007*

	CONTRACTS	SHARES SUBJECT TO CALL/PUT	VALUE
CALL OPTIONS WRITTEN			
Chicago Mercantile Exchange Holdings Inc./September/610	33	3,300	$ 16,830
Chicago Mercantile Exchange/September/590	70	7,000	63,700
TOTAL			
(Premiums Received $124,269)			**80,530**
PUT OPTIONS WRITTEN			
Chicago Mercantile Exchange/September/490	103	10,300	113,300
TOTAL			
(Premiums Received $109,149)			**113,300**
TOTAL OPTIONS WRITTEN			
(Premiums Received $233,418)			**$193,830**

Statement of Assets and Liabilities (Unaudited) *June 30, 2007*

ASSETS:	
Investments in securities, at value (identified cost*)—see accompanying schedule of investments	$ 377,379,350
Cash	2,342
Receivable for investment securities sold	8,209,515
Receivable for shares of beneficial interest sold	150,975
Interest and dividends receivable	133,122
Prepaid expenses	13,496
Total Assets	385,888,800
LIABILITIES:	
Payable for investment securities purchased	19,563,514
Written options outstanding	193,830
Payable for shares of beneficial interest redeemed	438,868
Accrued investment advisory fees	228,109
Accrued administration fees	11,773
Accrued distribution fees	3,187
Accrued expenses	86,821
Total Liabilities	20,526,102
NET ASSETS	**$365,362,698**
Net Assets Consist of:	
Paid-in capital	$ 393,705,502
Undistributed net investment income	22,249
Undistributed net realized gain (accumulated loss)	(50,206,283)
Net unrealized appreciation	21,841,230
NET ASSETS	**$365,362,698**
Class O — Net asset value per share	**$47.70**
Class S — Net asset value per share	**$47.06**
SHARES OF BENEFICIAL INTEREST OUTSTANDING—NOTE 6	
Class O	**7,327,134**
Class S	**336,721**
*Identified cost	$ 355,577,708

See Notes to Financial Statements.

Statement of Operations (Unaudited) *For the six months ended June 30, 2007*

INVESTMENT INCOME	
Interest	$ 96,945
Dividends (net of foreign withholding taxes*)	1,542,511
Total Income	1,639,456
EXPENSES:	
Investment advisory fee—Note 3(a)	1,396,796
Administrative fees—Note 3(a)	68,960
Interest on line of credit utilized—Note 5	29,227
Custodian fees	23,776
Professional fees	14,850
Transfer agent fees	11,493
Printing fees	32,422
Distribution fees—Note 3(b)	
Class S	28,483
Trustees' fees	5,455
Miscellaneous	66,444
Total Expenses	1,677,906
Less expense reimbursements—Note 3(a)	(60,699)
Net Expenses	1,617,207
NET INVESTMENT INCOME	22,249
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FOREIGN CURRENCY AND OPTIONS:	
Net realized gain on investments	50,215,690
Net realized gain on foreign currency transactions	30,667
Net change in unrealized appreciation (depreciation) on investments and foreign currency translations	(1,771,179)
Net change in unrealized appreciation (depreciation) on options	(398,437)
Net realized and unrealized gain on investments, foreign currency and options	48,076,741
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$48,098,990**
* Foreign withholding taxes	$ 1,451

See Notes to Financial Statements.

THE ALGER AMERICAN FUND | ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO

Statement of Changes in Net Assets (Unaudited) *For the six months ended June 30, 2007*

Net investment income	$ 22,249
Net realized gain on investments, foreign currency transactions and options	50,246,357
Net change in unrealized appreciation (depreciation) on investments, foreign currency translations and options	(2,169,616)
Net increase in net assets resulting from operations	48,098,990
Increase (decrease) from shares of beneficial interest transactions:	
Class O	6,718,071
Class S	(11,323,343)
Net decrease from shares of beneficial interest transactions—Note 6	(4,605,272)
Total increase	43,493,718
Net Assets	
Beginning of period	321,868,980
END OF PERIOD	**$365,362,698**
Undistributed net investment income	$ 22,249

THE ALGER AMERICAN FUND | ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO

Statement of Changes in Net Assets *For the year ended December 31, 2006*

Net investment loss	$ (623,629)
Net realized gain on investments, foreign currency transactions	67,962,789
Net change in unrealized appreciation (depreciation) on investments, foreign currency translations and options	(12,266,095)
Net increase in net assets resulting from operations	55,073,065
Increase (decrease) from shares of beneficial interest transactions:	
Class O	(51,703,354)
Class S	2,202,134
Net decrease from shares of beneficial interest transactions—Note 6	(49,501,220)
Total increase	5,571,845
Net Assets	
Beginning of year	316,297,135
END OF YEAR	**$321,868,980**
Undistributed net investment income (accumulated loss)	$ (623,629)

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Financial Highlights for a share outstanding throughout the period

		INCOME FROM INVESTMENT OPERATIONS			
	Net Asset Value, Beginning of Period	Net Investment Income (Loss)	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions from Net Realized Gains
Class O					
Six months ended 6/30/07(i)(iv)	$41.48	$ 0.01(iii)	$ 6.21	$ 6.22	$ —
Year ended 12/31/06	34.78	(0.07)(iii)	6.77	6.70	—
Year ended 12/31/05	30.39	(0.21)	4.60	4.39	—
Year ended 12/31/04	28.09	(0.07)	2.37	2.30	—
Year ended 12/31/03	20.85	(0.07)	7.31	7.24	—
Year ended 12/31/02	31.55	(0.14)	(10.56)	(10.70)	—
Class S					
Six months ended 6/30/07(i)(iv)	$40.97	$(0.04)(iii)	$ 6.13	$ 6.09	$ —
Year ended 12/31/06	34.44	(0.17)(iii)	6.70	6.53	—
Year ended 12/31/05	30.17	(0.08)	4.35	4.27	—
Year ended 12/31/04	27.96	(0.04)	2.25	2.21	—
Year ended 12/31/03	20.83	(0.16)	7.29	7.13	—
Eight months ended 12/31/02(i)(ii)	28.46	(0.02)	(7.61)	(7.63)	—

(i) Ratios have been annualized; total return has not been annualized.
(ii) Commenced operations May 1, 2002.
(iii) Amount was computed based on average shares outstanding during the period.
(iv) Unaudited.
(v) Amount has been reduced by 0.035% due to expense reimbursement.

See Notes to Financial Statements.

		RATIOS/SUPPLEMENTAL DATA			
Net Asset Value, End of Period	Total Return	Net Assets, End of Period (000's omitted)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
$47.70	15.00%	$349,518	0.92%(v)	0.03%	145.35%
41.48	19.26	298,024	0.98	(0.19)	245.58
34.78	14.45	298,410	0.91	(0.08)	130.14
30.39	8.19	380,336	0.97	(0.14)	182.41
28.09	34.72	382,289	0.97	(0.36)	161.71
20.85	(33.91)	271,373	0.96	(0.49)	203.05
$47.06	14.86%	$ 15,845	1.18%(v)	(0.17)%	145.35%
40.97	18.96	23,845	1.23	(0.45)	245.58
34.44	14.15	17,887	1.16	(0.33)	130.14
30.17	7.90	13,772	1.22	(0.31)	182.41
27.96	34.23	7,328	1.21	(0.63)	161.71
20.83	(26.81)	281	1.32	(0.92)	203.05

See Notes to Financial Statements.

NOTE 1 — General:

The Alger American Fund (the "Fund") is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing six series of shares of beneficial interest: American Growth Portfolio, American Small Capitalization Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio and American Leveraged AllCap Portfolio. These financial statements include only the American Leveraged AllCap Portfolio (the "Portfolio"). The Portfolio invests primarily in equity securities and has an investment objective of long-term capital appreciation. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

The Portfolio offers Class O and Class S shares. Each class has identical rights to assets and earnings except that only Class S shares have a plan of distribution and bear the related expenses.

NOTE 2 — Significant Accounting Policies:

(a) Investment Valuation: Investments of the Portfolio are generally valued on each day the New York Stock Exchange (the "NYSE") is open as of the close of the NYSE (normally 4:00 p.m. Eastern time). Securities for which such information is readily available are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded. In the absence of reported sales, securities are valued at a price within the bid and asked price or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued.

Securities for which market quotations are not readily available or for which the market quotation does not, in the opinion of the investment advisor, reflect the securities true value are valued at fair value, as determined in good faith pursuant to procedures established by the Board of Trustees.

Securities in which the Portfolio invests may be traded in markets that close before the close of the NYSE. Developments that occur between the close of the foreign markets and the close of the NYSE (normally 4:00 p.m. Eastern time) may result in adjustments to closing prices to reflect what the investment advisor, pursuant to policies established by the Board of Trustees, believes to be the fair value of these securities as of the close of the NYSE. The Portfolio may also fair value securities in other situations, for example, when a particular foreign market is closed but the Portfolio is open.

Securities having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value.

In September 2006, the Financial Accounting Standards Board (FASB) issued *Statement on Financial Accounting Standards No. 157, "Fair Value Measurements"* (FAS 157). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of June 30, 2007 the Portfolio does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements, however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal period.

(b) Security Transactions and Investment Income: Security transactions are recorded on a trade date basis. Resulting receivables and payables are carried at amounts which approximate fair value. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

Premiums and discounts on debt securities purchased are amortized or accreted over the lives of the respective securities.

(c) Foreign Currency Transactions: The books and records of the Portfolio are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the prevailing rates of exchange on the valuation date. Purchases and sales of investment securities and income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of such transactions.

Net realized gains and losses on foreign currency transactions represent net gains and losses from the disposition of foreign currencies, currency gains and losses realized between the trade dates and settlement dates of security transactions, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. The effects of changes in foreign currency exchange rates on investments in securities are included in realized and unrealized gain or loss on investments in the Statement of Operations.

(d) Repurchase Agreements: The Portfolio enters into repurchase agreements with approved institutions. The repurchase agreements are collateralized by U.S. Government securities, which are either received and held in physical possession by the custodian or received by such custodian in book-entry form through the Federal Reserve book-entry system. The collateral is valued on a daily basis during the term of the agreement to ensure that its value equals or exceeds the agreed-upon repurchase price to be repaid to the Portfolio. Additional collateral is obtained when necessary.

(e) Option Contracts: When a Portfolio writes an option, an amount equal to the premium received by the Portfolio is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Portfolio on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Portfolio has realized a gain or loss. If a written put option is exercised, the premium reduces the cost basis of the securities purchased by the Portfolio. The Portfolio as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

The Portfolio may also purchase put and call options. Purchasing call and put options tends to decrease the Portfolio's exposure to the underlying instrument. The Portfolio pays a premium which is included in the Portfolio's Statement of Assets and Liabilities as an investment and subsequently marked to market to reflect the current value of the option. Premiums paid for purchasing options which expire are treated as realized losses. The risk associated with purchasing put and call options is limited to the premium paid. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying security to determine the realized gain or loss.

(f) Lending of Portfolio Securities: The Portfolio may lend its securities to financial institutions, provided that the market value of the securities loaned will not at any time exceed one third of the Portfolio's total assets. The Portfolio earns fees on the securities loaned. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day. There were no securities on loan during the six months ended June 30, 2007.

(g) Dividends to Shareholders: Dividends payable to shareholders are recorded by the Fund on the ex-dividend date.

Dividends from net investment income are declared and paid annually.

Dividends from net realized gains, offset by any loss carryforward, are declared and paid annually after the end of the fiscal year in which earned.

Each class is treated separately in determining the amounts of dividends of net investment income and capital gains payable to holders of its shares.

The characterization of distributions to shareholders for financial reporting purposes is determined in accordance with federal income tax rules. Therefore, the source of the Portfolio's distributions may be shown in the accompanying financial statements as either from, or in excess of, net investment income or net realized gain on investment transactions, or return of capital, depending on the type of book/tax differences that may exist.

Capital accounts within the financial statements are adjusted for permanent book/tax differences. Reclassifications result primarily from the difference in tax treatment of net operating losses, premium/discount of debt securities, and realized gains from redemptions in kind. The reclassifications had no impact on the net asset values of the Portfolio and are designed to present the Portfolio's capital accounts on a tax basis.

(h) Federal Income Taxes: It is the Portfolio's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of the taxable income, including net realized capital gains, of the Portfolio to its respective shareholders. Therefore, no federal income tax provision is required. The Portfolio is treated as a separate entity for the purpose of determining such compliance.

The Fund has adopted the Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. There are no unrecognized tax benefits as of June 30, 2007.

(i) Allocation Methods: The Fund accounts separately for the assets, liabilities and operations of each Portfolio. Expenses directly attributable to each Portfolio are charged to that Portfolio's operations; expenses which are applicable to all Portfolios are allocated among them based on net assets. Income, realized and unrealized gains and losses, and expenses of each Portfolio are allocated among the Portfolio's classes based on relative net assets, with the exception of distribution fees, which are only applicable to Class S shares.

(j) Indemnification: The Fund enters into contracts that contain a variety of indemnification provisions. The Fund's maximum exposure under these arrangements is unknown. The Fund does not anticipate recognizing any loss related to these arrangements.

(k) Other: These financial statements have been prepared in accordance with U.S. generally accepted accounting principles using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

NOTE 3 — Investment Advisory Fees and Other Transactions with Affiliates:

(a) Investment Advisory and Administration Fees: Fees incurred by the Portfolio, pursuant to the provisions of its Investment Advisory Agreement and Administration Agreement with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of each Portfolio at the following annual rates:

Advisory Fee	Administration Fee
.810%	.04%

As part of the settlement with the New York State Attorney General (see Note 8–Litigation) Alger Management has agreed to reduce its advisory fee to 0.775% for the Portfolio for the period from December 1, 2006 through November 30, 2011.

(b) Distribution Fees: Class S shares—The Fund has adopted a Distribution Plan pursuant to which Class S shares of the Portfolio pay Fred Alger & Company, Incorporated, the Fund's distributor (the "Distributor"), a fee at the annual rate of .25% of the respective average daily net assets of the Class S shares of the designated Portfolio to compensate the Distributor for its activities and expenses incurred in distributing the Class S shares. The fees paid may be more or less than the expenses incurred by the Distributor.

(c) Brokerage Commissions: During the six months ended June 30, 2007, the Portfolio paid the Distributor $480,989 in connection with securities transactions.

(d) Shareholder Administrative Fees: The Fund has entered into a shareholder administrative service agreement with Alger Shareholder Services, Inc. ("Alger Services") to compensate Alger Services on a per account basis for its liaison and administrative oversight of the transfer agent and related services. During the six months ended June 30, 2007, the Portfolio incurred fees of $118 for these services.

(e) Other: Certain trustees and officers of the Fund are directors and officers of Alger Management, the Distributor and Alger Services. The Portfolio pays each trustee who is not affiliated with Alger Management or its affiliates an annual fee of $2,000. The Chairman of the Board of Trustees receives an additional annual fee of $10,000 which is paid, pro rata, by all funds for which he serves in that role. Additionally, each member of the audit committee receives an additional annual fee of $200 per Portfolio.

NOTE 4 — Securities Transactions:

Purchases and sales of securities, other than short-term securities, for the six months ended June 30, 2007, were $504,427,264 and $505,363,738, respectively.

As of June 30, 2007, the Portfolio had portfolio securities and cash valued $5,754,198 segregated as collateral for written options.

Written call and put option activity for the six months ended June 30, 2007 was as follows:

	NUMBER OF CONTRACTS	PREMIUMS RECEIVED
Options outstanding at December 31, 2006	2,062	$ 713,136
Options written	206	233,418
Options closed or expired	—	—
Options exercised	(2,062)	$(713,136)
Options outstanding at June 30, 2007	206	$ 233,418

NOTE 5 — Lines of Credit:

The Fund participates in committed lines of credits with other mutual funds managed by Alger Management. All Borrowings have variable interest rates and are payable on demand.

The Portfolio may borrow under these lines up to 1/3 of the value of its assets, to purchase additional securities. To the extent the Portfolio borrows under these lines, it must pledge securities with a total value of at least twice the amount borrowed. For the six months ended June 30, 2007, the Portfolio had the following borrowings:

AVERAGE DAILY BORROWING	WEIGHTED AVERAGE INTEREST RATE
$934,405	5.80%

NOTE 6 — Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of $.001 par value which are divided into six series. The Portfolio is divided into two separate classes.

During the six months ended June 30, 2007, transactions of shares of beneficial interest were as follows:

	SHARES	AMOUNT
Class O:		
Shares sold	960,962	$ 43,619,262
Shares redeemed	(819,181)	(36,901,191)
Net increase	**141,781**	**$ 6,718,071**
Class S:		
Shares sold	243,022	$ 10,877,814
Shares redeemed	(488,371)	(22,201,157)
Net decrease	**(245,349)**	**$(11,323,343)**

During the year ended December 31, 2006, transactions of shares of beneficial interest were as follows:

	SHARES	AMOUNT
Class O:		
Shares sold	1,041,009	$ 39,055,541
Shares redeemed	(2,436,336)	(90,758,895)
Net decrease	**(1,395,327)**	**$(51,703,354)**
Class S:		
Shares sold	284,361	$ 10,377,871
Shares redeemed	(221,723)	(8,175,737)
Net increase	**62,638**	**$ 2,202,134**

NOTE 7 — Tax Character of Distributions to Shareholders:

As of December 31, 2006, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$ —
Undistributed long-term gain	—
Other loss deferral	—
Unrealized appreciation (depreciation)	$22,623,196

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is determined annually and is attributable primarily to the tax deferral of losses on wash sales and the tax treatment of premium/discount on debt securities. Tax basis unrealized appreciation as of June 30, 2007, does not reflect any potential adjustments subsequent to December 31, 2006.

At December 31, 2006, the Portfolio, for federal income tax purposes, had capital loss carryforwards which expire as set forth in the table below. These amounts may be applied against future net realized gains until the earlier of their utilization or expiration.

EXPIRATION DATE			
2009	2010	2011	TOTAL
$1,077,219	$97,987,772	$ —	$99,064,991

NOTE 8 — Litigation:

Alger Management has responded to inquiries, document requests and/or subpoenas from various regulatory authorities, in connection with their investigations of practices in the mutual fund industry identified as "market timing" and "late trading." On October 11, 2006, Alger Management, Alger Inc. and Alger Shareholder Services, Inc. executed an Assurance of Discontinuance with the Office of the New York State Attorney General ("NYAG"). On January 18, 2007 the Securities and Exchange Commission issued an order implementing settlements reached with Alger Management and Alger Inc. As part of the settlements with the Commission and the NYAG, without admitting or denying liability, the firms paid $30 million to reimburse fund shareholders and a fine of $10 million; and agreed to certain other remedial measures including a reduction in management fees of $1 million per year for five years. The entire $40 million and fee reduction will be available for the benefit of investors. Alger Management has advised the Fund that the settlement has not adversely affected the operations of Alger Management, Alger Inc. or their affiliates, or adversely affected their ability to continue to provide services to the Fund.

On August 31, 2005, the West Virginia Securities Commissioner (the "WVSC") in an ex parte Summary Order to Cease and Desist and Notice of Right to Hearing concluded that Alger Management and Alger Inc. had violated the West Virginia Uniform Securities Act (the "WVUSA"), and ordered Alger Management and Alger Inc. to cease and desist from further violations of the WVUSA by engaging in the market-timing related conduct described in the order. The ex parte order provided notice of their right to a hearing with respect to the violations of law asserted by the WVSC. Other firms unaffiliated with Alger Management were served with similar orders. Alger Management and Alger Inc. intend to request a hearing for the purpose of seeking to vacate or modify the order.

In addition, in 2003 and 2004 several purported class actions and shareholder derivative suits were filed against various parties in the mutual fund industry, including Alger Management, certain mutual funds managed by Alger Management (the "Alger Mutual Funds"), and certain current and former Alger Mutual Fund trustees and officers, alleging wrongful conduct related to market-timing and late-trading by mutual fund shareholders. These cases were transferred to the U.S. District Court of Maryland by the Judicial Panel on Multidistrict Litigation for consolidated pre-trial proceedings. In September 2004, consolidated amended complaints involving these cases — a Consolidated Amended Fund Derivative Complaint (the "Derivative Complaint") and two substantially identical Consolidated Amended Class Action Complaints (together, the "Class Action Complaint") — were filed in the Maryland federal district court under the caption number 1:04-MD-15863 (JFM). In April 2005, a civil lawsuit involving similar allegations was filed by the West Virginia Attorney General and also transferred to the Maryland District Court, but such lawsuit has since been withdrawn.

The Derivative Complaint alleged (i) violations, by Alger Management and, depending on the specific offense alleged, by Alger Inc. and/or the fund trustee defendants, of Sections 36(a), 36(b), 47, and 48 of the Investment Company Act of 1940, as amended, (the "Investment Company Act") and of Sections 206 and 215 of the Investment Advisers Act of 1940, as amended, breach of fiduciary duty, and breach of contract, (ii) various offenses by other third-party defendants, and (iii) unjust enrichment by all the named defendants. The Class Action Complaint alleged, in addition to the offenses listed above, (i) violations, by Alger Management, Alger Inc., their affiliates, the funds named as defendants, including the Fund, and the current and former fund trustees and officers, of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, as amended, Sections 10(b) (and Rule 10b-5 thereunder) and 20(a) of the Securities Exchange Act of 1934, as amended, (the "1934 Act"), and Section 34(b) of the Investment Company Act, (ii) breach of contract by the funds named as defendants, and (iii) unjust enrichment of the defendants.

Motions to dismiss the Class Action Complaint and the Derivative Complaint were subsequently filed.

As a result of a series of court orders, all claims in the Class Action Complaint and the Derivative Complaint have been dismissed, other than claims under the 1934 Act against Alger Management, Alger Inc., Alger Associates, Inc. and Alger Shareholder Services, Inc., and certain present and former members of the senior management of Alger Management and/or Alger Inc., and claims under Section 36(b) of the Investment Company Act against Alger Management, Alger Inc., Alger Associates, Inc. and Alger Shareholder Services, Inc.

Shareholder Expense Example

As a shareholder of a Portfolio, you incur two types of costs: transaction costs, if applicable; and ongoing costs, including management fees, distribution (12b-1) fees, if applicable, and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in a Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

The example below is based on an investment of $1,000 invested at the beginning of the six-month period starting January 1, 2007 and ending June 30, 2007.

Actual Expenses

The first line for each class of shares in the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you would have paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During the Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each class of shares in the table below provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratios for each class of shares and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in a Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs or deduction of insurance charges against assets or annuities. Therefore, the second line under each class of shares in the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

		Beginning Account Value January 1, 2007	Ending Account Value June 30, 2007	Expenses Paid During the Period January 1, 2007 to June 30, 2007(b)	Ratio of Expenses to Average Net Assets For the Six Months Ended June 30, 2007(c)
Class O	Actual	$1,000.00	$1,150.00	$4.90	0.92%
	Hypothetical(a)	1,000.00	1,020.23	4.61	0.92
Class S	Actual	1,000.00	1,148.60	6.29	1.18
	Hypothetical(a)	1,000.00	1,018.94	5.91	1.18

(a) 5% annual return before expenses.
(b) Expenses are equal to the annualized expense ratio of the respective share class, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).
(c) Annualized.

Proxy Voting Results

A special meeting of the Fund's shareholders was held on January 17, 2007. The results of votes taken among shareholders on the proposal before them are reported below. Each vote reported represents one share held on the record date for the meeting.

Proposal 1 – To elect six trustees of the Fund.

Hilary M. Alger	# of Votes	% of Votes
For	72,047,808	96.2%
Withheld	2,826,718	3.8%
Total	74,874,526	100.0%

Charles F. Baird, Jr.	# of Votes	% of Votes
For	72,282,060	96.5%
Withheld	2,592,466	3.5%
Total	74,874,526	100.0%

Roger P. Cheever	# of Votes	% of Votes
For	72,223,384	96.5%
Withheld	2,651,142	3.5%
Total	74,874,526	100.0%

Lester L. Colbert, Jr.	# of Votes	% of Votes
For	72,116,899	96.3%
Withheld	2,757,627	3.7%
Total	74,874,526	100.0%

Stephen E. O'Neil	# of Votes	% of Votes
For	72,060,886	96.2%
Withheld	2,813,640	3.8%
Total	74,874,526	100.0%

Nathan E. Saint-Amand	# of Votes	% of Votes
For	72,095,603	96.3%
Withheld	2,778,923	3.7%
Total	74,874,526	100.0%

Proposal 2 – To approve an Investment Advisory Agreement with Fred Alger Management, Inc.

	# of Votes	% of Votes
For	6,449,079	92.5%
Against	292,306	4.2%
Abstain/Broker No Votes	232,153	3.3%
Total	6,973,538	100.0%

Proposal 3 – To approve revisions to the fundamental investment policies of the Fund.

Convert the Portfolio's investment objective from fundamental to non-fundamental	# of Votes	% of Votes
For	6,302,592	90.4%
Against	430,624	6.2%
Abstain/Broker No Votes	240,322	3.4%
Total	6,973,538	100.0%

Revise the fundamental policy relating to borrowing money	# of Votes	% of Votes
For	6,253,079	89.7%
Against	465,767	6.7%
Abstain/Broker No Votes	254,692	3.6%
Total	6,973,538	100.0%

Revise the fundamental policy relating to underwriting	# of Votes	% of Votes
For	6,356,849	91.2%
Against	351,609	5.0%
Abstain/Broker No Votes	265,080	3.8%
Total	6,973,538	100.0%

Revise the fundamental policy relating to lending	# of Votes	% of Votes
For	6,277,167	90.0%
Against	430,981	6.2%
Abstain/Broker No Votes	265,390	3.8%
Total	6,973,538	100.0%

Revise the fundamental policy relating to issuing senior securities	# of Votes	% of Votes
For	6,300,171	90.3%
Against	411,282	5.9%
Abstain/Broker No Votes	262,085	3.8%
Total	6,973,538	100.0%

Revise the fundamental policy relating to real estate	# of Votes	% of Votes
For	6,331,046	90.8%
Against	401,586	5.8%
Abstain/Broker No Votes	240,906	3.4%
Total	6,973,538	100.0%

Revise the fundamental policy relating to commodities	# of Votes	% of Votes
For	6,311,006	90.5%
Against	410,448	5.9%
Abstain/Broker No Votes	252,084	3.6%
Total	6,973,538	100.0%

Revise the fundamental policy relating to concentration	# of Votes	% of Votes
For	6,288,984	90.2%
Against	400,541	5.7%
Abstain/Broker No Votes	284,013	40.1%
Total	6,973,538	100.0%

Revise the fundamental policy relating to diversification	# of Votes	% of Votes
For	6,428,619	92.2%
Against	314,564	4.5%
Abstain/Broker No Votes	230,355	3.3%
Total	6,973,538	100.0%

Remove the fundamental policy relating to the purchase of illiquid securities	# of Votes	% of Votes
For	6,196,440	88.9%
Against	509,329	7.3%
Abstain/Broker No Votes	267,769	3.8%
Total	6,973,538	100.0%

Remove the fundamental policy relating to both purchasing securities on margin and engaging in short sales	# of Votes	% of Votes
For	6,232,024	89.4%
Against	506,126	7.2%
Abstain/Broker No Votes	235,388	3.4%
Total	6,973,538	100.0%

Remove the fundamental policy relating to investment in other investment companies	# of Votes	% of Votes
For	6,326,865	90.7%
Against	435,638	6.3%
Abstain/Broker No Votes	211,035	3.0%
Total	6,973,538	100.0%

Remove the fundamental policy relating to pledging assets	# of Votes	% of Votes
For	6,210,765	89.1%
Against	510,981	7.3%
Abstain/Broker No Votes	251,792	3.6%
Total	6,973,538	100.0%

Proposal 4 – To Approve Amendments to the Fund's Agreement and Declaration of Trust.

Eliminate the requirement that shareholders approve the liquidation of a Portfolio or a class of shares of a Portfolio	# of Votes	% of Votes
For	67,815,065	90.6%
Against	4,738,885	6.3%
Abstain/Broker No Votes	2,320,576	3.1%
Total	74,874,526	100.0%

Eliminate the requirement that shareholders approve the termination of the Fund	# of Votes	% of Votes
For	67,249,561	89.8%
Against	5,315,307	7.1%
Abstain/Broker No Votes	2,309,658	3.1%
Total	74,874,526	100.0%

Eliminate (subject to a qualification) the requirement that shareholders approve the reorganization of the Fund or a Portfolio	# of Votes	% of Votes
For	67,526,592	90.2%
Against	5,068,400	6.8%
Abstain/Broker No Votes	2,279,534	3.0%
Total	74,874,526	100.0%

Add a demand requirement for shareholder derivative suits	# of Votes	% of Votes
For	68,486,852	91.5%
Against	3,626,709	4.8%
Abstain/Broker No Votes	2,760,965	3.7%
Total	74,874,526	100.0%

Proxy Voting Policies

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities and the proxy voting record is available, without charge, by calling (800) 992-3863 or online on the Fund's website at http://www.alger.com or on the SEC's website at http://www.sec.gov.

Quarterly Fund Holdings

The Portfolio files its complete schedule of portfolio holdings with the SEC for the first and third quarter of each fiscal year on Form N-Q. Forms N-Q are available online on the Fund's website at http://www.alger.com or on the SEC's website at http://www.sec.gov. The Portfolio's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information regarding the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330. A copy of the most recent quarterly holdings may also be obtained from the Fund by calling (800) 992-3863.

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CREDIT SUISSE FUNDS

Semiannual Report

June 30, 2007
(unaudited)

CREDIT SUISSE TRUST
■ EMERGING MARKETS PORTFOLIO

Credit Suisse Trust (the "Trust") shares are not available directly to individual investors, but may be offered only through certain insurance products and pension and retirement plans.

The Trust's investment objectives, risks, charges and expenses (which should be considered carefully before investing), and more complete information about the Trust, are provided in the *Prospectus*, which should be read carefully before investing. You may obtain additional copies by calling 800-222-8977 or by writing to Credit Suisse Trust, P.O. Box 55030, Boston, MA 02205-5030.

Credit Suisse Asset Management Securities, Inc., Distributor, is located at Eleven Madison Avenue, New York, NY 10010. The Trust is advised by Credit Suisse Asset Management, LLC.

The views of the Portfolio's management are as of the date of the letter and the Portfolio holdings described in this document are as of June 30, 2007; these views and Portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

Portfolio shares are not deposits or other obligations of Credit Suisse Asset Management, LLC ("Credit Suisse") or any affiliate, are not FDIC-insured and are not guaranteed by Credit Suisse or any affiliate. Portfolio investments are subject to investment risks, including loss of your investment.

Credit Suisse Trust — Emerging Markets Portfolio
Semiannual Investment Adviser's Report
June 30, 2007 (unaudited)

July 27, 2007

Dear Shareholder:

For the six-month period ended June 30, 2007, Credit Suisse Trust — Emerging Markets Portfolio[1] (the "Portfolio") had a gain of 13.82%, versus an increase of 17.75% for the Morgan Stanley Capital International Emerging Markets Free Index.[2]

Market Review: Global conditions boost emerging market growth

The period ended June 30, 2007, was a strong one for emerging market equities. Returns were boosted by positive global conditions supportive of growth. Despite signs of slowdown in the U.S. housing market, growth conditions elsewhere remained robust, particularly in China which provided a floor for high commodity prices. Markets also benefited from ample liquidity conditions and very strong risk appetite.

Strategic Review and Outlook: Expect global conditions to remain positive but potential for volatility

For the semiannual period ended June 30, 2007, the Portfolio returned 13.82% as compared to 17.75% for the MSCI Emerging Markets Free Index. The strongest contributors to performance were the portfolio's country overweight to Brazil combined with stock selection across a broad array of sectors. Additionally, stock selection in Mexico (mining and wireless telecoms) and Malaysia (gaming and plantation stocks) added to performance. Conversely, stock selection in China (primarily banks and automakers) and Korea (electronics) detracted from performance. Further, a lack of exposure to some smaller markets that posted strong gains, such as Peru, also hurt performance.

The Portfolio continues to be focused on countries and stocks where we see strong earnings visibility at reasonable valuations. Our main overweights continue to be Brazil, Russia and China. We maintain underweights in South Africa, India and smaller central European and Latin American markets. Over the period, we added to Korea, Taiwan, Turkey and Thailand and took some profits in Mexico.

On balance, we expect global conditions for emerging markets to remain broadly positive, if not as stimulative as in previous years. Despite concerns about the strength of the U.S. consumer in the second half of the year, non-U.S. growth continues to be supportive, while China's growth continues to surprise on the upside — further underpinning commodity prices. Ample global liquidity conditions look likely to persist. We believe this is because the Fed is likely to remain on hold for the near term and tightening by the European Central Bank and

Bank of Japan is likely to be moderate. Additionally, the recycling of petrodollars, gradual capital account liberalization in China, and portfolio outflows from Japan are also contributing to demand for emerging market equities.

On the negative side, with many markets and stocks reaching all-time highs, we believe the valuation case for emerging markets is not as evident as in the past. With strong returns to date, markets could be vulnerable to any global shocks that might provoke a reappraisal in growth or inflation expectations, or any unexpected policy tightening in China. Credit risks in the U.S. which might cause a retreat in risk appetite are another potential headwind for markets. As such, markets could prove to be more volatile in coming months, although we see no change in the fundamentals for the asset class.

The Credit Suisse Emerging Markets Team

Neil Gregson
Annabel Betz
Elizabeth H. Eaton
Matthew J.K. Hickman
Stephen Parr

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging-market investments. The Portfolio may involve a greater degree of risk than other funds that seek capital growth by investing in larger, more developed markets.

In addition to historical information, this report contains forward-looking statements, which may concern, among other things, domestic and foreign market, industry and economic trends and developments and government regulation and their potential impact on the Portfolio's investments. These statements are subject to risks and uncertainties and actual trends, developments and regulations in the future and their impact on the Portfolio could be materially different from those projected, anticipated or implied. The Portfolio has no obligation to update or revise forward-looking statements.

Average Annual Returns as of June 30, 2007[1]

1 Year	5 Years	Since Inception	Inception Date
42.13%	24.66%	11.56%	12/31/97

Returns represent past performance and include change in share price and reinvestment of dividends and capital gains. ***Past performance cannot guarantee future results****. The current performance of the Portfolio may be lower or higher than the figures shown. Returns and share price will fluctuate, and redemption value may be more or less than original cost. The performance results do not reflect the deduction of taxes that a shareholder would pay on portfolio distributions or the redemption of portfolio shares. Performance includes the effect of deducting expenses, but does not include charges and expenses attributable to any particular variable contract or plan. Accordingly, the Prospectus of the sponsoring Participating Insurance Company separate account or plan documents or other informational materials supplied by plan sponsors should be carefully reviewed for information on relevant charges and expenses. Excluding these charges and expenses from quotations of performance has the effect of increasing the performance quoted, and the effect of these charges should be considered when comparing performance to that of other mutual funds. Performance information current to the most recent month-end is available at www.credit-suisse.com/us.*

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1 Fee waivers and/or expense reimbursements may reduce expenses for the Portfolio, without which performance would be lower. Waivers and/or reimbursements may be discontinued at any time.

2 The Morgan Stanley Capital International Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. It is the exclusive property of Morgan Stanley Capital International Inc. Investors cannot invest directly in an index.

Information About Your Portfolio's Expenses

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section and which would result in higher total expenses. The following table is intended to help you understand your ongoing expenses of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The table is based on an investment of $1,000 made at the beginning of the six month period ended June 30, 2007.

The table illustrates your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.

- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs, such as sales charges (loads) or redemption fees. If these transaction costs had been included, your costs would have been higher. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expenses of owning different funds.

Expenses and Value of a $1,000 Investment for the six month period ended June 30, 2007

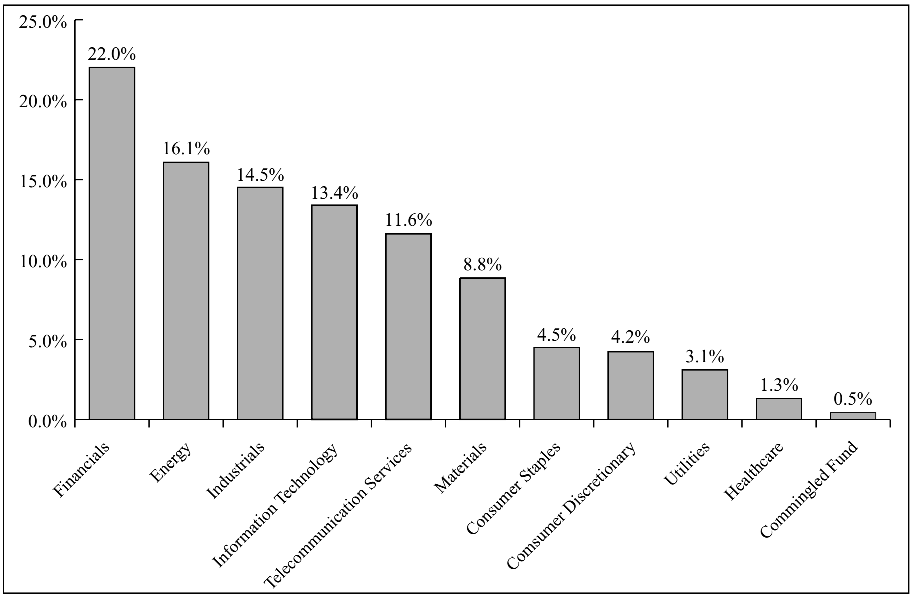
Actual Portfolio Return	
Beginning Account Value 1/1/07	$1,000.00
Ending Account Value 6/30/07	$1,138.20
Expenses Paid per $1,000*	$ 7.16
Hypothetical 5% Portfolio Return	
Beginning Account Value 1/1/07	$1,000.00
Ending Account Value 6/30/07	$1,018.10
Expenses Paid per $1,000*	$ 6.76
Annualized Expense Ratios*	1.35%

* *Expenses are equal to the Portfolio's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year period, then divided by 365.*

The "Expenses Paid per $1,000" and the "Annualized Expense Ratios" in the tables are based on actual expenses paid by the Portfolio during the period, net of fee waivers and/or expense reimbursements. If those fee waivers and/or expense reimbursements had not been in effect, the Portfolio's actual expenses would have been higher. Expenses do not reflect additional charges and expenses that are, or may be, imposed under the variable contracts or plans. Such charges and expenses are described in the prospectus of the insurance company separate account or in the plan documents or other informational materials supplied by plan sponsors. The Portfolio's expenses should be considered with these charges and expenses in evaluating the overall cost of investing in the separate account.

For more information, please refer to the Portfolio's prospectus.

SECTOR BREAKDOWN*



* Expressed as a percentage of total investments (excluding security lending collateral) and may vary over time.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments
June 30, 2007 (unaudited)

	Number of Shares	Value
COMMON STOCKS (91.2%)		
Argentina (0.6%)		
Energy Equipment & Services (0.6%)		
Tenaris SA ADR	19,200	$ 940,032
TOTAL ARGENTINA		940,032
Austria (0.3%)		
Energy Equipment & Services (0.3%)		
C.A.T. oil AG*	18,147	492,459
TOTAL AUSTRIA		492,459
Brazil (8.8%)		
Airlines (0.5%)		
Gol-Linhas Aereas Inteligentes SA ADR§	25,500	841,245
Banks (0.6%)		
Unibanco - Uniao de Bancos Brasileiros SA GDR	8,300	936,821
Beverages (0.2%)		
Companhia de Bebidas das Americas ADR§	4,140	290,628
Commingled Fund (0.5%)		
Gafisa SA ADR*§	22,195	692,484
Diversified Telecommunication Services (0.6%)		
Brasil Telecom Participacoes SA	32,359	905,581
Electric Utilities (1.2%)		
Obrascon Huarte Lain Brasil SA	52,800	997,881
Terna Participacoes SA	62,700	898,505
		1,896,386
Food Products (0.3%)		
Cosan SA Industria e Comercio*	27,200	445,142
Industrial Conglomerates (0.0%)		
Itausa - Investimentos Itau SA	2,027	12,556
Internet & Catalog Retail (1.1%)		
Submarino SA	41,500	1,730,244
Oil & Gas (2.1%)		
Petroleo Brasileiro SA - Petrobras ADR	30,200	3,221,736
Real Estate (0.9%)		
PDG Realty SA Empreendimentos e Participacoes	131,300	1,431,620
Specialty Retail (0.4%)		
Lojas Renner SA	34,000	640,810
Transportation Infrastructure (0.4%)		
Wilson Sons, Ltd. BDR*	41,349	601,128
TOTAL BRAZIL		13,646,381

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
June 30, 2007 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
Chile (1.7%)		
Electric Utilities (0.6%)		
Enersis SA ADR§	49,500	$ 992,475
Metals & Mining (0.6%)		
Antofagasta PLC	76,100	931,860
Water Utilities (0.5%)		
Inversiones Aguas Metropolitanas SA ADR Rule 144A‡	29,400	742,350
TOTAL CHILE		2,666,685
China (8.0%)		
Automobiles (0.5%)		
Dongfeng Motor Corp. Series H	1,413,112	752,106
Banks (2.0%)		
China Construction Bank Series H§	2,396,400	1,645,089
Industrial & Commercial Bank of China Series H§	2,806,500	1,556,678
		3,201,767
Diversified Telecommunication Services (0.8%)		
China Communication Services Corporation, Ltd. Series H*	1,703,591	1,260,363
Electrical Equipment (0.6%)		
Dongfang Electrical Machinery Company, Ltd. Series H	157,000	870,043
Insurance (1.5%)		
China Life Insurance Company, Ltd. Series H§	403,100	1,442,130
Ping An Insurance Group Company of China, Ltd. Series H§	119,000	843,082
		2,285,212
Machinery (0.0%)		
China High Speed Transmission Equipment Group Company, Ltd.*	4,528	4,101
Oil & Gas (2.0%)		
China Petroleum & Chemical Corp. Series H	1,474,400	1,647,109
PetroChina Company, Ltd. Series H§	986,100	1,459,854
		3,106,963
Real Estate (0.6%)		
Beijing Capital Land, Ltd. Series H	1,566,800	903,744
TOTAL CHINA		12,384,299
Colombia (0.5%)		
Diversified Financials (0.5%)		
Suramericana de Inversiones SA	78,200	742,860
TOTAL COLOMBIA		742,860
Czech Republic (0.5%)		
Electric Utilities (0.5%)		
CEZ AS	15,100	776,798
TOTAL CZECH REPUBLIC		776,798

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Egypt (1.2%)		
Construction & Engineering (0.7%)		
Orascom Construction Industries	15,900	$ 1,040,813
Diversified Telecommunication Services (0.5%)		
Orascom Telecom Holding SAE	23,000	295,685
Telecom Egypt	179,000	550,825
		846,510
TOTAL EGYPT		1,887,323
Hong Kong (3.3%)		
Oil & Gas (1.0%)		
CNOOC, Ltd.§	1,359,500	1,544,397
Real Estate (0.4%)		
Greentown China Holdings, Ltd.	280,000	609,188
Wireless Telecommunication Services (1.9%)		
China Mobile (Hong Kong), Ltd.	283,300	3,053,983
TOTAL HONG KONG		5,207,568
Hungary (0.2%)		
Oil & Gas (0.2%)		
Falcon Oil & Gas, Ltd.*	191,800	256,034
TOTAL HUNGARY		256,034
India (6.4%)		
Automobiles (0.3%)		
Mahindra & Mahindra, Ltd.	23,700	420,547
Diversified Financials (0.7%)		
ICICI Bank, Ltd. ADR§	21,700	1,066,555
Diversified Telecommunication Services (0.6%)		
Bharti Airtel, Ltd.*	45,000	924,437
Electrical Equipment (1.5%)		
Bharat Heavy Electricals, Ltd.	63,400	2,396,638
Gas Utilities (0.3%)		
Gail India, Ltd.	73,200	557,446
Industrial Conglomerates (0.5%)		
Grasim Industries, Ltd.	12,700	820,600
IT Consulting & Services (1.3%)		
Infosys Technologies, Ltd. ADR§	27,000	1,360,260
Tata Consultancy Services, Ltd.	23,944	676,945
		2,037,205
Materials (0.4%)		
Hindalco Industries, Ltd.	141,800	558,441
Oil & Gas (0.5%)		
Cairn Energy PLC*	23,343	822,062

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
June 30, 2007 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
India		
Wireless Telecommunication Services (0.3%)		
Reliance Communication Ventures, Ltd.*	33,500	$ 424,984
TOTAL INDIA		10,028,915
Indonesia (1.5%)		
Banks (0.5%)		
PT Bank Mandiri	2,187,000	756,067
Wireless Telecommunication Services (1.0%)		
PT Telekomunikasi Indonesia	1,468,800	1,593,338
TOTAL INDONESIA		2,349,405
Israel (1.8%)		
Electronic Equipment & Instruments (0.4%)		
Orbotech, Ltd.*§	25,100	560,232
Insurance (0.4%)		
Harel Insurance Investments, Ltd.	12,700	703,616
Pharmaceuticals (1.0%)		
Teva Pharmaceutical Industries, Ltd. ADR§	37,100	1,530,375
TOTAL ISRAEL		2,794,223
Kazakhstan (1.5%)		
Oil & Gas (1.5%)		
KazMunaiGas Exploration Production GDR	108,730	2,374,663
TOTAL KAZAKHSTAN		2,374,663
Malaysia (2.3%)		
Diversified Financials (1.2%)		
AMMB Holdings Berhad	1,428,200	1,788,046
Food Products (0.8%)		
IOI Corporation Berhad	868,500	1,310,738
Industrial Conglomerates (0.3%)		
Genting Berhad	183,100	438,155
TOTAL MALAYSIA		3,536,939
Mexico (5.6%)		
Beverages (0.5%)		
Fomento Economico Mexicano SA de CV ADR	18,731	736,503
Construction Materials (0.9%)		
Cemex SA de CV ADR*§	40,249	1,485,188
Household Durables (0.5%)		
Consorcio ARA SA de CV§	460,200	741,986
Metals & Mining (0.6%)		
Grupo Mexico SA de CV Series B	153,450	944,137

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
June 30, 2007 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
Mexico		
Real Estate (0.6%)		
Urbi Desarrollos Urbanos SA de CV*	197,772	$ 911,713
Transportation Infrastructure (0.5%)		
Grupo Aeroportuario del Pacifico SA de CV ADR	17,300	853,236
Wireless Telecommunication Services (2.0%)		
America Movil SAB de CV ADR Series L	37,074	2,295,993
America Movil SAB de CV Series L	266,342	823,314
		3,119,307
TOTAL MEXICO		8,792,070
Russia (10.7%)		
Banks (1.8%)		
Sberbank RF	521	2,007,931
VTB Bank OJSC-GDR*	67,038	736,077
		2,744,008
Electric Utilities (0.5%)		
RAO Unified Energy System of Russia*	548,900	738,433
Industrial Conglomerates (1.1%)		
Mining and Metallurgical Company Norilsk Nickel ADR	7,800	1,731,600
Oil & Gas (4.9%)		
Gazprom	316,914	3,292,471
Gazprom ADR	15,700	652,856
Lukoil ADR	48,000	3,657,600
		7,602,927
Pharmaceuticals (0.3%)		
Pharmstandard*	5,242	317,141
Pharmstandard OJSC-S GDR Rule 144A*‡	5,870	98,499
		415,640
Semiconductor Equipment & Products (0.9%)		
Sitronics GDR Rule 144A‡	200,000	1,480,000
Wireless Telecommunication Services (1.2%)		
OAO Vimpel Communications ADR§	18,500	1,949,160
TOTAL RUSSIA		16,661,768
Singapore (1.2%)		
Energy-Alternate Sources (0.5%)		
China Energy, Ltd.*	650,000	737,663
Machinery (0.7%)		
Yangzijiang Shipbuilding Holdings, Ltd.*	950,000	1,192,586
TOTAL SINGAPORE		1,930,249

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
South Africa (6.4%)		
Banks (0.9%)		
FirstRand, Ltd.	416,552	$ 1,327,054
Construction & Engineering (0.4%)		
Group Five, Ltd.	83,501	643,553
Diversified Telecommunication Services (0.5%)		
Telkom South Africa, Ltd.§	28,600	721,694
Food Products (0.5%)		
Tiger Brands, Ltd.	28,800	738,568
Insurance (0.5%)		
Liberty Group, Ltd.	66,300	837,533
Metals & Mining (1.6%)		
Anglo Platinum, Ltd.	10,000	1,645,841
AngloGold Ashanti, Ltd.§	23,100	873,303
		2,519,144
Oil & Gas (1.3%)		
Sasol	53,700	2,020,538
Wireless Telecommunication Services (0.7%)		
MTN Group, Ltd.	80,600	1,097,995
TOTAL SOUTH AFRICA		9,906,079
South Korea (14.8%)		
Banks (2.7%)		
Kookmin Bank	33,010	2,895,105
Shinhan Financial Group Company, Ltd.	21,396	1,302,250
		4,197,355
Beverages (0.5%)		
Hite Brewery Company, Ltd.	6,100	791,793
Building Products (0.5%)		
KCC Corp.	1,700	772,440
Construction & Engineering (1.4%)		
GS Engineering & Construction Corp.	13,010	1,554,131
Hyundai Development Co.	9,760	694,424
		2,248,555
Industrial - Other (0.3%)		
Hanla Level Company, Ltd.*	15,000	420,500
Machinery (2.5%)		
Daewoo Shipbuilding & Marine Engineering Company, Ltd.	14,000	791,483
Hyundai Heavy Industries Company, Ltd.	5,600	2,086,374
Pyeong San Company, Ltd.§	21,000	1,016,576
		3,894,433

	Number of Shares	Value
COMMON STOCKS		
South Korea		
Metals & Mining (1.2%)		
POSCO ADR§	15,200	$ 1,824,000
Multiline Retail (1.4%)		
Hyundai Department Store Company, Ltd.	5,969	702,788
Shinsegae Company, Ltd.	2,350	1,529,298
		2,232,086
Semiconductor Equipment & Products (4.3%)		
Samsung Electronics Company, Ltd.	10,861	6,639,538
TOTAL SOUTH KOREA		23,020,700
Taiwan (11.4%)		
Banks (1.1%)		
Chinatrust Financial Holding Company, Ltd.	2,276,760	1,773,452
Computers & Peripherals (0.5%)		
Acer, Inc.	395,000	803,842
Construction Materials (1.1%)		
Asia Cement Corp.	1,260,100	1,659,234
Diversified Financials (0.0%)		
Fuhwa Financial Holdings Company, Ltd.*	900	511
Diversified Telecommunication Services (0.0%)		
Chunghwa Telecom Company, Ltd.	80	152
Electronic Equipment & Instruments (3.0%)		
Delta Electronics, Inc.*	349,400	1,375,565
Hon Hai Precision Industry Company, Ltd.	389,496	3,364,283
		4,739,848
Food & Drug Retailing (0.8%)		
President Chain Store Corp.	448,700	1,277,307
Food Products (0.8%)		
Uni-President Enterprises Corp.	1,204,500	1,205,907
Insurance (0.9%)		
Cathay Financial Holding Company, Ltd.	576,043	1,375,106
Metals & Mining (0.4%)		
China Steel Corp.	563,650	685,688
Semiconductor Equipment & Products (2.8%)		
Taiwan Semiconductor Manufacturing Company, Ltd.	2,003,597	4,290,986
TOTAL TAIWAN		17,812,033
Thailand (1.0%)		
Banks (0.8%)		
Krung Thai Bank Public Company, Ltd.	1,738,900	599,677
Siam City Bank Public Company, Ltd.	987,100	541,501
		1,141,178

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Thailand		
Real Estate (0.2%)		
Land and Houses Public Company, Ltd.	1,795,300	$ 353,764
TOTAL THAILAND		1,494,942
Turkey (1.5%)		
Banks (1.0%)		
Akbank T.A.S.	113,386	629,309
Turkiye Garanti Bankasi AS	170,233	946,291
		1,575,600
Commercial Services & Supplies (0.5%)		
TAV Havalimanlari Holding AS*	83,250	733,031
TOTAL TURKEY		2,308,631
TOTAL COMMON STOCKS (Cost $84,605,392)		142,011,056
PREFERRED STOCKS (7.2%)		
Brazil (7.2%)		
Banks (1.5%)		
Banco Bradesco SA	34,300	832,389
Banco Itau Holding Financeira SA	32,300	1,442,264
		2,274,653
Beverages (0.5%)		
Companhia de Bebidas das Americas ADR	10,200	714,000
Diversified Telecommunication Services (1.2%)		
Telemar Norte Leste SA Class A	30,600	855,561
Telesp - Telecomunicacoes de Sao Paulo SA	32,400	1,056,449
		1,912,010
Industrial Conglomerates (1.2%)		
Bradespar SA	19,800	753,551
Itausa - Investimentos Itau SA	177,354	1,115,139
		1,868,690
Metals & Mining (1.8%)		
Companhia Vale do Rio Doce ADR	74,900	2,823,730
Oil & Gas (1.0%)		
Petroleo Brasileiro SA - Petrobras ADR	12,900	1,564,383
TOTAL PREFERRED STOCKS (Cost $3,393,548)		11,157,466
RIGHTS (0.0%)		
Thailand (0.0%)		
Diversified Telecommunication Services (0.0%)		
True Corporation Public Company, Ltd. strike price THB 20.60, expires 04/03/08*^ (Cost $0)	50,021	0

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT-TERM INVESTMENT (12.1%)		
State Street Navigator Prime Portfolio§§ (Cost $18,909,248)	18,909,248	$ 18,909,248
TOTAL INVESTMENTS AT VALUE (110.5%) (Cost $106,908,188)		172,077,770
LIABILITIES IN EXCESS OF OTHER ASSETS (-10.5%)		(16,377,596)
NET ASSETS (100.0%)		$155,700,174

INVESTMENT ABBREVIATIONS

ADR = American Depositary Receipt
BDR = Brazilian Depositary Receipt
GDR = Global Depositary Receipt

* Non-income producing security.

‡ Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2007, these securities amounted to a value of $2,320,849 or 1.5% of net assets.

^ Not readily marketable security; security is valued at fair value as determined in good faith by, or under the direction of, the Board of Trustees.

§ Security or portion thereof is out on loan.

§§ Represents security purchased with cash collateral received for securities on loan.

Credit Suisse Trust — Emerging Markets Portfolio
Statement of Assets and Liabilities
June 30, 2007 (unaudited)

Assets	
Investments at value, including collateral for securities on loan of $18,909,248 (Cost $106,908,188) (Note 2)	$172,077,770[1]
Cash	14,341
Foreign currency at value (cost $359,717)	361,208
Receivable for investments sold	2,516,986
Receivable for portfolio shares sold	1,460,132
Dividend and interest receivable	599,249
Prepaid expenses and other assets	8,970
Total Assets	177,038,656
Liabilities	
Advisory fee payable (Note 3)	115,524
Administrative services fee payable (Note 3)	14,868
Payable upon return of securities loaned (Note 2)	18,909,248
Payable for investments purchased	2,109,161
Deferred foreign tax liability (Note 2)	35,458
Payable for portfolio shares redeemed	6,746
Other accrued expenses payable	147,477
Total Liabilities	21,338,482
Net Assets	
Capital stock, $0.001 par value (Note 6)	6,261
Paid-in capital (Note 6)	21,232,300
Undistributed net investment income	3,191,840
Accumulated net realized gain on investments and foreign currency transactions	66,130,489
Net unrealized appreciation from investments and foreign currency translations	65,139,284
Net Assets	$155,700,174
Shares outstanding	6,261,334
Net asset value, offering price, and redemption price per share	$24.87

[1] Including $18,223,537 of securities on loan.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Statement of Operations
For the Six Months Ended June 30, 2007 (unaudited)

Investment Income (Note 2)	
Dividends	$ 2,876,575
Interest	127,747
Securities lending	43,242
Foreign taxes withheld	(287,368)
Total investment income	2,760,196
Expenses	
Investment advisory fees (Note 3)	1,240,421
Administrative services fees (Note 3)	125,042
Custodian fees	113,770
Interest expense (Note 4)	34,353
Printing fees (Note 3)	25,783
Audit and tax fees	16,690
Legal fees	8,736
Trustees' fees	6,596
Insurance expense	5,500
Commitment fees (Note 4)	2,984
Transfer agent fees	2,909
Miscellaneous expense	21,932
Total expenses	1,604,716
Less: fees waived (Note 3)	(206,273)
Net expenses	1,398,443
Net investment income	1,361,753
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items	
Net realized gain from investments	42,822,364
Net realized loss on foreign currency transactions	(316,245)
Net change in unrealized appreciation (depreciation) from investments	(20,427,099)
Net change in unrealized appreciation (depreciation) from foreign currency translations	210,078
Net realized and unrealized gain from investments and foreign currency related items	22,289,098
Net increase in net assets resulting from operations	$ 23,650,851

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Statements of Changes in Net Assets

	For the Six Months Ended June 30, 2007 (unaudited)	For the Year Ended December, 31, 2006
From Operations		
Net investment income	$ 1,361,753	$ 2,384,682
Net realized gain from investments and foreign currency transactions	42,506,119	24,141,498
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	(20,217,021)	32,665,333
Net increase in net assets resulting from operations	23,650,851	59,191,513
From Dividends and Distributions		
Dividends from net investment income	—	(1,180,743)
Distributions from net realized gains	—	(2,900,006)
Net decrease in net assets resulting from dividends and distributions	—	(4,080,749)
From Capital Share Transactions (Note 6)		
Proceeds from sale of shares	17,743,067	53,674,806
Reinvestment of dividends and distributions	—	4,080,749
Net asset value of shares redeemed	(128,012,343)	(56,737,879)
Net increase (decrease) in net assets from capital share transactions	(110,269,276)	1,017,676
Net increase (decrease) in net assets	(86,618,425)	56,128,440
Net Assets		
Beginning of period	242,318,599	186,190,159
End of period	$ 155,700,174	$242,318,599
Undistributed net investment income	$ 3,191,840	$ 1,830,087

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Financial Highlights
(For a Share of the Portfolio Outstanding Throughout Each Period)

	For the Six Months Ended June 30, 2007 (unaudited)	For the Year Ended December 31, 2006	2005	2004	2003	2002
Per share data						
Net asset value, beginning of period	$ 21.85	$ 16.82	$ 13.25	$ 10.63	$ 7.44	$ 8.43
INVESTMENT OPERATIONS						
Net investment income	0.34	0.21	0.14	0.12	0.07	0.01
Net gain (loss) on investments and foreign currency related items (both realized and unrealized)	2.68	5.19	3.53	2.53	3.12	(0.98)
Total from investment operations	3.02	5.40	3.67	2.65	3.19	(0.97)
LESS DIVIDENDS AND DISTRIBUTIONS						
Dividends from net investment income	—	(0.11)	(0.10)	(0.03)	—	(0.02)
Distributions from net realized gains	—	(0.26)	—	—	—	—
Total dividends and distributions	—	(0.37)	(0.10)	(0.03)	—	(0.02)
Net asset value, end of period	$ 24.87	$ 21.85	$ 16.82	$ 13.25	$ 10.63	$ 7.44
Total return[1]	13.82%	32.51%	27.84%	25.02%	42.88%	(11.56)%
RATIOS AND SUPPLEMENTAL DATA						
Net assets, end of period (000s omitted)	$155,700	$242,319	$186,190	$115,224	$73,782	$43,867
Ratios of expenses to average net assets	1.35%[2]	1.36%	1.40%	1.40%	1.40%	1.40%
Ratio of net investment income to average net assets	1.32%[2]	1.11%	1.11%	1.21%	0.94%	0.13%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.20%[2]	0.23%	0.25%	0.29%	0.41%	0.44%
Portfolio turnover rate	27%	80%	77%	121%	167%	128%

[1] Total returns are historical and assume changes in share price and reinvestment of all dividends and distributions. Had certain expenses not been reduced during the periods shown, total returns would have been lower. Total returns do not reflect charges and expenses attributable to any particular variable contract or plan. Total returns for periods less than one year are not annualized.

[2] Annualized.

See Accompanying Notes to Financial Statements.

Note 1. Organization

Credit Suisse Trust (the "Trust") is an open-end management investment company registered under the Investment Company Act of 1940, as amended, and currently offers eight managed investment portfolios of which one, the Emerging Markets Portfolio (the "Portfolio"), is included in this report. The Portfolio is a diversified investment fund that seeks long-term growth of capital. Shares of the Portfolio are not available directly to individual investors but may be offered only through (a) variable annuity contracts and variable life insurance contracts offered by separate accounts of certain insurance companies and (b) tax-qualified pension and retirement plans. The Portfolio may not be available in connection with a particular contract or plan. The Trust was organized under the laws of The Commonwealth of Massachusetts as a business trust on March 15, 1995.

Note 2. Significant Accounting Policies

A) SECURITY VALUATION — The net asset value of the Portfolio is determined daily as of the close of regular trading on the New York Stock Exchange, Inc. (the "Exchange") on each day the Exchange is open for business. Equity investments are valued at market value, which is generally determined using the closing price on the exchange or market on which the security is primarily traded at the time of valuation (the "Valuation Time"). If no sales are reported, equity investments are generally valued at the most recent bid quotation as of the Valuation Time or at the lowest asked quotation in the case of a short sale of securities. Debt securities with a remaining maturity greater than 60 days are valued in accordance with the price supplied by a pricing service, which may use a matrix, formula or other objective method that takes into consideration market indices, yield curves and other specific adjustments. Debt obligations that will mature in 60 days or less are valued on the basis of amortized cost, which approximates market value, unless it is determined that using this method would not represent fair value. Investments in mutual funds are valued at the mutual fund's closing net asset value per share on the day of valuation. Securities and other assets for which market quotations are not readily available, or whose values have been materially affected by events occurring before the Portfolio's Valuation Time but after the close of the securities' primary markets, are valued at fair value as determined in good faith by, or under the direction of, the Board of Trustees under procedures established by the Board of Trustees. The Portfolio may utilize a service provided by an independent third party which has been approved by the Board of Trustees to fair value certain securities. When fair-value pricing is employed,

Note 2. Significant Accounting Policies

the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities.

B) FOREIGN CURRENCY TRANSACTIONS — The books and records of the Portfolio are maintained in U.S. dollars. Transactions denominated in foreign currencies are recorded at the current prevailing exchange rates. All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the current exchange rate at the end of the period. Translation gains or losses resulting from changes in the exchange rate during the reporting period and realized gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current period. The Portfolio does not isolate that portion of realized gains and losses on investments in *equity* securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of equity securities. The Portfolio isolates that portion of realized gains and losses on investments in *debt* securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of debt securities.

C) SECURITY TRANSACTIONS AND INVESTMENT INCOME — Security transactions are accounted for on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes.

D) DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS — Dividends from net investment income and distributions of net realized capital gains, if any, are declared and paid at least annually. However, to the extent that a net realized capital gain can be reduced by a capital loss carryforward, such gain will not be distributed. Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America ("GAAP").

E) FEDERAL INCOME TAXES — No provision is made for federal taxes as it is the Portfolio's intention to continue to qualify for and elect the tax treatment applicable to regulated investment companies under the Internal Revenue Code of 1986, as amended, and to make the requisite distributions to its shareholders, which will be sufficient to relieve it from federal income and excise taxes.

F) USE OF ESTIMATES — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial

Note 2. Significant Accounting Policies

statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

G) SHORT-TERM INVESTMENTS — The Portfolio, together with other funds/portfolios advised by Credit Suisse Asset Management, LLC ("Credit Suisse"), an indirect, wholly-owned subsidiary of Credit Suisse Group, pools available cash into either a short-term variable rate time deposit issued by State Street Bank and Trust Company ("SSB"), the Portfolio's custodian, or a money market fund advised by Credit Suisse. The short-term time deposit issued by SSB is a variable rate account classified as a short-term investment.

H) FORWARD FOREIGN CURRENCY CONTRACTS — The Portfolio may enter into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency. The Portfolio will enter into forward foreign currency contracts primarily for hedging purposes. Forward foreign currency contracts are adjusted by the daily forward exchange rate of the underlying currency and any gains or losses are recorded for financial statement purposes as unrealized until the contract settlement date or an offsetting position is entered into. At June 30, 2007, the Portfolio had no open forward foreign currency contracts.

I) SECURITIES LENDING — Loans of securities are required at all times to be secured by collateral at least equal to 102% of the market value of domestic securities on loan (including any accrued interest thereon) and 105% of the market value of foreign securities on loan (including any accrued interest thereon). Cash collateral received by the Portfolio in connection with securities lending activity may be pooled together with cash collateral for other funds/portfolios advised by Credit Suisse and may be invested in a variety of investments, including certain Credit Suisse-advised funds, funds advised by SSB, the Portfolio's securities lending agent, or money market instruments. However, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings.

SSB has been engaged by the Portfolio to act as the Portfolio's securities lending agent. The Portfolio's securities lending arrangement provides that the Portfolio and SSB will share the net income earned from securities lending activities. During the six months ended June 30, 2007, total earnings from the Portfolio's investment in cash collateral received in connection with securities lending arrangements was $624,840, of which $570,633 was rebated to

Note 2. Significant Accounting Policies

borrowers (brokers). The Portfolio retained $43,242 in income from the cash collateral investment, and SSB, as lending agent, was paid $10,965. The Portfolio may also be entitled to certain minimum amounts of income from its securities lending activities. Securities lending income is accrued as earned.

J) OTHER — The Portfolio may invest in securities of foreign countries and governments which involve certain risks in addition to those inherent in domestic investments. Such risks generally include, among others, currency risk (fluctuations in currency exchange rates), information risk (key information may be inaccurate or unavailable) and political risk (expropriation, nationalization or the imposition of capital or currency controls or punitive taxes). Other risks of investing in foreign securities include liquidity and valuation risks.

The Portfolio's investments in securities of issuers located in less developed countries considered to be "emerging markets" involve risks in addition to those generally applicable to foreign securities. Focusing on emerging (less developed) markets involves higher levels of risk, including increased currency, information, liquidity, market, political and valuation risks. Deficiencies in regulatory oversight, market infrastructure, shareholder protections and company laws could expose the Portfolio to operational and other risks as well. Some countries may have restrictions that could limit the Portfolio's access to attractive investment opportunities. Additionally, emerging markets often face serious economic problems (such as high external debt, inflation and unemployment) that could subject the Portfolio to increased volatility or substantial declines in value.

The Portfolio may be subject to taxes imposed by countries in which it invests with respect to its investments in issuers existing or operating in such countries. Such taxes are generally based on income earned or repatriated and capital gains realized on the sale of such investments. The Portfolio accrues such taxes when the related income is earned or gains are realized.

Note 3. Transactions with Affiliates and Related Parties

Credit Suisse serves as investment adviser for the Portfolio. Effective October 1, 2006, the Portfolio pays Credit Suisse for its advisory services a fee that consists of two components: (1) a monthly base management fee calculated by applying a fixed rate of 1.20% ("Base Fee"), plus or minus (2) a performance-fee adjustment ("Performance Adjustment") calculated by applying a variable rate of up to 0.20% (positive or negative) to the Portfolio's average daily net assets during the applicable performance measurement period. The

Note 3. Transactions with Affiliates and Related Parties

performance measurement period will generally be 36 months. During the period from October 1, 2006 through September 30, 2007, only the Base Fee will apply to the Portfolio. The fee adjustment will go into effect on October 1, 2007. After 12 months have passed, the measurement period will be equal to the number of months that have elapsed since October 1, 2006 until 36 months has passed, after which the measurement period will become 36 months. The Base Fee is calculated and accrued daily. The Performance Adjustment is accrued and calculated daily. The investment advisory fee is paid monthly in arrears. No Performance Adjustment will be applied unless the difference between the Portfolio's investment performance and the investment record of the MSCI Emerging Markets Free Index, the Portfolio's benchmark index (the "Index"), is 1.00% or greater (plus or minus) during the applicable performance measurement period. For purposes of computing the Base Fee and the Performance Adjustment, net assets will be averaged over different periods (average daily net assets during the relevant month for the Base Fee, versus average daily net assets during the performance measurement period for the Performance Adjustment). The investment performance of the Portfolio for the performance measurement period is used to calculate the Portfolio's Performance Adjustment. After Credit Suisse determines whether the Portfolio's performance was above or below the Index by comparing the investment performance of the Portfolio against the investment record of the Index, Credit Suisse will apply the Performance Adjustment (positive or negative) across the Portfolio.

The following table shows the structure of the Performance Adjustment. No Performance Adjustment will be applied unless the difference between the Portfolio's investment performance and the investment record of the Index is 1.00% or greater (plus or minus) during the applicable performance measurement period.

	Annualized Return (Net of Expenses) Relative to Index	Performance Adjustment
	Over 2.00%	+0.20%
	1.00% to 2.00%	+0.10%
Base Fee plus/minus	0.00% to 1.00%	None
	0.00% to -1.00%	None
	-1.00% to -2.00%	-0.10%
	Over -2.00%	-0.20%

For the six months ended June 30, 2007, investment advisory fees earned and voluntarily waived were $1,240,421 and $206,273, respectively. Fee waivers and reimbursements are voluntary and may be discontinued by Credit Suisse at anytime.

Note 3. Transactions with Affiliates and Related Parties

Credit Suisse Asset Management Limited ("Credit Suisse U.K.") and Credit Suisse Asset Management Limited ("Credit Suisse Australia"), affiliates of Credit Suisse, are sub-investment advisers to the Portfolio (the "Sub-Advisers"). Credit Suisse U.K's and Credit Suisse Australia's sub-investment advisory fees are paid by Credit Suisse out of Credit Suisse's net investment advisory fee and are not paid by the Portfolio.

Credit Suisse Asset Management Securities, Inc. ("CSAMSI"), an affiliate of Credit Suisse, and SSB serve as co-administrators to the Portfolio. For its co-administrative services, CSAMSI currently receives a fee calculated at an annual rate of 0.09% of the Portfolio's average daily net assets. For the six months ended June 30, 2007, co-administrative services fees earned by CSAMSI were $93,032.

For its co-administrative services, SSB receives a fee, exclusive of out-of-pocket expenses, calculated in total for all the Credit Suisse funds/portfolios co-administered by SSB and allocated based upon relative average net assets of each fund/portfolio, subject to an annual minimum fee. For the six months ended June 30, 2007, co-administrative services fees earned by SSB (including out-of-pocket expenses) were $32,010.

In addition to serving as the Portfolio's co-administrator, CSAMSI currently serves as distributor of the Portfolio's shares without compensation.

Merrill Corporation ("Merrill"), an affiliate of Credit Suisse, has been engaged by the Portfolio to provide certain financial printing and fulfillment services. For the six months ended June 30, 2007, Merrill was paid $6,379 for its services to the Portfolio.

Note 4. Line of Credit

The Portfolio, together with other funds/portfolios advised by Credit Suisse (collectively, the "Participating Funds"), participates in a $50 million committed, unsecured line of credit facility ("Credit Facility") for temporary or emergency purposes with Deutsche Bank, A.G. as administrative agent and syndication agent and SSB as operations agent. Under the terms of the Credit Facility, the Participating Funds pay an aggregate commitment fee at a rate of 0.10% per annum on the average unused amount of the Credit Facility, which is allocated among the Participating Funds in such manner as is determined by the governing Boards of the Participating Funds. In addition, the Participating Funds pay interest on borrowings at the Federal Funds rate plus 0.50%. At June 30, 2007, the Portfolio had no loans outstanding under the Credit Facility.

Note 4. Line of Credit

During the six months ended June 30, 2007, the Portfolio had borrowings under the Credit Facility as follows:

Average Daily Loan Balance	Weighted Average Interest Rate%	Maximum Daily Loan Outstanding
$8,692,048	5.762%	$17,247,000

Note 5. Purchases and Sales of Securities

For the six months ended June 30, 2007, purchases and sales of investment securities (excluding short-term investments) were $52,022,326 and $151,325,322, respectively.

At June 30, 2007, the identified cost for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized appreciation from investments were $106,908,188, $67,068,972, $(1,899,390) and $65,169,582, respectively.

Note 6. Capital Share Transactions

The Trust is authorized to issue an unlimited number of full and fractional shares of beneficial interest, $.001 par value per share. Transactions in capital shares of the Portfolio were as follows:

	For the Six Months Ended June 30, 2007 (unaudited)	For the Year Ended December 31, 2006
Shares sold	792,560	2,834,504
Shares issued in reinvestment of dividends and distributions	—	225,705
Shares redeemed	(5,619,701)	(3,040,925)
Net increase (decrease)	(4,827,141)	19,284

On June 30, 2007, the number of shareholders that held 5% or more of the outstanding shares of the Portfolio was as follows:

Number of Shareholders	Approximate Percentage of Outstanding Shares
4	94%

Some of the shareholders are omnibus accounts, which hold shares on behalf of individual shareholders.

Note 7. Contingencies

In the normal course of business, the Portfolio may provide general indemnifications pursuant to certain contracts and organizational documents. The Portfolio's maximum exposure under these arrangements is dependent on future claims that may be made against the Portfolio and, therefore, cannot be estimated; however, based on experience, the risk of loss from such claims is considered remote.

Note 8. Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") released FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), an interpretation of FASB Statement No. 109. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing the Portfolio's tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is effective during the first required financial reporting period for fiscal years beginning after December 15, 2006. Management adopted FIN 48 on June 29, 2007. There was no material impact to the financial statements or disclosures thereto as a result of the adoption of this pronouncement.

On September 20, 2006, the FASB released Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years, beginning after November 15, 2007 and interim periods within those fiscal years. At this time, management is evaluating the implication of FAS 157 and its impact on the financial statements has not yet been determined.

Important Privacy Choices for Consumers

We are committed to maintaining the privacy of every current and prospective customer. We recognize that you entrust important personal information to us, and we wish to assure you that we take seriously our responsibilities in protecting and safeguarding this information.

In connection with making available investment products and services to current and potential customers, we may obtain nonpublic personal information about you. This information may include your name, address, e-mail address, social security number, account number, assets, income, financial situation, transaction history and other personal information.

We may collect nonpublic information about you from the following sources:

- Information we receive on applications, forms, questionnaires, web sites, agreements or in the course of establishing or maintaining a customer relationship; and
- Information about your transactions with us, our affiliates, or others.

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except with your consent or as otherwise permitted by law.

In cases where we believe that additional products and services may be of interest to you, we may share the information described above with our affiliates.

We may also disclose this information to firms that perform services on our behalf. These agents and service providers are required to treat the information confidentially and use it only for the purpose for which it is provided.

We restrict access to nonpublic personal information about you to those employees, agents or other parties who need to know that information to provide products or services to you or in connection with your investments with or through us. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

Note: This Notice is provided to clients and prospective clients of Credit Suisse Asset Management, LLC ("Credit Suisse"), and Credit Suisse Asset Management Securities, Inc., and shareholders and prospective shareholders in Credit Suisse-sponsored and advised investment companies, including Credit Suisse Funds, and other consumers and customers, as applicable. This Notice is not intended to be incorporated in any offering materials but is merely a statement of our current Privacy Policy, and may be amended from time to time upon notice to you. This Notice is dated as of June 5, 2007.

Credit Suisse Trust — Emerging Markets Portfolio
Proxy Voting and Portfolio Holdings Information (unaudited)

Information regarding how the Portfolio voted proxies related to its portfolio securities during the 12 month period ended June 30 of each year, as well as the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities are available:

- By calling 1-800-222-8977
- On the Portfolio's website, www.credit-suisse.com/us
- On the website of the Securities and Exchange Commission, www.sec.gov.

The Portfolio files a complete schedule of its portfolio holdings for the first and third quarters of its fiscal year with the SEC on Form N-Q. The Portfolio's Forms N-Q are available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling 1-202-551-8090.

CREDIT SUISSE

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800-222-8977 ■ www.credit-suisse.com/us

CREDIT SUISSE ASSET MANAGEMENT SECURITIES, INC., DISTRIBUTOR. TREMK-SAR-0607

CREDIT SUISSE

CREDIT SUISSE FUNDS

Semiannual Report

June 30, 2007
(unaudited)

CREDIT SUISSE TRUST
■ GLOBAL SMALL CAP PORTFOLIO

Credit Suisse Trust (the "Trust") shares are not available directly to individual investors, but may be offered only through certain insurance products and pension and retirement plans.

The Trust's investment objectives, risks, charges and expenses (which should be considered carefully before investing), and more complete information about the Trust, are provided in the *Prospectus*, which should be read carefully before investing. You may obtain additional copies by calling 800-222-8977 or by writing to Credit Suisse Trust, P.O. Box 55030, Boston, MA 02205-5030.

Credit Suisse Asset Management Securities, Inc., Distributor, is located at Eleven Madison Avenue, New York, NY 10010. The Trust is advised by Credit Suisse Asset Management, LLC.

The views of the Portfolio's management are as of the date of the letter and the Portfolio holdings described in this document are as of June 30, 2007; these views and Portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

Portfolio shares are not deposits or other obligations of Credit Suisse Asset Management, LLC ("Credit Suisse") or any affiliate, are not FDIC-insured and are not guaranteed by Credit Suisse or any affiliate. Portfolio investments are subject to investment risks, including loss of your investment.

Credit Suisse Trust — Global Small Cap Portfolio
Semiannual Investment Adviser's Report
June 30, 2007 (unaudited)

July 23, 2007

Dear Shareholder:

For the six-month period ended June 30, 2007, Credit Suisse Trust — Global Small Cap Portfolio[1] (the "Portfolio") had a gain of 6.48%, versus an increase of 10.68% for the Morgan Stanley Capital International World Small Cap Index.[2]

Market Review: Strong growth internationally enhanced by a weakened dollar

For the semiannual period ended June 30, 2007, international small cap stocks generally performed well. With the exception of Japan, where returns were dull and the Yen was weak, strong growth in Europe and the Pacific Rim was enhanced by a weaker dollar.

When compared to large caps, smaller companies had a good start to the year. They experienced some turbulence and since March have been slipping against the broader market. This is largely due to a bout of uncertainty in the financial markets where bond yields are rising and equity investors are reducing their exposure to riskier asset categories.

In the United States, the equity market, despite a sudden sell off in February, has continued its strong performance during the first six months of 2007. The S&P 500, a measure of the market, finished June above 1,500. The U.S. Dollar dropped to a 26-year low versus the British pound and approached its weakest level against the Euro. Additionally, though inflation is rising and consumer confidence is at a 10-month low, manufacturing and employment are rising. Finally, most S&P 500 companies' first and second quarter 2007 earnings reports have exceeded investor expectations.

Strategic Review and Outlook: Current economics may make it tough to compete

For the semiannual period ending June 30, 2007, the Portfolio returned 6.48% as compared to 10.68% for the MSCI World Small Cap Index. Stock selection in pharmaceuticals & biotech, food & staples retailing, and capital goods contributed to performance. Conversely, stock selection in retailing, transportation and banks were the largest detractors to performance.

The Portfolio is currently overweight in healthcare and industrials. In our opinion, healthcare will benefit from increased spending as populations grow older and richer. We believe industrials will continue to benefit from increasing capital spending to fund oil and mineral development as well as continuing industrialization of emerging markets such as China and India. In contrast, the Portfolio is relatively underweight consumers and interest rate sensitive areas.

The change in investor attitude to small caps is reminiscent of the sell off in 2006 that proved to be an excellent buying opportunity as cautious investors were eventually reassured by strong earnings announcements. Currently, however, rising interest rates and stronger domestic currencies make it tougher for companies to perform. Those operating in some of the historically high interest rate economies such as the UK, Spain, Ireland and Australia may come under more pressure compared to those in markets such as Germany and France as the stimulus of low interest rates is removed.

In Japan, we are hopeful that rising activity in consumer and real estate-related areas will stimulate greater interest in domestic companies that have been overshadowed by export-driven large caps.

We expect the U.S. economy to continue growing at a moderate rate. However, contradictory readings from major U.S. economic indicators point to a slim chance of a Federal Funds rate increase or decrease over this time. Additionally, throughout the remainder of 2007, we expect a further weakening in the housing market in general (and sub-prime loan performance in particular). Further, while the U.S. dollar is expected to continue weakening relative to the Euro, European equities are expected to outperform their U.S. counterparts.

Sincerely,

Crispin Finn
Joseph Cherian
William Weng
Todd Jablonski

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods. Because of the nature of the Portfolio's investments in start-up and other small companies and certain aggressive strategies it may use, an investment in the Portfolio may be more volatile and less liquid than investments in larger companies and may not be appropriate for all investors.

In addition to historical information, this report contains forward-looking statements, which may concern, among other things, domestic and foreign market, industry and economic trends and developments and government regulation and their potential impact on the Portfolio's investments. These statements are subject to risks and uncertainties and actual trends, developments and regulations in the future, and their impact on the Portfolio could be materially different from those projected, anticipated or implied. The Portfolio has no obligation to update or revise forward-looking statements.

Average Annual Returns as of June 30, 2007[1]

1 Year	5 Years	10 Years	Since Inception	Inception Date
16.13%	13.34%	5.90%	5.57%	9/30/96

Returns represent past performance and include change in share price and reinvestment of dividends and capital gains. ***Past performance cannot guarantee future results.*** *The current performance of the Portfolio may be lower or higher than the figures shown. Returns and share price will fluctuate, and redemption value may be more or less than original cost. The performance results do not reflect the deduction of taxes that a shareholder would pay on portfolio distributions or the redemption of portfolio shares. Performance includes the effect of deducting expenses, but does not include charges and expenses attributable to any particular variable contract or plan. Accordingly, the Prospectus of the sponsoring Participating Insurance Company separate account or plan documents or other informational materials supplied by plan sponsors should be carefully reviewed for information on relevant charges and expenses. Excluding these charges and expenses from quotations of performance has the effect of increasing the performance quoted, and the effect of these charges should be considered when comparing performance to that of other mutual funds. Performance information current to the most recent month-end is available at www.credit-suisse.com/us.*

[1] Fee waivers and/or expense reimbursements may reduce expenses for the Portfolio, without which performance would be lower. Waivers and/or reimbursements may be discontinued at any time.

[2] The Morgan Stanley Capital International World Small Cap Index is an unmanaged broad-based index comprised of small cap companies from 23 developed markets. Index returns are price only and do not reflect the reinvestment of dividends. It is the exclusive property of Morgan Stanley Capital International Inc. Investors cannot invest directly in an index.

Information About Your Portfolio's Expenses

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include sales charges (loads), redemption fees and account maintenance fees, which are not shown in this section and which would result in higher total expenses. The following table is intended to help you understand your ongoing expenses of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The table is based on an investment of $1,000 made at the beginning of the six month period ended June 30, 2007.

The table illustrates your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.

- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical fund return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs, such as sales charges (loads) or redemption fees. If these transaction costs had been included, your costs would have been higher. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expenses of owning different funds.

Expenses and Value of a $1,000 Investment for the six month period ended June 30, 2007

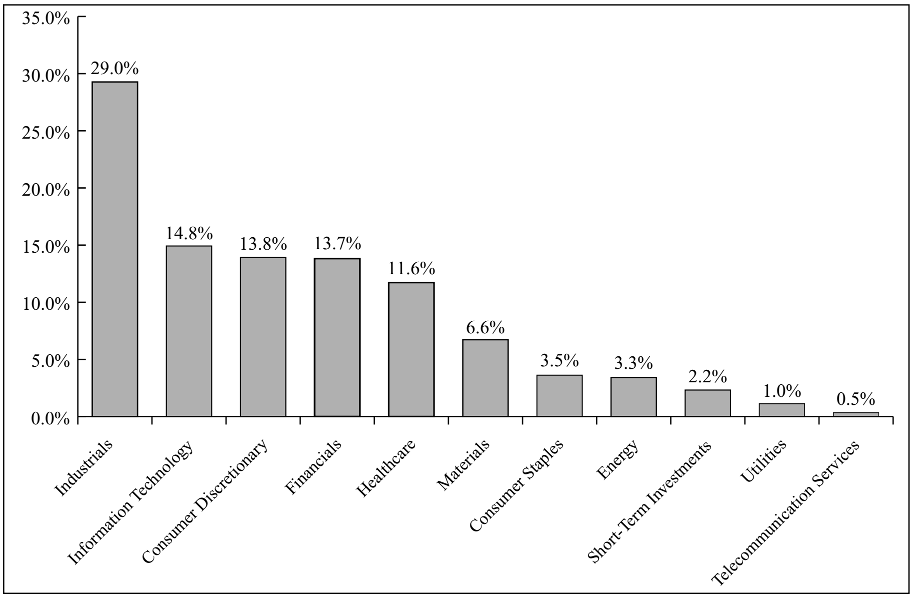
Actual Portfolio Return	
Beginning Account Value 1/1/07	$1,000.00
Ending Account Value 6/30/07	$1,064.80
Expenses Paid per $1,000*	$ 7.17
Hypothetical 5% Portfolio Return	
Beginning Account Value 1/1/07	$1,000.00
Ending Account Value 6/30/07	$1,017.85
Expenses Paid per $1,000*	$ 7.00
Annualized Expense Ratios*	1.40%

* *Expenses are equal to the Portfolio's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year period, then divided by 365.*

The "Expenses Paid per $1,000" and the "Annualized Expense Ratios" in the tables are based on actual expenses paid by the Portfolio during the period, net of fee waivers and/or expense reimbursements. If those fee waivers and/or expense reimbursements had not been in effect, the Portfolio's actual expenses would have been higher. Expenses do not reflect additional charges and expenses that are, or may be, imposed under the variable contracts or plans. Such charges and expenses are described in the prospectus of the insurance company separate account or in the plan documents or other informational materials supplied by plan sponsors. The Portfolio's expenses should be considered with these charges and expenses in evaluating the overall cost of investing in the separate account.

For more information, please refer to the Portfolio's prospectus.

SECTOR BREAKDOWN*



* Expressed as a percentage of total investments (excluding security lending collateral) and may vary over time.

Credit Suisse Trust — Global Small Cap Portfolio
Schedule of Investments
June 30, 2007 (unaudited)

	Number of Shares	Value
COMMON STOCKS (95.6%)		
Australia (5.9%)		
Banks (0.8%)		
Bendigo Bank, Ltd.§	67,000	$ 862,769
Commercial Services & Supplies (0.4%)		
Iress Market Technology, Ltd.§	55,000	430,112
Diversified Financials (2.7%)		
Austbrokers Holdings, Ltd.	312,000	1,149,807
Australian Infrastructure Fund§	256,000	713,282
Mortgage Choice, Ltd.	395,000	1,057,950
		2,921,039
Machinery (0.4%)		
Emeco Holdings, Ltd.	329,000	458,531
Media (1.1%)		
Seven Network, Ltd.	67,000	654,778
STW Communications Group, Ltd.§	205,000	514,295
		1,169,073
Transportation Infrastructure (0.5%)		
Babcock & Brown Infrastructure Group§	419,192	611,045
TOTAL AUSTRALIA		6,452,569
Belgium (1.6%)		
Healthcare Equipment & Supplies (1.6%)		
Omega Pharma SA§	19,950	1,723,328
TOTAL BELGIUM		1,723,328
Bermuda (0.6%)		
Household Durables (0.2%)		
Helen of Troy, Ltd.*§	6,900	186,300
Insurance (0.4%)		
Max Capital Group, Ltd.	12,700	359,410
Montpelier Re Holdings, Ltd.§	4,900	90,846
		450,256
TOTAL BERMUDA		636,556
China (1.0%)		
Communications Equipment (1.0%)		
ZTE Corp. Series H§	237,550	1,130,081
TOTAL CHINA		1,130,081
Denmark (1.3%)		
Household Durables (1.3%)		
Bang & Olufsen AS B Shares§	11,600	1,384,108
TOTAL DENMARK		1,384,108

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Schedule of Investments (continued)
June 30, 2007 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
Finland (0.4%)		
Communications Equipment (0.4%)		
Elcoteq SE§	54,150	$ 457,632
TOTAL FINLAND		457,632
France (1.5%)		
Real Estate (1.5%)		
Nexity	19,491	1,621,848
TOTAL FRANCE		1,621,848
Germany (7.8%)		
Building Products (1.6%)		
Pfleiderer AG§	57,300	1,748,320
Commercial Services & Supplies (1.3%)		
CeWe Color Holding AG	28,500	1,370,467
Machinery (1.8%)		
IWKA AG*§	58,000	1,979,473
Real Estate (1.3%)		
Vivacon AG§	35,000	1,406,624
Specialty Retail (1.8%)		
Fielmann AG§	30,600	1,929,880
TOTAL GERMANY		8,434,764
Japan (15.3%)		
Auto Components (1.9%)		
NHK Spring Company, Ltd.§	96,000	921,212
Nippon Seiki Company, Ltd.	50,000	1,113,195
		2,034,407
Chemicals (2.9%)		
Kuraray Company, Ltd.	100,500	1,174,525
Nippon Shokubai Company, Ltd.	71,000	628,827
Toho Tenax Company, Ltd.*§	219,000	1,366,311
		3,169,663
Commercial Services & Supplies (0.3%)		
Take and Give Needs Company, Ltd.§	895	319,595
Communications Equipment (1.0%)		
Epson Toyocom Corp.	153,000	1,125,498
Computers & Peripherals (1.0%)		
Melco Holdings, Inc.§	51,300	1,083,241
Distribution & Wholesale (0.3%)		
Happinet Corp.	21,100	293,018
Diversified Financials (1.1%)		
Asset Managers Company, Ltd.	440	577,671
OMC Card, Inc.§	87,100	631,687
		1,209,358

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Japan		
Electrical Equipment (1.0%)		
Hitachi Cable, Ltd.	187,000	$ 1,092,236
Food Products (0.6%)		
Mitsui Sugar Company, Ltd.	199,000	647,406
Hotels, Restaurants & Leisure (0.5%)		
Round One Corp.§	309	559,324
Internet & Catalog Retail (0.6%)		
Belluna Company, Ltd.§	50,200	669,694
Internet Software & Services (1.4%)		
ACCA Networks Company, Ltd.	206	424,209
SBI Holdings, Inc.	3,375	1,067,432
		1,491,641
Machinery (1.1%)		
Sodick Company, Ltd.	159,800	1,141,978
Specialty Retail (1.6%)		
USS Company, Ltd.	19,250	1,221,924
Village Vanguard Company, Ltd.	109	514,149
		1,736,073
TOTAL JAPAN		16,573,132
Netherlands (2.5%)		
Electronic Equipment & Instruments (0.7%)		
Gemalto NV*§	34,200	789,764
Semiconductor Equipment & Products (1.7%)		
ASM International NV*	67,423	1,799,620
Software (0.1%)		
Tele Atlas NV*§	6,744	143,973
TOTAL NETHERLANDS		2,733,357
Norway (3.3%)		
Electronic Equipment & Instruments (1.9%)		
Tandberg ASA	94,115	2,096,366
Machinery (1.4%)		
Tomra Systems ASA§	172,000	1,498,677
TOTAL NORWAY		3,595,043
Puerto Rico (0.0%)		
Banks (0.0%)		
W Holding Company, Inc.§	5,100	13,464
TOTAL PUERTO RICO		13,464

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Sweden (3.3%)		
Commercial Services & Supplies (0.8%)		
Observer AB*	216,000	$ 838,378
Healthcare Equipment & Supplies (1.3%)		
Getinge AB Class B	66,664	1,432,423
Machinery (1.2%)		
Alfa Laval AB	21,652	1,301,114
TOTAL SWEDEN		3,571,915
Switzerland (2.7%)		
Biotechnology (0.7%)		
Actelion, Ltd.*	17,390	771,908
Machinery (2.0%)		
Georg Fischer AG*	2,848	2,142,103
TOTAL SWITZERLAND		2,914,011
United Kingdom (9.7%)		
Commercial Services & Supplies (3.3%)		
Michael Page International PLC	135,000	1,417,058
Serco Group PLC	240,000	2,161,613
		3,578,671
Diversified Financials (1.2%)		
Melrose PLC	400,000	1,357,195
Industrial Conglomerates (3.1%)		
Intertek Group PLC	100,000	1,960,760
Synergy Healthcare PLC	81,215	1,351,040
		3,311,800
Insurance (0.7%)		
Amlin PLC	130,000	728,163
Road & Rail (1.4%)		
Arriva PLC	110,000	1,509,401
TOTAL UNITED KINGDOM		10,485,230
United States (38.7%)		
Aerospace & Defense (0.6%)		
BE Aerospace, Inc.*	2,300	94,990
Curtiss-Wright Corp.§	7,400	344,914
Orbital Sciences Corp.*	5,100	107,151
United Industrial Corp.§	1,500	89,970
		637,025
Air Freight & Couriers (0.1%)		
Hub Group, Inc. Class A*	3,300	116,028

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Airlines (0.1%)		
Republic Airways Holdings, Inc.*	1,000	$ 20,350
SkyWest, Inc.	3,000	71,490
		91,840
Auto Components (0.3%)		
American Axle & Manufacturing Holdings, Inc.§	3,300	97,746
Cooper Tire & Rubber Co.	5,000	138,100
Keystone Automotive Industries, Inc.*	2,400	99,288
Wabtec Corp.	1,200	43,836
		378,970
Banks (1.5%)		
Center Financial Corp.§	1,900	32,148
Community Bancorp*§	2,900	81,142
East West Bancorp, Inc.§	3,200	124,416
First Community Bancorp§	2,900	165,909
FirstFed Financial Corp.*§	1,400	79,422
Hanmi Financial Corp.§	7,400	126,244
Nara Bancorp, Inc.§	4,500	71,685
Prosperity Bancshares, Inc.§	9,000	294,840
Southwest Bancorp, Inc.	2,900	69,716
Sterling Bancshares, Inc.	17,350	196,228
Sterling Financial Corp.	2,400	69,456
SVB Financial Group*§	1,700	90,287
Umpqua Holdings Corp.§	6,500	152,815
Vineyard National Bancorp Co.§	1,680	38,590
Whitney Holding Corp.	2,100	63,210
		1,656,108
Beverages (0.2%)		
Boston Beer Company, Inc. Class A*§	3,300	129,855
Coca-Cola Bottling Co. Consolidated	1,200	60,360
		190,215
Biotechnology (1.7%)		
Albany Molecular Research, Inc.*	7,000	103,950
Alkermes, Inc.*§	14,100	205,860
Cubist Pharmaceuticals, Inc.*§	12,600	248,346
LifeCell Corp.*§	14,300	436,722
Myriad Genetics, Inc.*§	3,600	133,884
Pharmanet Development Group, Inc.*	3,500	111,580
Regeneron Pharmaceuticals, Inc.*§	3,100	55,552
Savient Pharmaceuticals, Inc.*§	7,700	95,634
United Therapeutics Corp.*§	2,000	127,520
ViroPharma, Inc.*	22,200	306,360
		1,825,408

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Building Products (0.3%)		
American Woodmark Corp.§	900	$ 31,140
Apogee Enterprises, Inc.	2,300	63,986
Lamson & Sessions Co.*§	8,900	236,473
		331,599
Chemicals (1.0%)		
Arch Chemicals, Inc.	1,300	45,682
CF Industries Holdings, Inc.	7,300	437,197
H.B. Fuller Co.	6,700	200,263
OM Group, Inc.*	3,500	185,220
Spartech Corp.	1,600	42,480
W.R. Grace & Co.*§	9,000	220,410
		1,131,252
Commercial Services & Supplies (1.4%)		
Advance America Cash Advance Centers, Inc.§	3,600	63,864
Atlas Air Worldwide Holdings, Inc.*§	1,500	88,410
Bristow Group, Inc.*§	3,100	153,605
CPI Corp.	300	20,850
CSG Systems International, Inc.*	4,800	127,248
Deluxe Corp.	1,500	60,915
DeVry, Inc.	3,700	125,874
Heidrick & Struggles International, Inc.*	2,700	138,348
Hudson Highland Group, Inc.*	2,000	42,780
ICT Group, Inc.*§	1,500	28,065
Integrated Electrical Services, Inc.*§	1,600	52,752
Kelly Services, Inc. Class A	800	21,968
Korn/Ferry International*§	6,900	181,194
Labor Ready, Inc.*	9,100	210,301
Layne Christensen Co.*§	1,600	65,520
Sotheby's	1,800	82,836
Waste Connections, Inc.*	700	21,168
		1,485,698
Communications Equipment (0.9%)		
Arris Group, Inc.*	20,200	355,318
C-COR, Inc.*	3,200	44,992
CommScope, Inc.*	2,300	134,205
Comtech Telecommunications Corp.*	6,300	292,446
Emulex Corp.*	7,300	159,432
		986,393
Computers & Peripherals (0.2%)		
Komag, Inc.*§	4,300	137,127
Novatel Wireless, Inc.*§	3,200	83,264
		220,391

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Schedule of Investments (continued)
June 30, 2007 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
United States		
Construction & Engineering (0.4%)		
EMCOR Group, Inc.*	3,200	$ 233,280
Perini Corp.*	2,700	166,131
Sterling Construction Co., Inc.*§	2,200	46,530
		445,941
Construction Materials (0.2%)		
Ameron International Corp.§	700	63,133
Texas Industries, Inc.§	1,900	148,979
		212,112
Containers & Packaging (0.1%)		
Rock-Tenn Co. Class A	3,200	101,504
Diversified Financials (1.3%)		
ACA Capital Holdings, Inc.*§	3,000	35,700
ASTA Funding, Inc.§	2,000	76,860
Calamos Asset Management, Inc. Class A	3,600	91,980
Euronet Worldwide, Inc.*§	3,000	87,480
GFI Group, Inc.*§	600	43,488
Knight Capital Group, Inc. Class A*	12,600	209,160
MCG Capital Corp.§	11,200	179,424
optionsXpress Holdings, Inc.§	5,500	141,130
Portfolio Recovery Associates, Inc.§	3,200	192,064
SWS Group, Inc.§	6,400	138,368
Texas Capital Bancshares, Inc.*§	3,200	71,520
Walter Industries, Inc.§	3,900	112,944
		1,380,118
Diversified Telecommunication Services (0.2%)		
Cincinnati Bell, Inc.*	11,700	67,626
Premiere Global Services, Inc.*	5,600	72,912
SAVVIS, Inc.*	900	44,559
		185,097
Electric Utilities (0.7%)		
Black Hills Corp.§	3,200	127,200
Cleco Corp.	4,900	120,050
El Paso Electric Co.*	9,300	228,408
Portland General Electric Co.§	3,200	87,808
UIL Holdings Corp.	1,900	62,890
Unisource Energy Corp.	3,000	98,670
		725,026
Electrical Equipment (0.6%)		
Encore Wire Corp.	2,900	85,376
General Cable Corp.*§	5,500	416,625
Genlyte Group, Inc.*	2,300	180,642
		682,643

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Electronic Equipment & Instruments (1.1%)		
Analogic Corp.	700	$ 51,457
Anixter International, Inc.*§	1,200	90,252
FLIR Systems, Inc.*§	3,100	143,375
Greatbatch, Inc.*§	5,500	178,200
Hittite Microwave Corp.*§	2,200	94,006
Littelfuse, Inc.*	1,900	64,163
LoJack Corp.*	4,900	109,221
Methode Electronics, Inc.	6,000	93,900
Plexus Corp.*	9,900	227,601
Rofin-Sinar Technologies, Inc.*	1,900	131,100
Varian, Inc.*	800	43,864
		1,227,139
Energy Equipment & Services (1.7%)		
Atwood Oceanics, Inc.*	3,500	240,170
Basic Energy Services, Inc.*§	4,900	125,293
Complete Production Services, Inc.*§	9,400	242,990
Global Industries, Ltd.*	6,800	182,376
Grey Wolf, Inc.*§	20,800	171,392
GulfMark Offshore, Inc.*§	800	40,976
Hercules Offshore, Inc.*§	5,000	161,900
Lufkin Industries, Inc.§	2,100	135,555
Oil States International, Inc.*	2,600	107,484
Parker Drilling Co.*	3,700	38,998
Trico Marine Services, Inc.*§	1,100	44,968
Unit Corp.*	2,700	169,857
W-H Energy Services, Inc.*	2,600	160,966
		1,822,925
Food & Drug Retailing (1.3%)		
Arden Group, Inc. Class A§	100	13,640
Casey's General Stores, Inc.	1,600	43,616
Central European Distribution Corp.*§	5,700	197,334
Flowers Foods, Inc.	1,300	43,368
Longs Drug Stores Corp.	4,200	220,584
Nash Finch Co.§	7,100	351,450
Performance Food Group Co.*	2,700	87,723
PetMed Express, Inc.*§	3,200	41,088
Terra Industries, Inc.*§	15,900	404,178
Village Super Market, Inc. Class A§	370	17,690
		1,420,671
Food Products (0.7%)		
Corn Products International, Inc.	5,300	240,885
Imperial Sugar Co.§	3,800	117,002
J & J Snack Foods Corp.	1,200	45,288
MGP Ingredients, Inc.§	6,000	101,400
Ralcorp Holdings, Inc.*§	2,300	122,935
Seaboard Corp.	20	46,900
USANA Health Sciences, Inc.*§	1,900	85,006
		759,416

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Gas Utilities (0.3%)		
Atmos Energy Corp.	2,100	$ 63,126
Energen Corp.	2,100	115,374
Southwest Gas Corp.	3,300	111,573
UGI Corp.	2,300	62,744
		352,817
Healthcare Equipment & Supplies (1.9%)		
Align Technology, Inc.*§	2,700	65,232
ArthroCare Corp.*§	6,800	298,588
ICU Medical, Inc.*§	1,100	47,234
Immucor, Inc.*	5,700	159,429
LCA-Vision, Inc.§	3,700	174,862
Mentor Corp.§	1,600	65,088
Meridian Bioscience, Inc.§	6,150	133,209
Noven Pharmaceuticals, Inc.*§	5,500	128,975
Palomar Medical Technologies, Inc.*§	5,800	201,318
Somanetics Corp.*§	3,400	62,254
STERIS Corp.	1,500	45,900
SurModics, Inc.*§	3,200	160,000
Ventana Medical Systems, Inc.*§	3,700	285,899
Vital Signs, Inc.	1,600	88,880
West Pharmaceutical Services, Inc.§	2,600	122,590
		2,039,458
Healthcare Providers & Services (1.6%)		
Alliance Imaging, Inc.*§	12,400	116,436
Amedisys, Inc.*	4,600	167,118
Amerigroup Corp.*	2,600	61,880
AmSurg Corp.*	3,100	74,834
Apria Healthcare Group, Inc.*	2,100	60,417
Centene Corp.*	5,800	124,236
eResearch Technology, Inc.*§	5,900	56,109
Kindred Healthcare, Inc.*§	3,500	107,520
Matria Healthcare, Inc.*§	2,400	72,672
MedCath Corp.*§	2,800	89,040
Molina Healthcare, Inc.*§	1,400	42,728
National Healthcare Corp.§	900	46,440
Omnicell, Inc.*	3,000	62,340
PARAXEL International Corp.*	7,700	323,862
Psychiatric Solutions, Inc.*§	3,552	128,795
Sun Healthcare Group, Inc.*§	3,100	44,919
Sunrise Senior Living, Inc.*§	3,700	147,963
		1,727,309

	Number of Shares	Value
COMMON STOCKS		
United States		
Hotels, Restaurants & Leisure (0.8%)		
CBRL Group, Inc.§	1,000	$ 42,480
CKE Restaurants, Inc.§	11,600	232,812
Domino's Pizza, Inc.§	5,900	107,793
Jack in the Box, Inc.*	1,200	85,128
Monarch Casino & Resort, Inc.*	3,300	88,605
O'Charley's, Inc.§	2,000	40,320
P.F. Chang's China Bistro, Inc.*§	1,000	35,200
WMS Industries, Inc.*§	7,400	213,564
		845,902
Household Durables (0.4%)		
American Greetings Corp. Class A§	9,700	274,801
Tempur-Pedic International, Inc.§	4,200	108,780
Topps Company, Inc.	4,900	51,499
		435,080
Industrial Conglomerates (0.1%)		
Lydall, Inc.*	3,000	43,830
Tredegar Corp.	2,000	42,600
		86,430
Insurance (1.4%)		
American Physicians Capital, Inc.*	1,200	48,600
Commerce Group, Inc.§	5,200	180,544
Delphi Financial Group, Inc. Class A	2,100	87,822
HealthExtras, Inc.*	2,200	65,076
Midland Co.§	2,400	112,656
National Western Life Insurance Co. Class A	200	50,584
Phoenix Companies, Inc.§	6,500	97,565
Safety Insurance Group, Inc.§	6,500	269,100
Seabright Insurance Holdings*	4,200	73,416
Selective Insurance Group, Inc.§	4,900	131,712
Tower Group, Inc.	3,800	121,220
Universal American Financial Corp.*§	7,200	153,216
Zenith National Insurance Corp.	3,100	145,979
		1,537,490
Internet & Catalog Retail (0.2%)		
Priceline.com, Inc.*	2,900	199,346
Systemax, Inc.§	1,200	24,972
US Auto Parts Network, Inc.*	4,700	44,462
		268,780
Internet Software & Services (0.9%)		
Digital River, Inc.*§	5,200	235,300
InfoSpace, Inc.§	2,700	62,667
j2 Global Communications, Inc.*§	6,000	209,400
United Online, Inc.	15,800	260,542
ValueClick, Inc.*	3,400	100,164
Websense, Inc.*§	3,500	74,375
		942,448

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
IT Consulting & Services (0.0%)		
Sykes Enterprises, Inc.*	2,300	$ 43,677
Leisure Equipment & Products (0.4%)		
Build-A-Bear Workshop, Inc.*	3,300	86,262
JAKKS Pacific, Inc.*§	7,700	216,678
RC2 Corp.*	2,000	80,020
		382,960
Machinery (2.3%)		
Actuant Corp. Class A§	2,200	138,732
Applied Industrial Technologies, Inc.	3,000	88,500
Astec Industries, Inc.*	2,900	122,438
Cascade Corp.	1,800	141,192
Ceradyne, Inc.*§	6,800	502,928
Columbus McKinnon Corp.*	4,200	135,240
EnPro Industries, Inc.*	7,000	299,530
FreightCar America, Inc.§	2,800	133,952
Gardner Denver, Inc.*	5,100	217,005
Hurco Companies, Inc.*	2,800	139,944
Manitowoc Company, Inc.	2,600	208,988
Mueller Industries, Inc.	7,500	258,300
NACCO Industries, Inc. Class A	500	77,745
		2,464,494
Marine (0.2%)		
Cal Dive International, Inc.*§	5,400	89,802
Hornbeck Offshore Services, Inc.*§	2,800	108,528
		198,330
Media (0.5%)		
Alloy, Inc.*	11,600	116,000
Brocade Communications Systems, Inc.*	7,700	60,214
InVentiv Health, Inc.*	3,500	128,135
Scholastic Corp.*§	3,000	107,820
Sonic Solutions*§	9,100	114,751
		526,920
Metals & Mining (2.2%)		
AK Steel Holding Corp.*§	6,200	231,694
Carpenter Technology Corp.	1,800	234,558
Century Aluminum Co.*§	4,300	234,909
Chaparral Steel Co.	4,500	323,415
Cleveland-Cliffs, Inc.§	3,000	233,010
Coeur d'Alene Mines Corp.*§	44,400	159,396
GrafTech International, Ltd.*	11,300	190,292
Massey Energy Co.	4,800	127,920
Metal Management, Inc.	3,800	167,466
Quanex Corp.§	5,700	277,590
USEC, Inc.*	7,000	153,860
		2,334,110

	Number of Shares	Value
COMMON STOCKS		
United States		
Multiline Retail (0.1%)		
Big Lots, Inc.*§	2,900	$ 85,318
Oil & Gas (1.6%)		
Alon USA Energy, Inc.§	1,900	83,619
ATP Oil & Gas Corp.*	1,800	87,552
Comstock Resources, Inc.*	9,100	272,727
Delek US Holdings, Inc.§	6,200	165,230
Helix Energy Solutions Group, Inc.*§	4,300	171,613
Mariner Energy, Inc.*	6,800	164,900
Petroleum Development Corp.*	2,600	123,448
Rosetta Resources, Inc.*§	3,600	77,544
Swift Energy Co.*	7,800	333,528
VAALCO Energy, Inc.*§	18,000	86,940
Western Refining, Inc.§	3,800	219,640
		1,786,741
Paper & Forest Products (0.2%)		
Buckeye Technologies, Inc.*	6,100	94,367
Potlatch Corp.	3,200	137,760
		232,127
Personal Products (0.3%)		
Chattem, Inc.*	1,300	82,394
Elizabeth Arden, Inc.*	6,300	152,838
NBTY, Inc.*	2,600	112,320
		347,552
Pharmaceuticals (0.5%)		
American Oriental Bioengineering, Inc.*§	5,800	51,620
K-V Pharmaceutical Co. Class A*§	6,400	174,336
Par Pharmaceutical Cos, Inc.*§	3,000	84,690
Pharmion Corp.*§	3,900	112,905
Salix Pharmaceuticals, Ltd.*§	12,300	151,290
		574,841
Real Estate (1.0%)		
Alexandria Real Estate Equities, Inc.	400	38,728
Anthracite Capital, Inc.	5,400	63,180
Arbor Realty Trust, Inc.	4,600	118,726
BioMed Realty Trust, Inc.	1,900	47,728
Digital Realty Trust, Inc.	3,000	113,040
Entertainment Properties Trust	2,500	134,450
Equity Inns, Inc.§	9,800	219,520
Innkeepers USA Trust	6,700	118,791
National Health Investors, Inc.	4,000	126,880
Realty Income Corp.	2,500	62,975
		1,044,018

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Schedule of Investments (continued)
June 30, 2007 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
United States		
Road & Rail (0.2%)		
Arkansas Best Corp.§	2,400	$ 93,528
Genesee & Wyoming, Inc. Class A*	3,000	89,520
Saia, Inc.*	2,900	79,054
		262,102
Semiconductor Equipment & Products (1.6%)		
Advanced Energy Industries, Inc.*	12,200	276,452
Amkor Technology, Inc.*§	9,400	148,050
Brooks Automation, Inc.*	13,000	235,950
Cymer, Inc.*	3,100	124,620
Kulicke and Soffa Industries, Inc.*	7,300	76,431
Micrel, Inc.	7,000	89,040
OmniVision Technologies, Inc.*§	7,400	134,014
ON Semiconductor Corp.*§	11,900	127,568
Photronics, Inc.*	3,300	49,104
Varian Semiconductor Equipment Associates, Inc.*	5,250	210,315
Zoran Corp.*	15,400	308,616
		1,780,160
Software (0.7%)		
Aspen Technology, Inc.*	11,600	162,400
Epicor Software Corp.*	1,500	22,305
Jack Henry & Associates, Inc.	1,800	46,350
Mentor Graphics Corp.*§	9,000	118,530
Progress Software Corp.*	6,200	197,098
SPSS, Inc.*§	2,000	88,280
VASCO Data Security International, Inc.*§	4,200	95,592
		730,555
Specialty Retail (1.3%)		
Aeropostale, Inc.*	11,200	466,816
Charlotte Russe Holding, Inc.*§	9,500	255,265
Charming Shoppes, Inc.*	10,200	110,466
Children's Place Retail Stores, Inc.*	1,500	77,460
Dress Barn, Inc.*	1,000	20,520
DSW, Inc. Class A*§	1,100	38,302
Gymboree Corp.*	4,500	177,345
Jos. A. Bank Clothiers, Inc.*§	2,000	82,940
Select Comfort Corp.*§	8,200	133,004
		1,362,118
Textiles & Apparel (0.7%)		
Deckers Outdoor Corp.*§	1,500	151,350
Guess?, Inc.	1,300	62,452
Phillips-Van Heusen Corp.	800	48,456
Steven Madden, Ltd.	5,000	163,800
True Religion Apparel, Inc.*	6,700	136,211
Warnaco Group, Inc.*	4,500	177,030
		739,299

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Schedule of Investments (continued)
June 30, 2007 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
United States		
Tobacco (0.4%)		
Alliance One International, Inc.*	7,300	$ 73,365
Schweitzer-Mauduit International, Inc.	1,600	49,600
Universal Corp.§	2,100	127,932
Vector Group, Ltd.§	8,400	189,252
		440,149
Trading Companies & Distributors (0.0%)		
Aceto Corp.	5,600	51,912
Wireless Telecommunication Services (0.3%)		
Dobson Communications Corp. Class A*§	9,200	102,212
Syniverse Holdings, Inc.*	10,500	135,030
USA Mobility, Inc.*	5,300	141,828
		379,070
TOTAL UNITED STATES		42,015,686
TOTAL COMMON STOCKS (Cost $88,357,576)		103,742,724
PREFERRED STOCK (2.2%)		
Germany (2.2%)		
Healthcare Equipment & Supplies (2.2%)		
Draegerwerk AG (Cost $1,540,403)	26,000	2,435,940
SHORT-TERM INVESTMENTS (30.3%)		
State Street Navigator Prime Portfolio§§	30,495,833	30,495,833
	Par (000)	
State Street Bank and Trust Co. Euro Time Deposit, 4.100%, 7/02/07	$2,356	2,356,000
TOTAL SHORT-TERM INVESTMENTS (Cost $32,851,833)		32,851,833
TOTAL INVESTMENTS AT VALUE (128.1%) (Cost $122,749,812)		139,030,497
LIABILITIES IN EXCESS OF OTHER ASSETS (-28.1%)		(30,504,490)
NET ASSETS (100.0%)		$108,526,007

* Non-income producing security.

§ Security or portion thereof is out on loan.

§§ Represents security purchased with cash collateral received for securities on loan.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Statement of Assets and Liabilities
June 30, 2007 (unaudited)

Assets	
Investments at value, including collateral for securities on loan of $30,495,833 (Cost $122,749,812) (Note 2)	$139,030,497[1]
Cash	757
Foreign currency at value (cost $61,023)	60,855
Dividend and interest receivable	154,188
Receivable for portfolio shares sold	18,186
Prepaid expenses and other assets	16,146
Total Assets	139,280,629
Liabilities	
Advisory fee payable (Note 3)	94,427
Administrative services fee payable (Note 3)	10,716
Payable upon return of securities loaned (Note 2)	30,495,833
Payable for portfolio shares redeemed	83,527
Other accrued expenses payable	70,119
Total Liabilities	30,754,622
Net Assets	
Capital stock, $0.001 par value (Note 6)	6,948
Paid-in capital (Note 6)	111,853,755
Undistributed net investment income	308,173
Accumulated net realized loss on investments, futures contracts and foreign currency transactions	(19,924,009)
Net unrealized appreciation from investments and foreign currency translations	16,281,140
Net Assets	$108,526,007
Shares outstanding	6,947,931
Net asset value, offering price, and redemption price per share	$15.62

[1] Including $29,418,903 of securities on loan.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Statement of Operations
For the Six Months Ended June 30, 2007 (unaudited)

Investment Income (Note 2)	
Dividends	$1,001,871
Interest	43,881
Securities lending	114,538
Foreign taxes withheld	(47,999)
Total investment income	1,112,291
Expenses	
Investment advisory fees (Note 3)	719,169
Administrative services fees (Note 3)	80,145
Custodian fees	28,321
Printing fees (Note 3)	24,312
Audit and tax fees	13,456
Legal fees	7,746
Trustees' fees	6,601
Insurance expense	3,763
Transfer agent fees	2,753
Commitment fees (Note 4)	1,663
Interest expense (Note 4)	1,474
Miscellaneous expense	7,990
Total expenses	897,393
Less: fees waived (Note 3)	(91,924)
Net expenses	805,469
Net investment income	306,822
Net Realized and Unrealized Gain (Loss) from Investments, Futures Contracts and Foreign Currency Related Items	
Net realized gain from investments	5,952,348
Net realized loss from futures contracts	(3,264)
Net realized loss on foreign currency transactions	(23,801)
Net change in unrealized appreciation (depreciation) from investments	1,189,795
Net change in unrealized appreciation (depreciation) from futures contracts	2,591
Net change in unrealized appreciation (depreciation) from foreign currency translations	(218)
Net realized and unrealized gain from investments, futures contracts and foreign currency related items	7,117,451
Net increase in net assets resulting from operations	$7,424,273

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Statements of Changes in Net Assets

	For the Six Months Ended June 30, 2007 (unaudited)	For the Year Ended December 31, 2006
From Operations		
Net investment income (loss)	$ 306,822	$ (27,488)
Net realized gain from investments, futures contracts and foreign currency transactions	5,925,283	22,310,658
Net change in unrealized appreciation (depreciation) from investments, futures contracts and foreign currency translations	1,192,168	(7,853,700)
Net increase in net assets resulting from operations	7,424,273	14,429,470
From Capital Share Transactions (Note 6)		
Proceeds from sale of shares	5,242,170	21,903,845
Net asset value of shares redeemed	(23,245,833)	(46,535,898)
Net decrease in net assets from capital share transactions	(18,003,663)	(24,632,053)
Net decrease in net assets	(10,579,390)	(10,202,583)
Net Assets		
Beginning of period	119,105,397	129,307,980
End of period	$108,526,007	$119,105,397
Undistributed net investment income	$ 308,173	$ 1,351

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Financial Highlights
(For a Share of the Portfolio Outstanding Throughout Each Period)

	For the Six Months Ended June 30, 2007 (unaudited)	For the Year Ended December 31, 2006	2005	2004	2003	2002
Per share data						
Net asset value, beginning of period	$ 14.67	$ 12.95	$ 11.15	$ 9.45	$ 6.40	$ 9.72
INVESTMENT OPERATIONS						
Net investment income (loss)	0.04	(0.00)[1]	(0.04)	(0.09)	(0.06)	(0.08)
Net gain (loss) on investments, futures contracts and foreign currency related items (both realized and unrealized)	0.91	1.72	1.84	1.79	3.11	(3.24)
Total from investment operations	0.95	1.72	1.80	1.70	3.05	(3.32)
Net asset value, end of period	$ 15.62	$ 14.67	$ 12.95	$ 11.15	$ 9.45	$ 6.40
Total return[2]	6.48%	13.28%	16.14%	17.99%	47.66%	(34.16)%
RATIOS AND SUPPLEMENTAL DATA						
Net assets, end of period (000s omitted)	$108,526	$119,105	$129,308	$110,110	$102,577	$60,633
Ratio of expenses to average net assets	1.40%[3]	1.40%	1.40%	1.40%	1.40%	1.40%
Ratio of net investment income (loss) to average net assets	0.53%[3]	(0.02)%	(0.39)%	(0.85)%	(0.94)%	(0.90)%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.16%[3]	0.16%	0.19%	0.17%	0.23%	0.31%
Portfolio turnover rate	34%	117%	75%	79%	86%	86%

[1] This amount represents less than $(0.01) per share.

[2] Total returns are historical and assume changes in share price and reinvestment of all dividends and distributions. Had certain expenses not been reduced during the periods shown, total returns would have been lower. Total returns do not reflect charges and expenses attributable to any particular variable contract or plan. Total returns for periods less than one year are not annualized.

[3] Annualized.

See Accompanying Notes to Financial Statements.

Note 1. Organization

Credit Suisse Trust, (the "Trust") is an open-end management investment company registered under the Investment Company Act of 1940, as amended, and currently offers eight managed investment portfolios of which one, the Global Small Cap Portfolio (the "Portfolio"), is included in this report. The Portfolio is a diversified investment fund that seeks long-term growth of capital. Shares of the Portfolio are not available directly to individual investors but may be offered only through (a) variable annuity contracts and variable life insurance contracts offered by separate accounts of certain insurance companies and (b) tax-qualified pension and retirement plans. The Portfolio may not be available in connection with a particular contract or plan. The Trust was organized under the laws of The Commonwealth of Massachusetts as a business trust on March 15, 1995.

Note 2. Significant Accounting Policies

A) SECURITY VALUATION — The net asset value of the Portfolio is determined daily as of the close of regular trading on the New York Stock Exchange, Inc. (the "Exchange") on each day the Exchange is open for business. Equity investments are valued at market value, which is generally determined using the closing price on the exchange or market on which the security is primarily traded at the time of valuation (the "Valuation Time"). If no sales are reported, equity investments are generally valued at the most recent bid quotation as of the Valuation Time or at the lowest asked quotation in the case of a short sale of securities. Debt securities with a remaining maturity greater than 60 days are valued in accordance with the price supplied by a pricing service, which may use a matrix, formula or other objective method that takes into consideration market indices, yield curves and other specific adjustments. Debt obligations that will mature in 60 days or less are valued on the basis of amortized cost, which approximates market value, unless it is determined that using this method would not represent fair value. Investments in mutual funds are valued at the mutual fund's closing net asset value per share on the day of valuation. Securities and other assets for which market quotations are not readily available, or whose values have been materially affected by events occurring before the Portfolio's Valuation Time but after the close of the securities' primary markets, are valued at fair value as determined in good faith by, or under the direction of, the Board of Trustees under procedures established by the Board of Trustees. The Portfolio may utilize a service provided by an independent third party which has been approved by the Board of Trustees to fair value certain securities. When fair-value pricing is employed,

Note 2. Significant Accounting Policies

the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities.

B) FOREIGN CURRENCY TRANSACTIONS — The books and records of the Portfolio are maintained in U.S. dollars. Transactions denominated in foreign currencies are recorded at the current prevailing exchange rates. All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the current exchange rate at the end of the period. Translation gains or losses resulting from changes in the exchange rate during the reporting period and realized gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current period. The Portfolio does not isolate that portion of realized gains and losses on investments in *equity* securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of equity securities. The Portfolio isolates that portion of realized gains and losses on investments in *debt* securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of debt securities.

C) SECURITY TRANSACTIONS AND INVESTMENT INCOME — Security transactions are accounted for on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes.

D) DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS — Dividends from net investment income and distributions of net realized capital gains, if any, are declared and paid at least annually. However, to the extent that a net realized capital gain can be reduced by a capital loss carryforward, such gain will not be distributed. Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America ("GAAP").

E) FEDERAL INCOME TAXES — No provision is made for federal taxes as it is the Portfolio's intention to continue to qualify for and elect the tax treatment applicable to regulated investment companies under the Internal Revenue Code of 1986, as amended, and to make the requisite distributions to its shareholders, which will be sufficient to relieve it from federal income and excise taxes.

F) USE OF ESTIMATES — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

Note 2. Significant Accounting Policies

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

G) SHORT TERM INVESTMENTS — The Portfolio, together with other funds/portfolios advised by Credit Suisse Asset Management, LLC ("Credit Suisse"), an indirect, wholly-owned subsidiary of Credit Suisse Group, pools available cash into either a short-term variable rate time deposit issued by State Street Bank and Trust Company ("SSB"), the Portfolio's custodian, or a money market fund advised by Credit Suisse. The short-term time deposit issued by SSB is a variable rate account classified as a short-term investment.

H) FORWARD FOREIGN CURRENCY CONTRACTS — The Portfolio may enter into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency. The Portfolio will enter into forward foreign currency contracts primarily for hedging purposes. Forward foreign currency contracts are adjusted by the daily forward exchange rate of the underlying currency and any gains or losses are recorded for financial statement purposes as unrealized until the contract settlement date or an offsetting position is entered into. At June 30, 2007, the Portfolio had no open forward foreign currency contracts.

I) FUTURES — The Portfolio may enter into futures contracts to the extent permitted by its investment policies and objectives. Upon entering into a futures contract, the Portfolio is required to deposit cash or pledge U.S. Government securities as initial margin. Subsequent payments, which are dependent on the daily fluctuations in the value of the underlying instrument, are made or received by the Portfolio each day (daily variation margin) and are recorded as unrealized gains or losses until the contracts are closed.

When the contracts are closed, the Portfolio records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transactions and the Portfolio's basis in the contracts. Risks of entering into futures contracts for hedging purposes include the possibility that a change in the value of the contract may not correlate with the changes in the value of the underlying instruments. In addition, the purchase of a futures contract involves the risk that the Portfolio could lose more than the original margin deposit and subsequent payments required for a futures transaction. At June 30, 2007, the Portfolio had no open futures contracts.

Note 2. Significant Accounting Policies

J) SECURITIES LENDING — Loans of securities are required at all times to be secured by collateral at least equal to 102% of the market value of domestic securities on loan (including any accrued interest thereon) and 105% of the market value of foreign securities on loan (including any accrued interest thereon). Cash collateral received by the Portfolio in connection with securities lending activity may be pooled together with cash collateral for other funds/portfolios advised by Credit Suisse and may be invested in a variety of investments, including certain Credit Suisse-advised funds, funds advised by SSB, the Portfolio's securities lending agent, or money market instruments. However, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings.

SSB has been engaged by the Portfolio to act as the Portfolio's securities lending agent. The Portfolio's securities lending arrangement provides that the Portfolio and SSB will share the net income earned from securities lending activities. During the six months ended June 30, 2007, total earnings from the Portfolio's investment in cash collateral received in connection with securities lending arrangements was $857,500, of which $713,776 was rebated to borrowers (brokers). The Portfolio retained $114,538 in income from the cash collateral investment, and SSB, as lending agent, was paid $29,186. The Portfolio may also be entitled to certain minimum amounts of income from its securities lending activities. Securities lending income is accrued as earned.

K) PARTNERSHIP ACCOUNTING POLICY — The Portfolio records its pro-rata share of the income/(loss) and capital gains/(losses) allocated from the underlying partnerships and adjusts the cost of the underlying partnerships accordingly. These amounts are included in the Portfolio's Statement of Operations.

L) OTHER — The Portfolio may invest in securities of foreign countries and governments which involve certain risks in addition to those inherent in domestic investments. Such risks generally include, among others, currency risk (fluctuations in currency exchange rates), information risk (key information may be inaccurate or unavailable) and political risk (expropriation, nationalization or the imposition of capital or currency controls or punitive taxes). Other risks of investing in foreign securities include liquidity and valuation risks.

The Portfolio may be subject to taxes imposed by countries in which it invests with respect to its investments in issuers existing or operating in such countries. Such taxes are generally based on income earned or repatriated and capital

Note 2. Significant Accounting Policies

gains realized on the sale of such investments. The Portfolio accrues such taxes when the related income is earned or gains are realized.

The Portfolio may invest up to 15% of its net assets in non-publicly traded securities. Non-publicly traded securities may be less liquid than publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from such sales could differ from the price originally paid by the Portfolio or the current carrying values, and the difference could be material.

Note 3. Transactions with Affiliates and Related Parties

Credit Suisse serves as investment adviser for the Portfolio. For its investment advisory services, Credit Suisse is entitled to receive a fee from the Portfolio at an annual rate of 1.25% of the Portfolio's average daily net assets. For the six months ended June 30, 2007, investment advisory fees earned and voluntarily waived for the Portfolio were $719,169 and $91,924, respectively. Fee waivers and reimbursements are voluntary and may be discontinued by Credit Suisse at any time.

Credit Suisse Asset Management Limited ("Credit Suisse U.K."), Credit Suisse Asset Management Limited ("Credit Suisse Japan") and Credit Suisse Asset Management Limited ("Credit Suisse Australia"), each an affiliate of Credit Suisse, are sub-investment advisers to the Portfolio (the "Sub-Advisers"). Credit Suisse U.K.'s, Credit Suisse Japan's and Credit Suisse Australia's sub-investment advisory fees are paid by Credit Suisse out of Credit Suisse's net investment advisory fee and are not paid by the Portfolio.

Credit Suisse Asset Management Securities, Inc. ("CSAMSI"), an affiliate of Credit Suisse, and SSB serve as co-administrators to the Portfolio. For its co-administrative services, CSAMSI currently receives a fee calculated at an annual rate of 0.09% of the Portfolio's average daily net assets. For the six months ended June 30, 2007, co-administrative services fees earned by CSAMSI were $51,780.

For its co-administrative services, SSB receives a fee, exclusive of out-of-pocket expenses, calculated in total for all the Credit Suisse funds/portfolios co-administered by SSB and allocated based upon relative average net assets of each fund/portfolio, subject to an annual minimum fee. For the six months ended June 30, 2007, co-administrative services fees earned by SSB (including out-of-pocket expenses) were $28,365.

Note 3. Transactions with Affiliates and Related Parties

In addition to serving as the Portfolio's co-administrator, CSAMSI currently serves as distributor of the Portfolio's shares without compensation.

Merrill Corporation ("Merrill"), an affiliate of Credit Suisse, has been engaged by the Portfolio to provide certain financial printing and fulfillment services. For the six months ended June 30, 2007, Merrill was paid $8,591 for its services to the Portfolio.

Note 4. Line of Credit

The Portfolio, together with other funds/portfolios advised by Credit Suisse (collectively, the "Participating Funds"), participates in a $50 million committed, unsecured line of credit facility ("Credit Facility") for temporary or emergency purposes with Deutsche Bank, A.G. as administrative agent and syndication agent and SSB as operations agent. Under the terms of the Credit Facility, the Participating Funds pay an aggregate commitment fee at a rate of 0.10% per annum on the average unused amount of the Credit Facility, which is allocated among the Participating Funds in such manner as is determined by the governing Boards of the Participating Funds. In addition, the Participating Funds pay interest on borrowings at the Federal Funds rate plus 0.50%. At June 30, 2007, the Portfolio had no loans outstanding under the Credit Facility. During the six months ended June 30, 2007, the Portfolio had borrowings under the Credit Facility as follows:

Average Daily Loan Balance	Weighted Average Interest Rate %	Maximum Daily Loan Outstanding
$1,841,600	5.765%	$2,148,000

Note 5. Purchases and Sales of Securities

For the six months ended June 30, 2007, purchases and sales of investment securities (excluding short-term investments) were $38,213,898 and $57,195,256, respectively.

At June 30, 2007, the identified cost for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized appreciation from investments were $122,749,812, $24,133,611, $(7,852,926) and $16,280,685, respectively.

Note 6. Capital Share Transactions

The Trust is authorized to issue an unlimited number of full and fractional shares of beneficial interest, $.001 par value per share. Transactions in capital shares of the Portfolio were as follows:

	For the Six Months Ended June 30, 2007 (unaudited)	For the Year Ended December 31, 2006
Shares sold	342,100	1,576,665
Shares redeemed	(1,512,688)	(3,440,797)
Net decrease	(1,170,588)	(1,864,132)

On June 30, 2007, the number of shareholders that held 5% or more of the outstanding shares of the Portfolio was as follows:

Number of Shareholders	Approximate Percentage of Outstanding Shares
5	79%

Some of the shareholders are omnibus accounts, which hold shares on behalf of individual shareholders.

Note 7. Contingencies

In the normal course of business, the Portfolio may provide general indemnifications pursuant to certain contracts and organizational documents. The Portfolio's maximum exposure under these arrangements is dependent on future claims that may be made against the Portfolio and, therefore, cannot be estimated; however, based on experience, the risk of loss from such claims is considered remote.

Note 8. Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") released FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), an interpretation of FASB Statement No. 109. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing the Portfolio's tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is effective during the first required financial

Note 8. Recent Accounting Pronouncements

reporting period for fiscal years beginning after December 15, 2006. Management adopted FIN 48 on June 29, 2007. There was no material impact to the financial statements or disclosures thereto as a result of the adoption of this pronouncement.

On September 20, 2006, the FASB released Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years, beginning after November 15, 2007 and interim periods within those fiscal years. At this time, management is evaluating the implication of FAS 157 and its impact on the financial statements has not yet been determined.

Important Privacy Choices for Consumers

We are committed to maintaining the privacy of every current and prospective customer. We recognize that you entrust important personal information to us, and we wish to assure you that we take seriously our responsibilities in protecting and safeguarding this information.

In connection with making available investment products and services to current and potential customers, we may obtain nonpublic personal information about you. This information may include your name, address, e-mail address, social security number, account number, assets, income, financial situation, transaction history and other personal information.

We may collect nonpublic information about you from the following sources:

- Information we receive on applications, forms, questionnaires, web sites, agreements or in the course of establishing or maintaining a customer relationship; and
- Information about your transactions with us, our affiliates, or others.

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except with your consent or as otherwise permitted by law.

In cases where we believe that additional products and services may be of interest to you, we may share the information described above with our affiliates.

We may also disclose this information to firms that perform services on our behalf. These agents and service providers are required to treat the information confidentially and use it only for the purpose for which it is provided.

We restrict access to nonpublic personal information about you to those employees, agents or other parties who need to know that information to provide products or services to you or in connection with your investments with or through us. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

Note: This Notice is provided to clients and prospective clients of Credit Suisse Asset Management, LLC ("Credit Suisse"), and Credit Suisse Asset Management Securities, Inc., and shareholders and prospective shareholders in Credit Suisse-sponsored and advised investment companies, including Credit Suisse Funds, and other consumers and customers, as applicable. This Notice is not intended to be incorporated in any offering materials but is merely a statement of our current Privacy Policy, and may be amended from time to time upon notice to you. This Notice is dated as of June 5, 2007.

Credit Suisse Trust — Global Small Cap Portfolio
Proxy Voting and Portfolio Holdings Information (unaudited)

Information regarding how the Portfolio voted proxies related to its portfolio securities during the 12 month period ended June 30 of each year, as well as the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities are available:

- By calling 1-800-222-8977
- On the Portfolio's website, www.credit-suisse.com/us
- On the website of the Securities and Exchange Commission, www.sec.gov.

The Portfolio files a complete schedule of its portfolio holdings for the first and third quarters of its fiscal year with the SEC on Form N-Q. The Portfolio's Forms N-Q are available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling 1-202-551-8090.

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Dreyfus
Investment Portfolios, MidCap Stock Portfolio

SEMIANNUAL REPORT June 30, 2007

Dreyfus
A BNY Mellon Company℠

Contents

THE PORTFOLIO

2 A Letter from the CEO

3 Discussion of Performance

6 Understanding Your Portfolio's Expenses

6 Comparing Your Portfolio's Expenses With Those of Other Funds

7 Statement of Investments

15 Statement of Assets and Liabilities

16 Statement of Operations

17 Statement of Changes in Net Assets

19 Financial Highlights

21 Notes to Financial Statements

FOR MORE INFORMATION

Back Cover

Dreyfus Investment Portfolios,
MidCap Stock Portfolio

The Portfolio

A LETTER FROM THE CEO

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Investment Portfolios, MidCap Stock Portfolio, covering the six-month period from January 1, 2007, through June 30, 2007.

The U.S. economy produced mixed signals over the first half of 2007, causing investor sentiment to swing from concerns regarding a domestic economic slowdown stemming from slumping housing markets to worries about mounting inflationary pressures in an environment of robust global growth. However, more recent data have provided stronger signals that a "soft landing" is likely for the U.S. economy. The rate of decline in residential construction is becoming less severe, the industrial inventory slowdown is fading and capital goods orders have strengthened. What's more, a generally rising stock market over the past six months has helped to offset any negative "wealth effect" from the weak housing market.

Should these trends persist, we expect U.S. economic growth to hover slightly below long-term averages during the second half of this year. A moderate economic growth rate and gradually receding inflationary pressures may keep the Federal Reserve Board on the sidelines and support corporate profits through year-end. As always, your financial advisor can help you position your equity investments for these and other developments.

For information about how the fund performed during the reporting period, as well as market perspectives, we have provided a Discussion of Performance given by the Portfolio Manager.

Thank you for your continued confidence and support.

Sincerely,

Thomas F. Eggers
Chief Executive Officer
The Dreyfus Corporation
July 16, 2007

DISCUSSION OF PERFORMANCE

For the reporting period of January 1, 2007, through June 30, 2007, as provided by John O'Toole, Portfolio Manager

Market and Portfolio Performance Overview

Stocks were buoyed by reasonable global economic growth and better-than-expected corporate earnings over the first half of 2007. Midcap stocks fared particularly well, outperforming both their small- and large-cap counterparts. The portfolio benefited from this constructive environment, participating in the market's rise to a significant degree. However, relatively disappointing returns in a few market sectors, most notably the energy and consumer durables areas, held the portfolio to more modest returns than the benchmark.

For the six-month period ended June 30, 2007, Dreyfus Investment Portfolios, MidCap Stock Portfolio's Initial shares produced a total return of 10.06%, and its Service shares produced a total return of 9.98%.[1] This compares with the total return of 11.98% provided by the portfolio's benchmark, the Standard & Poor's MidCap 400 Index (the "S&P 400 Index"), for the same period.[2]

The Portfolio's Investment Approach

The portfolio normally invests at least 80% of its assets in growth and value stocks of midsize companies. When selecting securities, we use a disciplined investment process that combines computer-modeling techniques, fundamental analysis and risk management. We identify and rank stocks based on several characteristics, including: *value*, or a stock's price relative to its perceived intrinsic worth; *growth*, the sustainability or growth of earnings; and *financial profile*, which refers to the financial health of the company. Our investment process is designed to manage risks by maintaining sector weightings and risk characteristics that are similar to those of the S&P 400 Index.

The Midcap Market Demonstrated Its Underlying Strength

Stocks generally rose from the beginning of the reporting period through late February 2007, when a plunge in the Shanghai stock market triggered a sharp global stock market decline. In five business days, the midcap market lost roughly five percent of its value. However, the market quickly recovered and went on to set new highs in a demonstration of remarkable resiliency.

The portfolio benefited from these favorable conditions through a diverse group of good individual stock selections. Top performers ranged from holdings in the consumer cyclical and health care sectors, where the portfolio outperformed its benchmark, to industrials, basic materials and business services stocks.

Individual Stock Selections Drove Performance

Some of the portfolio's better returns were concentrated among holdings in the specialty retailing sector, where surprisingly robust levels of consumer spending bolstered corporate earnings. Discount variety chain Dollar Tree Stores posted strong first-quarter financial results due to widening operating margins and higher same store sales; auctioneer Sotheby's rose on the strength of the auction market for fine arts; and resin-based footwear maker Crocs enjoyed rapidly growing popularity in its target markets. Health care proved to be another relatively rewarding sector for the portfolio. Managed care provider Sierra Health Systems announced in early March 2007 that it would be acquired by a competitor, and generic drug maker King Pharmaceuticals reported better-than-expected earnings.

Several other notably strong performers benefited from rising levels of global industrial activity. Diesel engine maker Cummins posted strong international sales and earnings growth, which offset weakness in the company's North American markets. Petroleum transporter Overseas Shipholding Group announced better-than-expected earnings based upon growing demand for its shipping services. Payment solutions provider MasterCard generated rising earnings and revenues based on increasing volumes of domestic and international transactions. Finally, steel producer IPSCO climbed sharply amid robust industrial demand and acquisition rumors, which eventually proved to be true.

Nevertheless, the portfolio's returns trailed mildly versus the benchmark. The performance shortfall was partly a result of the portfolio's disciplined stock selection process, which led us to avoid many stocks with what we believed were relatively high valuations, some of which generated steep gains for the benchmark. For example, the portfolio suffered its worst relative performance in the energy sector, where the valuation-based decision to not own oil service provider Cameron International and to underweight oil service provider Grant Prideco detracted substantially from returns compared to the benchmark. In addition, company-specific issues undermined the performance of a few individual holdings. The most notable of these included oil exploration and production companies Newfield Exploration and W&T Offshore, classic motorcycle maker Harley-Davidson, hotel owner and leaser Hospitality Properties Trust, computer printer producer Lexmark International, homebuilder Lennar and biotechnology company Sepracor.

Investment Approach and Definition of Mid-Cap Stocks

Effective on or about September 30, 2007, investment decisions for the portfolio will be made by a team of portfolio managers from the Domestic Equity Group of Franklin Portfolio Associates, LLC, an affiliate of Dreyfus, who will replace John O'Toole. The portfolio managers will select stocks through a "bottom-up," structured approach that seeks to identify undervalued securities using a quantitative screening process. As of that date, the mid-size companies in which the portfolio may invest will be those whose stocks are included in the S&P 400 Index or in the Russell Midcap Index at the time of purchase.

July 16, 2007

The portfolio is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the portfolio directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. The investment objective and policies of Dreyfus Investment Portfolios, MidCap Stock Portfolio made available through insurance products may be similar to other funds/portfolios managed or advised by Dreyfus. However, the investment results of the portfolio may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund/portfolio.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, portfolio shares may be worth more or less than their original cost. The portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns. Return figures provided reflect the absorption of certain portfolio expenses by The Dreyfus Corporation pursuant to an agreement in effect through December 31, 2007, at which time it may be extended, terminated or modified. Had these expenses not been absorbed, the portfolio's returns would have been lower.*

2 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's MidCap 400 Index is a widely accepted, unmanaged total return index measuring the performance of the midsize-company segment of the U.S. market.*

UNDERSTANDING YOUR PORTFOLIO'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads) and redemption fees, which are not shown in this section and would have resulted in higher total expenses. For more information, see your portfolio's prospectus or talk to your financial adviser.

Review your portfolio's expenses

The table below shows the expenses you would have paid on a $1,000 investment in Dreyfus Investment Portfolios, MidCap Stock Portfolio from January 1, 2007 to June 30, 2007. It also shows how much a $1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

Expenses and Value of a $1,000 Investment
assuming actual returns for the six months ended June 30, 2007

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.22	$ 4.69
Ending value (after expenses)	$1,100.60	$1,099.80

COMPARING YOUR PORTFOLIO'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your portfolio's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the portfolio with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended June 30, 2007

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.06	$ 4.51
Ending value (after expenses)	$1,020.78	$1,020.33

† *Expenses are equal to the portfolio's annualized expense ratio of .81% for Initial shares and .90% for Service shares, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2007 (Unaudited)

Common Stocks—100.0%	Shares		Value ($)
Consumer Cyclical—10.3%			
Aaron Rents	33,200		969,440
American Eagle Outfitters	90,600		2,324,796
AnnTaylor Stores	33,700	a	1,193,654
AutoZone	14,650	a	2,001,483
Big Lots	41,950	a,b	1,234,169
Brinker International	48,750		1,426,913
Chico's FAS	29,950	a,b	728,983
Choice Hotels International	37,450		1,480,024
Coach	40,150	a	1,902,708
Continental Airlines, Cl. B	29,750	a,b	1,007,633
Crocs	36,600	a,b	1,574,898
Dollar Tree Stores	96,350	a	4,196,042
Family Dollar Stores	34,050	b	1,168,596
GameStop, Cl. A	46,600	a,b	1,822,060
MSC Industrial Direct, Cl. A	42,750		2,351,250
Nordstrom	25,300		1,293,336
Office Depot	30,850	a	934,755
Quanta Services	36,550	a,b	1,120,988
R.R. Donnelley & Sons	30,350		1,320,529
Rent-A-Center	86,700	a	2,274,141
Ross Stores	43,700		1,345,960
RPM International	39,400		910,534
Sonic	65,150	a,b	1,441,118
Sotheby's	58,200	b	2,678,364
US Airways Group	15,600	a	472,212
			39,174,586
Consumer Discretionary—3.3%			
Gentex	146,300	b	2,880,647
Harley-Davidson	24,700		1,472,367
Hasbro	61,350		1,927,003
Herman Miller	48,750		1,540,500
International Game Technology	16,400		651,080
International Speedway, Cl. A	51,250		2,701,387
Marvel Entertainment	26,600	a,b	677,768
Speedway Motorsports	23,100	b	923,538
			12,774,290

Common Stocks (continued)	Shares		Value ($)
Consumer Staples—1.8%			
Hormel Foods	80,100		2,991,735
Reynolds American	56,850	b	3,706,620
			6,698,355
Financial—9.0%			
Advanta, Cl. B	32,175		1,001,929
AllianceBernstein Holding, LP	26,200		2,281,758
American Financial Group/OH	64,475		2,201,821
AmeriCredit	23,500	a	623,925
Arch Capital Group	22,200	a	1,610,388
CIT Group	31,400		1,721,662
Commerce Group	27,650		960,008
Eaton Vance	87,850	b	3,881,213
Everest Re Group	27,750		3,014,760
Federated Investors, Cl. B	25,100	b	962,083
First Marblehead	23,000	b	888,720
GFI Group	10,650	a,b	771,912
HCC Insurance Holdings	104,000		3,474,640
Huntington Bancshares/OH	79,050		1,797,597
Jefferies Group	50,450		1,361,141
People's United Financial	72,550		1,286,312
Philadelphia Consolidated Holding	29,850	a	1,247,730
Reinsurance Group of America	17,250		1,039,140
SEI Investments	48,100		1,396,824
Susquehanna Bancshares	47,350	b	1,059,220
Unum Group	67,250		1,755,897
			34,338,680
Health Care—12.0%			
AmerisourceBergen	40,600		2,008,482
Beckman Coulter	8,600	b	556,248
Biogen Idec	24,400	a,b	1,305,400
CIGNA	27,900		1,456,938
Community Health Systems	52,950	a	2,141,827
Covance	30,300	a,b	2,077,368
Coventry Health Care	31,400	a	1,810,210
Dentsply International	108,700		4,158,862
Edwards Lifesciences	57,000	a,b	2,812,380

Common Stocks (continued)	Shares		Value ($)
Health Care (continued)			
Endo Pharmaceuticals Holdings	25,500	a	872,865
Forest Laboratories	69,150	a	3,156,698
Genzyme	46,600	a	3,001,040
HealthSpring	31,250	a,b	595,625
Henry Schein	32,200	a,b	1,720,446
Herbalife	25,200		999,180
Humana	39,400	a	2,399,854
Intuitive Surgical	6,550	a	908,944
Invitrogen	21,000	a	1,548,750
King Pharmaceuticals	93,950	a	1,922,217
Laboratory Corp. of America Holdings	12,800	a	1,001,728
Lincare Holdings	68,950	a	2,747,658
McKesson	26,000		1,550,640
Mentor	13,650	b	555,282
Pediatrix Medical Group	12,450	a	686,618
Sepracor	48,700	a,b	1,997,674
Valeant Pharmaceuticals International	59,800	a,b	998,062
ViroPharma	52,800	a,b	728,640
			45,719,636
Industrial—14.9%			
Acuity Brands	36,000	b	2,170,080
AGCO	56,650	a	2,459,176
Allied Waste Industries	79,000	a	1,063,340
Applied Industrial Technologies	64,650		1,907,175
Avis Budget Group	71,800	a	2,041,274
Con-way	39,750	b	1,997,040
Cummins	17,150		1,735,751
EMCOR Group	22,500	a	1,640,250
Expeditors International Washington	38,350		1,583,855
GATX	31,350	b	1,543,987
Granite Construction	35,600		2,284,808
Jacobs Engineering Group	19,300	a	1,109,943
Joy Global	18,850	b	1,099,520
KBR	59,200	a	1,552,816
Korn/Ferry International	39,000	a,b	1,024,140
Lennar, Cl. A	34,000		1,243,040

Common Stocks (continued)	Shares		Value ($)
Industrial (continued)			
Manpower	44,900		4,141,576
Martin Marietta Materials	6,800		1,101,736
NVR	2,175	a,b	1,478,456
Overseas Shipholding Group	44,300		3,606,020
Pacer International	39,600	b	931,392
Reliance Steel & Aluminum	17,750		998,615
Republic Services	114,975		3,522,834
Rockwell Automation	24,200		1,680,448
Ryder System	44,450		2,391,410
Snap-On	24,950		1,260,224
SPX	29,050	b	2,550,880
Textron	17,800		1,959,958
Toll Brothers	23,950	a,b	598,271
United Rentals	34,950	a,b	1,137,273
Vulcan Materials	12,300	b	1,408,842
Wabtec	41,600	b	1,519,648
			56,743,778
Information—6.3%			
Akamai Technologies	20,100	a	977,664
CheckFree	30,450	a,b	1,224,090
Deluxe	14,150		574,631
Dun & Bradstreet	29,400		3,027,612
EchoStar Communications, Cl. A	62,600	a	2,714,962
Equifax	56,900		2,527,498
FactSet Research Systems	25,550		1,746,342
MasterCard, Cl. A	15,600	b	2,587,572
Moody's	15,600		970,320
NAVTEQ	49,600	a	2,100,064
Priceline.com	16,900	a,b	1,161,706
Scholastic	31,400	a	1,128,516
Shaw Communications, Cl. B	12,250		514,990
Total System Services	59,800	b	1,764,698
ValueClick	16,500	a	486,090
Websense	34,600	a	735,250
			24,242,005

Common Stocks (continued)	Shares		Value ($)
Materials—7.4%			
Airgas	34,350		1,645,365
AK Steel Holding	23,300	a,b	870,721
Ashland	39,750		2,542,012
Celanese, Ser. A	28,850		1,118,803
Commercial Metals	66,500		2,245,705
H.B. Fuller	16,100		481,229
International Paper	83,500		3,260,675
Louisiana-Pacific	84,600		1,600,632
Lyondell Chemical	102,350		3,799,232
NOVA Chemicals	36,100		1,284,077
Quanex	30,050	b	1,463,435
Sonoco Products	51,300		2,196,153
Steel Dynamics	37,900	b	1,588,389
Timken	31,450		1,135,660
United States Steel	16,400		1,783,500
Universal Forest Products	14,150		597,979
Worthington Industries	38,000	b	822,700
			28,436,267
Oil & Gas Producers—8.2%			
Alon USA Energy	13,600	b	598,536
Cimarex Energy	63,150	b	2,488,741
Frontier Oil	27,750		1,214,618
Grant Prideco	23,950	a	1,289,229
Newfield Exploration	71,350	a	3,249,992
Noble Energy	72,600		4,529,514
ONEOK	50,950		2,568,389
Patterson-UTI Energy	50,150	b	1,314,431
SEACOR Holdings	11,850	a	1,106,316
Southwestern Energy	11,400	a	507,300
Superior Energy Services	56,200	a	2,243,504
Swift Energy	27,850	a	1,190,866
Tesoro	33,800		1,931,670
Tidewater	53,900	b	3,820,432
Unit	31,350	a	1,972,228
Western Refining	22,000	b	1,271,600
			31,297,366

Common Stocks (continued)	Shares		Value ($)
Real Estate Investment Trusts—5.9%			
AMB Property	52,050		2,770,101
CapitalSource	81,750	b	2,010,233
Entertainment Properties Trust	15,150	b	814,767
Hospitality Properties Trust	131,800		5,468,382
Host Hotels & Resorts	44,500		1,028,840
Kimco Realty	29,300		1,115,451
KKR Financial Holdings	35,200		876,832
Lincoln National	45,000		3,192,750
Newcastle Investment	51,700	b	1,296,119
NorthStar Realty Finance	29,850	b	373,424
Potlatch	19,850	b	854,543
ProLogis	33,500		1,906,150
SL Green Realty	6,200	b	768,118
			22,475,710
Technology—13.2%			
ADTRAN	25,150	b	653,146
Agilent Technologies	26,200	a	1,007,128
ASM International	36,950	a	989,152
ASML Holding (NY Shares)	70,250	a	1,928,363
Atmel	162,100	a	901,276
AVX	61,950		1,037,043
BEA Systems	85,800	a	1,174,602
CA	54,950	b	1,419,359
Cadence Design Systems	19,350	a,b	424,926
Dolby Laboratories, Cl. A	39,750	a	1,407,548
Imation	36,250	b	1,336,175
InterDigital Communications	42,600	a,b	1,370,442
Intersil, Cl. A	45,550		1,433,003
Lam Research	71,000	a	3,649,400
Lexmark International, Cl. A	26,550	a	1,309,181
Linear Technology	44,400	b	1,606,392
Maxim Integrated Products	77,500		2,589,275
McAfee	90,500	a	3,185,600
Micrel	76,400		971,808

Common Stocks (continued)	Shares		Value ($)
Technology (continued)			
Microchip Technology	104,550	b	3,872,532
MicroStrategy, Cl. A	14,200	a	1,341,758
National Semiconductor	41,300		1,167,551
NCR	35,950	a	1,888,813
Novell	171,300	a,b	1,334,427
Novellus Systems	69,000	a,b	1,957,530
NutriSystem	15,150	a,b	1,058,076
Semtech	64,800	a	1,122,984
STMicroelectronics (New York Shares)	48,450		929,755
Tektronix	40,100	b	1,352,974
Tellabs	105,500	a	1,135,180
Teradyne	120,700	a,b	2,121,906
Western Digital	100,100	a	1,936,935
Zoran	48,450	a	970,938
			50,585,178
Telecommunications–.8%			
NII Holdings	20,400	a	1,647,096
Windstream	104,400	b	1,540,944
			3,188,040
Utilities–6.9%			
AGL Resources	84,800		3,432,704
Alliant Energy	71,450		2,775,833
Atmos Energy	35,600	b	1,070,136
Constellation Energy Group	22,650		1,974,401
Integrys Energy	49,450		2,508,599
Northeast Utilities	82,850		2,349,626
OGE Energy	93,700		3,434,105
Pepco Holdings	89,950		2,536,590
Puget Energy	50,600	b	1,223,508
Sempra Energy	45,400		2,689,042
UGI	88,050		2,402,004
			26,396,548
Total Common Stocks (cost $344,193,349)			**382,070,439**

Investment of Cash Collateral for Securities Loaned—18.9%	Shares		Value ($)
Registered Investment Company;			
Dreyfus Institutional Cash Advantage Fund (cost $72,383,997)	72,383,997	c	**72,383,997**
Total Investments (cost $416,577,346)	**118.9%**		**454,454,436**
Liabilities, Less Cash and Receivables	**(18.9%)**		**(72,278,473)**
Net Assets	**100.0%**		**382,175,963**

[a] *Non-income producing security.*

[b] *All or a portion of these securities are on loan. At June 30, 2007, the total market value of the portfolio's securities on loan is $70,479,108 and the total market value of the collateral held by the portfolio is $73,075,645, consisting of cash collateral of $72,383,997 and U.S. Government and agency securities valued at $691,648.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Money Market Investment	18.9	Utilities	6.9
Industrial	14.9	Information	6.3
Technology	13.2	Real Estate Investment Trusts	5.9
Health Care	12.0	Consumer Discretionary	3.3
Consumer Cyclical	10.3	Consumer Staples	1.8
Financial	9.0	Telecommunications	.8
Oil & Gas Producers	8.2		
Materials	7.4		**118.9**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2007 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $70,479,108)—Note 1(b):		
Unaffiliated issuers	344,193,349	382,070,439
Affiliated issuers	72,383,997	72,383,997
Receivable for investment securities sold		3,495,874
Dividends and interest receivable		304,941
Receivable for shares of Beneficial Interest subscribed		42,619
Prepaid expenses		10,492
		458,308,362
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		259,049
Cash overdraft due to Custodian		298,890
Liability for securities on loan—Note 1(b)		72,383,997
Payable for investment securities purchased		2,536,670
Payable for shares of Beneficial Interest redeemed		591,879
Accrued expenses		61,914
		76,132,399
Net Assets ($)		**382,175,963**
Composition of Net Assets ($):		
Paid-in capital		311,488,362
Accumulated undistributed investment income—net		1,286,130
Accumulated net realized gain (loss) on investments		31,524,381
Accumulated net unrealized appreciation (depreciation) on investments		37,877,090
Net Assets ($)		**382,175,963**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	336,351,244	45,824,719
Shares Outstanding	19,987,591	2,734,509
Net Asset Value Per Share ($)	**16.83**	**16.76**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2007 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $3,189 foreign taxes withheld at source):	
Unaffiliated issuers	2,805,051
Affiliated issuers	58,089
Income from securities lending	48,653
Total Income	**2,911,793**
Expenses:	
Investment advisory fee—Note 3(a)	1,542,033
Distribution fees—Note 3(b)	90,500
Custodian fees—Note 3(b)	49,780
Prospectus and shareholders' reports	31,001
Professional fees	16,438
Shareholder servicing costs—Note 3(b)	3,536
Trustees' fees and expenses—Note 3(c)	2,993
Interest expense—Note 2	1,931
Miscellaneous	7,515
Total Expenses	**1,745,727**
Less—waiver of fees due to undertaking—Note 3(a)	(55,611)
Net Expenses	**1,690,116**
Investment Income—Net	**1,221,677**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	31,645,866
Net unrealized appreciation (depreciation) on investments	7,860,833
Net Realized and Unrealized Gain (Loss) on Investments	**39,506,699**
Net Increase in Net Assets Resulting from Operations	**40,728,376**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations ($):		
Investment income—net	1,221,677	2,016,326
Net realized gain (loss) on investments	31,645,866	48,537,987
Net unrealized appreciation (depreciation) on investments	7,860,833	(17,537,219)
Net Increase (Decrease) in Net Assets Resulting from Operations	**40,728,376**	**33,017,094**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial shares	(1,378,271)	(1,362,755)
Service shares	(251,422)	(160,836)
Net realized gain on investments:		
Initial shares	(39,159,213)	(58,101,236)
Service shares	(9,828,752)	(14,498,194)
Total Dividends	**(50,617,658)**	**(74,123,021)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial shares	11,095,533	22,686,207
Service shares	3,144,858	7,303,727
Dividends reinvested:		
Initial shares	40,537,484	59,463,991
Service shares	10,080,174	14,659,030
Cost of shares redeemed:		
Initial shares	(45,477,773)	(74,010,854)
Service shares	(50,673,704)	(17,690,863)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**(31,293,428)**	**12,411,238**
Total Increase (Decrease) in Net Assets	**(41,182,710)**	**(28,694,689)**
Net Assets ($):		
Beginning of Period	423,358,673	452,053,362
End of Period	**382,175,963**	**423,358,673**
Undistributed investment income—net	1,286,130	1,694,146

	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Capital Share Transactions:		
Initial Shares		
Shares sold	644,932	1,290,264
Shares issued for dividends reinvested	2,546,324	3,435,239
Shares redeemed	(2,641,662)	(4,227,682)
Net Increase (Decrease) in Shares Outstanding	**549,594**	**497,821**
Service Shares		
Shares sold	184,588	413,692
Shares issued for dividends reinvested	635,973	849,799
Shares redeemed	(3,011,359)	(1,020,884)
Net Increase (Decrease) in Shares Outstanding	**(2,190,798)**	**242,607**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single portfolio share. Total return shows how much your investment in the portfolio would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the portfolio's financial statements.

	Six Months Ended June 30, 2007	Year Ended December 31,				
Initial Shares	(Unaudited)	2006	2005	2004	2003	2002
Per Share Data ($):						
Net asset value, beginning of period	17.39	19.15	17.62	15.82	12.04	13.80
Investment Operations:						
Investment income—net[a]	.05	.08	.08	.07	.04	.04
Net realized and unrealized gain (loss) on investments	1.57	1.39	1.53	2.22	3.78	(1.76)
Total from Investment Operations	1.62	1.47	1.61	2.29	3.82	(1.72)
Distributions:						
Dividends from investment income—net	(.07)	(.07)	(.01)	(.07)	(.04)	(.04)
Dividends from net realized gain on investments	(2.11)	(3.16)	(.07)	(.42)	–	–
Total Distributions	(2.18)	(3.23)	(.08)	(.49)	(.04)	(.04)
Net asset value, end of period	16.83	17.39	19.15	17.62	15.82	12.04
Total Return (%)	10.06[b]	7.75	9.17	14.48	31.72	(12.49)
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.40[b]	.80	.79	.78	.82	.85
Ratio of net expenses to average net assets	.40[b]	.80	.79	.78	.82	.85
Ratio of net investment income to average net assets	.31[b]	.48	.43	.43	.32	.32
Portfolio Turnover Rate	64.96[b]	149.02	99.27	79.75	74.15	69.15
Net Assets, end of period ($ x 1,000)	336,351	338,081	362,789	344,979	302,253	218,387

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006	2005	2004	2003	2002
Per Share Data ($):						
Net asset value, beginning of period	17.31	19.06	17.57	15.77	12.02	13.78
Investment Operations:						
Investment income—net[a]	.04	.06	.04	.04	.02	.02
Net realized and unrealized gain (loss) on investments	1.57	1.39	1.52	2.21	3.75	(1.75)
Total from Investment Operations	1.61	1.45	1.56	2.25	3.77	(1.73)
Distributions:						
Dividends from investment income—net	(.05)	(.04)	–	(.03)	(.02)	(.03)
Dividends from net realized gain on investments	(2.11)	(3.16)	(.07)	(.42)	–	–
Total Distributions	(2.16)	(3.20)	(.07)	(.45)	(.02)	(.03)
Net asset value, end of period	16.76	17.31	19.06	17.57	15.77	12.02
Total Return (%)	9.98[b]	7.68	8.93	14.23	31.48	(12.64)
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.52[b]	1.05	1.04	1.03	1.06	1.10
Ratio of net expenses to average net assets	.45[b]	.91	1.00	1.00	1.00	1.00
Ratio of net investment income to average net assets	.24[b]	.37	.22	.22	.12	.15
Portfolio Turnover Rate	64.96[b]	149.02	99.27	79.75	74.15	69.15
Net Assets, end of period ($ x 1,000)	45,825	85,277	89,264	81,680	58,224	18,320

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

Dreyfus Investment Portfolios (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company, operating as a series company currently offering four series, including the MidCap Stock Portfolio (the "portfolio"). The portfolio is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The portfolio is a diversified series. The portfolio's investment objective is to provide investment results that are greater than the total return performance of publicly-traded common stocks of medium-size domestic companies in the aggregate, as represented by the Standard & Poor's MidCap 400 Index. The Dreyfus Corporation (the "Manager" or "Dreyfus") serves as the portfolio's investment adviser. During the reporting period, the Manager was a wholly-owned subsidiary of Mellon Financial Corporation ("Mellon Financial").

On July 1, 2007, Mellon Financial and The Bank of New York Company, Inc. merged, forming The Bank of New York Mellon Corporation. As part of this transaction, Dreyfus became a wholly-owned subsidiary of The Bank of New York Mellon Corporation.

During the reporting period, Dreyfus Service Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, served as the distributor of the portfolio's shares, which are sold without a sales charge. Effective June 30, 2007, the Distributor became known as MBSC Securities Corporation. The portfolio is authorized to issue an unlimited number of $.001 par value shares of Beneficial Interest in each of the following classes of shares: Initial and Service. Each class of shares has identical rights and privileges, except with respect to the distribution plan and the expenses borne by each class and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The fund accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series' operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The portfolio's financial statements are prepared in accordance with U.S. generally accepted accounting principles, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The portfolio's maximum exposure under these arrangements is unknown. The portfolio does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered open-end investment companies that are not traded on an exchange are valued at their net asset value. When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the portfolio calculates its net asset value, the portfolio may value these investments at fair value as determined in accordance with the procedures approved by the Board of Trustees. Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADR's and futures contracts. For other securities that are fair valued by the Board of Trustees, certain factors may be considered such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold and public trading in similar securities of the issuer or comparable issuers. Financial futures are valued at the last sales price.

The Financial Accounting Standards Board (FASB) released Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Management does not believe that the application of this standard will have a material impact on the financial statements of the portfolio.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

The portfolio has an arrangement with the custodian bank whereby the portfolio receives earnings credits from the custodian when positive cash balances are maintained, which are used to offset custody fees. For financial reporting purposes, the portfolio includes net earnings credits, if any, as an expense offset in the Statement of Operations.

Pursuant to a securities lending agreement with Mellon Bank, N.A., an affiliate of the Manager, the portfolio may lend securities to qualified institutions. It is the portfolio's policy, that at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. Cash collateral is invested in certain money market mutual funds managed by the Manager. The portfolio is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the portfolio bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner.

(c) Affiliated issuers: Investments in other investment companies advised by the Manager are defined as "affiliated" in the Act.

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gain, if any, are normally declared and paid annually, but the portfolio may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gain can be offset by capital loss carryovers, if any, it is the policy of the portfolio not to distribute such gain. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles.

(e) Federal income taxes: It is the policy of the portfolio to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

The FASB released FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the portfolio's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. Management does not believe that the application of this standard will have a material impact on the financial statements of the portfolio.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2006 were as follows: ordinary income $25,731,071 and long-term capital gains $48,391,950. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Line of Credit:

The portfolio participates with other Dreyfus-managed funds in a $100 million unsecured line of credit primarily to be utilized for temporary or emergency purposes, including the financing of redemptions. Interest is charged to the portfolio based on prevailing market rates in effect at the time of borrowing.

The average daily amount of borrowings outstanding under the line of credit during the period ended June 30, 2007, was approximately $66,500, with a related weighted average annualized interest rate of 5.85%.

NOTE 3—Investment Advisory Fee and Other Transactions With Affiliates:

(a) Pursuant to an Investment Advisory Agreement with the Manager, the investment advisory fee is computed at the annual rate of .75% of the value of the portfolio's average daily net assets and is payable monthly.

The Manager has agreed from January 1, 2007 to December 31, 2007, to waive receipt of its fees and/or assume the expenses of the portfolio so that the expenses of neither class, exclusive of taxes, brokerage fees, interest on borrowings and extraordinary expenses, exceed .90%

of the value of the average daily net assets of their class. During the period ended June 30, 2007, the Manager waived receipt of fees of $55,611, pursuant to the undertakings.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing their shares, for servicing and/or maintaining Service shares shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2007, Service shares were charged $90,500 pursuant to the Plan.

The portfolio compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the portfolio. During the period ended June 30, 2007, the portfolio was charged $695 pursuant to the transfer agency agreement.

The portfolio compensates Mellon Bank, N.A., an affiliate of the Manager, under a custody agreement for providing custodial services for the portfolio. During the period ended June 30, 2007, the portfolio was charged $49,780 pursuant to the custody agreement.

During the period ended June 30, 2007, the portfolio was charged $2,044 for services performed by the Chief Compliance Officer.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: investment advisory fees $219,336, Rule 12b-1 distribution plan fees $9,528, custodian fees $35,289, chief compliance officer fees $1,205 and transfer agency per account fees $272, which are offset against an expense reimbursement currently in effect in the amount of $6,581.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

(d) Pursuant to an exemptive order from the SEC, the portfolio may invest its available cash balances in affiliated money market mutual funds. Management fees of the underlying money market mutual funds have been waived by the Manager.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2007, amounted to $268,424,434 and $347,584,575, respectively.

At June 30, 2007, accumulated net unrealized appreciation on investments was $37,877,090, consisting of $47,688,986 gross unrealized appreciation and $9,811,896 gross unrealized depreciation.

At June 30, 2007, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

NOTES

For More Information

Dreyfus
Investment Portfolios,
MidCap Stock Portfolio
200 Park Avenue
New York, NY 10166

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

Mellon Bank, N.A.
One Mellon Bank Center
Pittsburgh, PA 15258

Transfer Agent &
Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

MBSC Securities Corporation
200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144
Attn: Investments Division

The portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The portfolio's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-202-551-8090.

A description of the policies and procedures that the portfolio uses to determine how to vote proxies relating to portfolio securities, and information regarding how the portfolio voted these proxies for the 12-month period ended June 30, 2007, is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-645-6561.

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The Dreyfus Socially Responsible Growth Fund, Inc.

SEMIANNUAL REPORT June 30, 2007

Dreyfus
A BNY Mellon Company℠

Contents

THE FUND

2 A Letter from the CEO

3 Discussion of Fund Performance

6 Understanding Your Fund's Expenses

6 Comparing Your Fund's Expenses With Those of Other Funds

7 Statement of Investments

14 Statement of Assets and Liabilities

15 Statement of Operations

16 Statement of Changes in Net Assets

19 Financial Highlights

22 Notes to Financial Statements

FOR MORE INFORMATION

Back Cover

A LETTER FROM THE CEO

Dear Shareholder:

We are pleased to present this semiannual report for The Dreyfus Socially Responsible Growth Fund, Inc., covering the six-month period from January 1, 2007, through June 30, 2007.

The U.S. economy produced mixed signals over the first half of 2007, causing investor sentiment to swing from concerns regarding a domestic economic slowdown stemming from slumping housing markets to worries about mounting inflationary pressures in an environment of robust global growth. However, more recent data have provided stronger signals that a "soft landing" is likely for the U.S. economy. The rate of decline in residential construction is becoming less severe, the industrial inventory slowdown is fading and capital goods orders have strengthened. What's more, a generally rising stock market over the past six months has helped to offset any negative "wealth effect" from the weak housing market.

Should these trends persist, we expect U.S. economic growth to hover slightly below long-term averages during the second half of this year. A moderate economic growth rate and gradually receding inflationary pressures may keep the Federal Reserve Board on the sidelines and support corporate profits through year-end. As always, your financial advisor can help you position your equity investments for these and other developments.

For information about how the fund performed during the reporting period, as well as market perspectives, we have provided a Discussion of Fund Performance given by the fund's Portfolio Managers.

Thank you for your continued confidence and support.

Sincerely,

Thomas F. Eggers
Chief Executive Officer
The Dreyfus Corporation
July 16, 2007

DISCUSSION OF FUND PERFORMANCE

For the reporting period of January 1, 2007, through June 30, 2007, as provided by John O'Toole and Jocelin Reed, Portfolio Managers

Market and Fund Performance Overview

Stocks generally rose amid reasonable global economic growth, which set the stage for better-than-expected corporate earnings. The fund participated in the market's rise, roughly matching the benchmark's return, with particularly strong relative performance in the financial, technology and industrials sectors.

For the six-month period ended June 30, 2007, The Dreyfus Socially Responsible Growth Fund's Initial shares produced a 6.55% total return, and the fund's Service shares produced a 6.43% total return.[1] In comparison, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced a 6.96% total return for the same period.[2]

The Fund's Investment Approach

The fund seeks capital growth, with current income as a secondary objective. To pursue these goals, the fund invests primarily in the common stocks of companies that, in our opinion, meet traditional investment standards while simultaneously conducting their businesses in a manner that contributes to the enhancement of the quality of life in America. In selecting stocks, we begin by using quantitative research to identify and rank stocks within an industry or sector. Next, based on fundamental analysis, we designate the most attractive of the higher ranked securities as potential purchase candidates. We then evaluate potential purchase candidates by industry or sector, to determine whether the company meets the fund's socially responsible investment criteria.

We next select investments from those companies that we consider to be the most attractive based on financial considerations. If there is more than one company to choose from, we can select stocks of companies that we consider to have records that exhibit positive accomplishments in the fund's areas of social concern.

The fund normally focuses on large-cap growth stocks; however, we may emphasize different types of growth-oriented stocks and different market capitalizations within the large-capitalization range as market conditions warrant. The fund also may invest in value-oriented stocks, midcap stocks and small-cap stocks.

A Shift in Market Leadership Toward Growth

After five years in which value-oriented stocks generally outperformed their growth-oriented counterparts, market leadership shifted in favor of growth stocks during the first half of 2007.The trend toward growth was driven by a rise in technology stocks, primarily in the semiconductor industry. New product introductions and strong sales helped bring semiconductor inventories more closely in line with demand.

These developments strengthened the fund's returns.The fund maintained relatively heavy exposure to the technology sector, with an emphasis on semiconductor stocks. Holdings such as Texas Instruments and National Semiconductor delivered substantial positive earnings and ranked among the fund's better performers. Another top performer, computer storage systems provider EMC, climbed steadily as business demand rose for digital storage capacity.

Our Security Selection Strategy Helped Drive Returns

In other areas, the fund's performance depended primarily on the behavior of various individual holdings. In the financials sector, where the fund outperformed its benchmark, student loans provider SLM Corp. rose sharply after an acquisition bid for the company was announced. Another key financial holding, IntercontinentalExchange, climbed in response to consolidation trends and technology-driven cost reductions. Among industrial stocks, where the fund also delivered relatively strong returns, international employment services company Manpower gained ground, supported by strong Asian and European demand and an effective restructuring effort.

Good stock selections in the traditionally value-oriented energy and telecommunications sectors helped to mitigate the negative impact of the fund's being underweight versus the benchmark in these sectors. In the energy sector, gains in XTO Energy and Pioneer Natural Resources, which was sold during the reporting period, helped compensate for the fund's mildly underweighted sector exposure. Similarly, positions in NII Holdings and Qwest Communications International had a similar impact in the telecommunications services sector.

On the negative side, a few individual holdings exacerbated the fund's relative underperformance in certain sectors. In the heath care sector, various company-specific challenges hurt pharmaceutical holdings Johnson & Johnson and Novartis, while biotechnology giant Amgen was undermined by potential reimbursement restrictions involving a key product. In the materials sector, chemical producer Ecolab proved disappointing. Finally, among utilities, a delayed corporate restructuring took a toll on NiSource.

Maintaining a Balanced, Growth-Tilted Approach

After several years of relative underperformance, growth-oriented stocks appear attractively valued based on historical norms as well as fundamental measures. We believe that recent trends toward growth stocks may signal the beginning of a shift in their favor, supported by continued global economic expansion and high levels of market liquidity. Accordingly, we have continued to emphasize companies that we believe offer strong prospects for growth at a reasonable valuation.

Socially Responsible Investing and Consumer Lending

The consumer lending practices of publicly traded companies represent one of the fund's key areas of concern. We examine the lending practices of credit card issuers, student loan providers and mortgage lenders, emphasizing companies we believe are improving their socially responsible profiles while avoiding those engaging in notably unfair practices. For example, we invest in financial services provider Regions Financial, which has earned a reputation for providing mortgage support to borrowers, thereby helping build the communities in which it does business in a socially responsible manner.

For further information regarding the fund's approach to socially responsible investing, please consult the fund's prospectus.

July 16, 2007

The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. The investment objective and policies of The Dreyfus Socially Responsible Growth Fund, Inc. made available through insurance products may be similar to other funds/portfolios managed or advised by Dreyfus. However, the investment results of the fund may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund/portfolio.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance.*

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads) and redemption fees, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in The Dreyfus Socially Responsible Growth Fund, Inc. from January 1, 2007 to June 30, 2007. It also shows how much a $1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

Expenses and Value of a $1,000 Investment
assuming actual returns for the six months ended June 30, 2007

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.20	$ 5.48
Ending value (after expenses)	$1,065.50	$1,064.30

COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended June 30, 2007

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.11	$ 5.36
Ending value (after expenses)	$1,020.73	$1,019.49

† *Expenses are equal to the fund's annualized expense ratio of .82% for Initial shares and 1.07% for Service shares; multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2007 (Unaudited)

Common Stocks—99.5%	Shares		Value ($)
Consumer Cyclical—8.3%			
Bed Bath & Beyond	79,350	a,b	2,855,806
Coach	53,400	b	2,530,626
Costco Wholesale	80,350		4,702,082
Darden Restaurants	70,800		3,114,492
Lowe's Cos.	87,000		2,670,030
Nordstrom	105,900		5,413,608
Office Depot	64,450	b	1,952,835
Target	113,200		7,199,520
			30,438,999
Consumer Goods—1.6%			
Mattel	230,150		**5,820,493**
Consumer Staples—8.0%			
General Mills	58,100		3,394,202
Kimberly-Clark	67,200		4,495,008
PepsiCo	207,150		13,433,677
Procter & Gamble	134,050		8,202,520
			29,525,407
Financial—14.7%			
AvalonBay Communities	13,300		1,581,104
Bank of America	174,950		8,553,306
Chubb	46,100		2,495,854
CIT Group	40,700		2,231,581
Comerica	64,550	a	3,838,788
Genworth Financial, Cl. A	78,200		2,690,080
Goldman Sachs Group	35,700		7,737,975
Hartford Financial Services Group	33,000		3,250,830
IntercontinentalExchange	18,200	a,b	2,690,870
Lincoln National	38,500		2,731,575
Northern Trust	64,650		4,153,116
NYSE Euronext	23,900	a	1,759,518
ProLogis	34,700		1,974,430
Regions Financial	101,800		3,369,580
SLM	30,400		1,750,432
Washington Mutual	82,800	a	3,530,592
			54,339,631

Common Stocks (continued)	Shares		Value ($)
Health Care—15.1%			
Aetna	79,650		3,934,710
Alcon	25,950		3,500,915
Amgen	86,200	a,b	4,765,998
AstraZeneca Group, ADR	48,400		2,588,432
Baxter International	96,550		5,439,627
Becton, Dickinson & Co.	65,500		4,879,750
Genzyme	73,900	b	4,759,160
Johnson & Johnson	187,350		11,544,507
Novartis, ADR	102,000		5,719,140
Quest Diagnostics	28,300	a	1,461,695
WellPoint	87,500	b	6,985,125
			55,579,059
Industrial—10.8%			
Burlington Northern Santa Fe	39,400		3,354,516
Eaton	41,300		3,840,900
Emerson Electric	223,800		10,473,840
Manpower	74,400		6,862,656
Rockwell Automation	27,550	a	1,913,072
Rockwell Collins	74,800		5,283,872
United Technologies	111,700		7,922,881
			39,651,737
Information/Data—8.9%			
Accenture, Cl. A	96,850		4,153,897
Equifax	77,100		3,424,782
Google, Cl. A	13,700	b	7,170,306
McGraw-Hill Cos.	75,500		5,140,040
News, Cl. B	360,050	a	8,259,547
Walt Disney	136,550		4,661,817
			32,810,389
Materials—3.8%			
3M	53,200		4,617,228
Air Products & Chemicals	40,600		3,263,022
Ecolab	66,100		2,822,470
Rohm & Haas	62,100		3,395,628
			14,098,348

Common Stocks (continued)	Shares		Value ($)
Oil & Gas Producers—6.0%			
Anadarko Petroleum	88,100		4,580,319
ENSCO International	53,600	[a]	3,270,136
Noble	37,700		3,676,504
Tetra Technologies	123,700	[b]	3,488,340
Windstream	177,400	[a]	2,618,424
XTO Energy	74,100		4,453,410
			22,087,133
Technology—18.6%			
Applied Materials	96,300		1,913,481
Cisco Systems	207,050	[b]	5,766,342
Danaher	58,800	[a]	4,439,400
Dell	187,500	[b]	5,353,125
EMC/Massachusetts	193,050	[b]	3,494,205
Intel	133,150		3,163,644
International Business Machines	107,800	[a]	11,345,950
Microsoft	374,000		11,021,780
National Semiconductor	120,050	[a]	3,393,814
QUALCOMM	125,250		5,434,598
STMicroelectronics (New York Shares)	94,800		1,819,212
Tetra Tech	72,700	[b]	1,566,685
Texas Instruments	216,900		8,161,947
Xerox	102,100	[b]	1,886,808
			68,760,991
Telecommunications—1.4%			
NII Holdings	25,900	[b]	2,091,166
Qwest Communications International	327,250	[a,b]	3,174,325
			5,265,491
Utilities—2.3%			
NiSource	112,300		2,325,733
Puget Energy	70,400		1,702,272
Sempra Energy	72,100		4,270,483
			8,298,488
Total Common Stocks (cost $307,979,021)			**366,676,166**

Short-Term Investments–.0%	Principal Amount ($)	Value ($)
Negotiable Bank Certificate Of Deposit		
Self-Help Credit Union 4.86%, 9/14/07 (cost $100,000)	100,000	**100,000**

Other Investment–.6%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $2,256,000)	2,256,000 [c]	**2,256,000**
Investment of Cash Collateral for Securities Loaned–4.0%		
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Plus Fund (cost $14,606,404)	14,606,404 [c]	**14,606,404**
Total Investments (cost $324,941,425)	**104.1%**	**383,638,570**
Liabilities, Less Cash and Receivables	**(4.1%)**	**(15,201,089)**
Net Assets	**100.0%**	**368,437,481**

ADR—American Depository Receipts

[a] *All or a portion of these securities are on loan. At June 30, 2007, the total market value of the fund's securities on loan is $29,124,926 and the total market value of the collateral held by the fund is $30,236,184, consisting of cash collateral of $14,606,404 and U.S. Government and agency securities valued at $15,629,780.*

[b] *Non-income producing security.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Technology	18.6	Oil & Gas Producers	6.0
Health Care	15.1	Short-Term/Money Market Investments	4.6
Financial	14.7	Materials	3.8
Industrial	10.8	Utilities	2.3
Information/Data	8.9	Consumer Goods	1.6
Consumer Cyclical	8.3	Telecommunications	1.4
Consumer Staples	8.0		**104.1**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2007 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $29,124,926)—Note 1(b):		
Unaffiliated issuers	308,079,021	366,776,166
Affiliated issuers	16,862,404	16,862,404
Cash		25,744
Dividends and interest receivable		321,161
Receivable for shares of Common Stock subscribed		17,834
Prepaid expenses		9,875
		384,013,184
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		246,662
Liability for securities on loan—Note 1(b)		14,606,404
Payable for shares of Common Stock redeemed		598,524
Interest payable—Note 2		3,340
Accrued expenses		120,773
		15,575,703
Net Assets ($)		**368,437,481**
Composition of Net Assets ($):		
Paid-in capital		491,826,692
Accumulated undistributed investment income—net		1,202,258
Accumulated net realized gain (loss) on investments		(183,288,614)
Accumulated net unrealized appreciation (depreciation) on investments		58,697,145
Net Assets ($)		**368,437,481**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	359,424,622	9,012,859
Shares Outstanding	11,919,692	300,976
Net Asset Value Per Share ($)	**30.15**	**29.95**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2007 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $41,142 foreign taxes withheld at source):	
Unaffiliated issuers	2,677,364
Affiliated issuers	39,546
Income from securities lending	59,160
Total Income	**2,776,070**
Expenses:	
Investment advisory fee—Note 3(a)	1,414,968
Prospectus and shareholders' reports	43,536
Professional fees	41,349
Shareholder servicing costs—Note 3(c)	15,181
Custodian fees—Note 3(c)	14,668
Distribution fees—Note 3(b)	13,298
Interest expense—Note 2	4,534
Directors' fees and expenses—Note 3(d)	3,928
Loan commitment fees—Note 2	662
Miscellaneous	9,225
Total Expenses	**1,561,349**
Investment Income—Net	**1,214,721**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	7,349,955
Net unrealized appreciation (depreciation) on investments	15,634,071
Net Realized and Unrealized Gain (Loss) on Investments	**22,984,026**
Net Increase in Net Assets Resulting from Operations	**24,198,747**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations ($):		
Investment income—net	1,214,721	1,969,279
Net realized gain (loss) on investments	7,349,955	26,165,908
Net unrealized appreciation (depreciation) on investments	15,634,071	6,300,965
Net Increase (Decrease) in Net Assets Resulting from Operations	**24,198,747**	**34,436,152**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial shares	(1,943,866)	(431,631)
Service shares	(31,270)	–
Total Dividends	**(1,975,136)**	**(431,631)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial shares	7,572,056	10,444,022
Service shares	463,926	875,069
Dividends reinvested:		
Initial shares	1,943,866	431,631
Service shares	31,270	–
Cost of shares redeemed:		
Initial shares	(46,165,252)	(88,292,377)
Service shares	(3,540,911)	(2,780,990)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(39,695,045)**	**(79,322,645)**
Total Increase (Decrease) in Net Assets	**(17,471,434)**	**(45,318,124)**
Net Assets ($):		
Beginning of Period	385,908,915	431,227,039
End of Period	**368,437,481**	**385,908,915**
Undistributed investment income—net	1,202,258	1,962,673

	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Capital Share Transactions:		
Initial Shares		
Shares sold	257,651	387,219
Shares issued for dividends reinvested	67,825	15,986
Shares redeemed	(1,570,813)	(3,299,941)
Net Increase (Decrease) in Shares Outstanding	**(1,245,337)**	**(2,896,736)**
Service Shares		
Shares sold	15,930	33,024
Shares issued for dividends reinvested	1,097	–
Shares redeemed	(119,115)	(105,261)
Net Increase (Decrease) in Shares Outstanding	**(102,088)**	**(72,237)**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the fund's financial statements.

Initial Shares	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006	2005	2004	2003	2002
Per Share Data ($):						
Net asset value, beginning of period	28.45	26.08	25.17	23.79	18.90	26.67
Investment Operations:						
Investment income—net[a]	.10	.13	.03	.09	.02	.05
Net realized and unrealized gain (loss) on investments	1.76	2.27	.88	1.39	4.89	(7.77)
Total from Investment Operations	1.86	2.40	.91	1.48	4.91	(7.72)
Distributions:						
Dividends from investment income—net	(.16)	(.03)	–	(.10)	(.02)	(.05)
Net asset value, end of period	30.15	28.45	26.08	25.17	23.79	18.90
Total Return (%)	6.55[b]	9.20	3.62	6.21	26.00	(28.94)
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.41[b]	.83	.81	.82	.84	.80
Ratio of net expenses to average net assets	.41[b]	.83	.81	.82	.84	.80
Ratio of net investment income to average net assets	.32[b]	.50	.10	.38	.12	.20
Portfolio Turnover Rate	8.56[b]	32.19	94.99	55.54	63.17	90.07
Net Assets, end of period ($ x 1,000)	359,425	374,537	418,916	488,994	521,262	456,014

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006	2005	2004	2003	2002
Per Share Data ($):						
Net asset value, beginning of period	28.21	25.90	25.06	23.69	18.84	26.59
Investment Operations:						
Investment income (loss)—net [a]	.06	.07	(.04)	.04	(.03)	(.00)[b]
Net realized and unrealized gain (loss) on investments	1.76	2.24	.88	1.37	4.88	(7.75)
Total from Investment Operations	1.82	2.31	.84	1.41	4.85	(7.75)
Distributions:						
Dividends from investment income—net	(.08)	–	–	(.04)	(.00)[b]	(.00)[b]
Net asset value, end of period	29.95	28.21	25.90	25.06	23.69	18.84
Total Return (%)	6.43[c]	8.96	3.35	5.94	25.75	(29.14)
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.53[c]	1.08	1.06	1.06	1.09	1.03
Ratio of net expenses to average net assets	.53[c]	1.08	1.06	1.06	1.09	1.03
Ratio of net investment income (loss) to average net assets	.19[c]	.25	(.15)	.17	(.14)	(.01)
Portfolio Turnover Rate	8.56[c]	32.19	94.99	55.54	63.17	90.07
Net Assets, end of period ($ x 1,000)	9,013	11,372	12,311	13,492	12,202	8,115

[a] *Based on average shares outstanding at each month end.*
[b] *Amount represents less than $.01 per share.*
[c] *Not annualized.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

The Dreyfus Socially Responsible Growth Fund, Inc. (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified open-end management investment company. The fund's investment objective is to provide capital growth, with current income as a secondary goal through equity investments in companies that not only meet traditional investment standards, but which also show evidence that they conduct their business in a manner that contributes to the enhancement of the quality of life in America. The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The Dreyfus Corporation (the "Manager" or "Dreyfus") serves as the fund's investment adviser. During the reporting period, the Manager was a wholly-owned subsidiary of Mellon Financial Corporation ("Mellon Financial").

On July 1, 2007, Mellon Financial and The Bank of New York Company, Inc. merged, forming The Bank of New York Mellon Corporation. As part of this transaction, Dreyfus became a wholly-owned subsidiary of The Bank of New York Mellon Corporation.

During the reporting period, Dreyfus Service Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, served as the distributor of the fund's shares, which are sold without a sales charge. Effective June 30, 2007, the Distributor became known as MBSC Securities Corporation. The fund is authorized to issue 300 million shares of $.001 par value Common Stock in each of the following classes of shares: Initial shares (150 million shares authorized) and Service shares (150 million shares authorized). Initial shares are subject to a shareholder services fee and Service shares are subject to a distribution fee. Each class of shares has identical rights and privileges, except with respect to the shareholder services plan, the distribution plan, and the expenses borne by each class and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The fund accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series' operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The fund's financial statements are prepared in accordance with U.S. generally accepted accounting principles, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available, are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered open-end investment companies that are not traded on an exchange are valued at their net asset value. When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Board of Directors. Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADR's and futures contracts. For other securities that are fair valued by the Board of Directors, certain factors may be considered such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold and public trading in similar securities of the issuer or comparable issuers.

The Financial Accounting Standards Board (FASB) released Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Management does not believe that the application of this standard will have a material impact on the financial statements of the fund.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

The fund has an arrangement with the custodian bank whereby the fund receives earnings credits from the custodian when positive cash balances are maintained, which are used to offset custody fees. For financial reporting purposes, the fund includes net earnings credits, if any, as an expense offset in the Statement of Operations.

Pursuant to a securities lending agreement with Mellon Bank, N.A., an affiliate of the Manager, the fund may lend securities to qualified institutions. It is the fund's policy, that at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. Cash collateral is invested in certain money market mutual funds managed by the Manager.The fund is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the fund bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner.

(c) Affiliated issuers: Investments in other investment companies advised by the Manager are defined as "affiliated" in the Act.

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gain, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gain. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

The FASB released FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the portfolio's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. Management does not believe that the application of this standard will have a material impact on the financial statements of the fund.

The fund has an unused capital loss carryover of $190,626,597 available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2006. If not applied, $67,021,381 of the carryover expires in fiscal 2009, $103,833,733 expires in fiscal 2010 and $19,771,483 expires in fiscal 2011.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2006 was as follows: ordinary income $431,631. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Line of Credit:

The fund participates with other Dreyfus-managed funds in a $350 million redemption credit facility (the "Facility") to be utilized for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay commitment fees on its pro rata portion of the Facility. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowing.

The average daily amount of borrowing outstanding under the Facility during the period ended June 30, 2007 was approximately $158,300, with a related weighted average annualized interest rate of 5.78%.

NOTE 3—Investment Advisory Fee and Other Transactions with Affiliates:

(a) Pursuant to an Investment Advisory Agreement with the Manager, the investment advisory fee is computed at the annual rate of .75% of the value of the fund's average daily net assets and is payable monthly.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing their shares, for servicing and/or maintaining Service shares shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2007, Service shares were charged $13,298 pursuant to the Plan.

(c) Under the Shareholder Services Plan, Initial shares reimburse the Distributor an amount not to exceed an annual rate of .25% of the value of Initial shares' average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares shareholder accounts. During the period ended June 30, 2007, Initial shares were charged $14,133 pursuant to the Shareholder Services Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended June 30, 2007, the fund was charged $459 pursuant to the transfer agency agreement.

The fund compensates Mellon Bank, N.A., an affiliate of the Manager, under a custody agreement for providing custodial services for the fund. During the period ended June 30, 2007, the fund was charged $14,668 pursuant to the custody agreement.

During the period ended June 30, 2007, the fund was charged $2,044 for services performed by the Chief Compliance Officer.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: investment advisory fees $230,907, Rule 12b-1 distribution plan fees $1,879, shareholder services plan fees $750, custodian fees $11,743, chief compliance officer fees $1,205 and transfer agency per account fees $178.

(d) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

(e) Pursuant to an exemptive order from the SEC, the fund may invest its available cash balances in affiliated money market mutual funds. Management fees of the underlying money market mutual funds have been waived by the Manager.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2007, amounted to $32,193,016 and $71,798,722, respectively.

At June 30, 2007, accumulated net unrealized appreciation on investments was $58,697,145, consisting of $64,075,402 gross unrealized appreciation and $5,378,257 gross unrealized depreciation.

At June 30, 2007, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

NOTES

For More Information

The Dreyfus Socially Responsible Growth Fund, Inc.
200 Park Avenue
New York, NY 10166

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

Mellon Bank, N.A.
One Mellon Bank Center
Pittsburgh, PA 15258

Transfer Agent & Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

MBSC Securities Corporation
200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144
Attn: Investments Division

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-202-551-8090.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the 12-month period ended June 30, 2007, is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-645-6561.

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June 30, 2007

SEMIANNUAL REPORT

DWS INVESTMENTS VIT FUNDS

DWS Equity 500 Index VIP

ONE GLOBAL FORCE. ONE FOCUS. YOU.

DWS SCUDDER

Deutsche Bank Group

Contents

3 Performance Summary

4 Information About Your Portfolio's Expenses

5 Management Summary

6 Portfolio Summary

7 Investment Portfolio

13 Financial Statements

15 Financial Highlights

17 Notes to Financial Statements

22 Proxy Voting

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus, call (800) 778-1482 or your financial representative. We advise you to consider the portfolio's objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other important information about the portfolio. Please read the prospectus carefully before you invest.

The portfolio is subject to investment risks, including possible loss of principal amount invested. There is no guarantee that the portfolio will be able to mirror the S&P 500® Index closely enough to track its performance. Please read the prospectus for specific details regarding its investments and risk profile.

Performance Summary

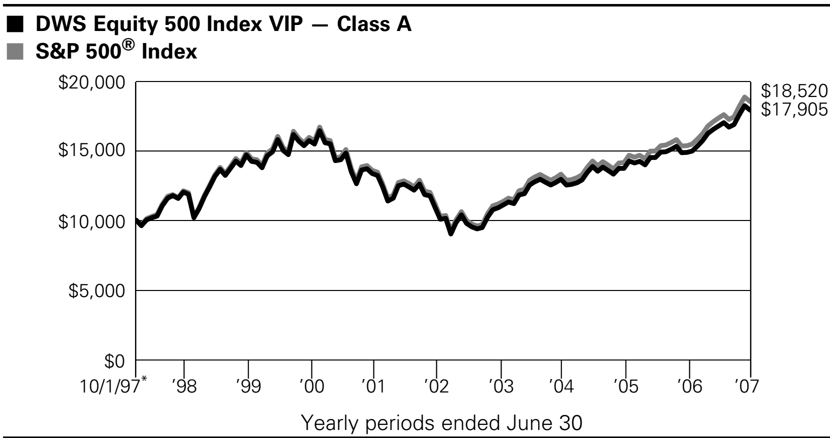
June 30, 2007

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance figures for Classes A, B and B2 differ because each class maintains a distinct expense structure. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

The total annual portfolio operating expense ratio, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2007 is 0.31%, 0.56% and 0.70% for Class A, Class B and Class B2 shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial Highlights and Notes to the Financial Statements (Note C, Related Parties) sections of this report for gross and net expense related disclosure for the period ended June 30, 2007.

Portfolio returns during all periods shown reflect a fee waiver/and or reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment



The Standard & Poor's (S&P) 500® Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results (as of June 30, 2007)

DWS Equity 500 Index VIP		6-Month†	1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$10,686	$12,036	$13,834	$16,420	$17,905
	Average annual total return	6.86%	20.36%	11.43%	10.43%	6.16%
S&P 500 Index	Growth of $10,000	$10,696	$12,059	$13,928	$16,631	$18,520
	Average annual total return	6.96%	20.59%	11.68%	10.71%	6.52%
DWS Equity 500 Index VIP		**6-Month†**	**1-Year**	**3-Year**	**5-Year**	**Life of Class****
Class B	Growth of $10,000	$10,672	$12,004	$13,727	$16,226	$14,930
	Average annual total return	6.72%	20.04%	11.14%	10.16%	8.07%
S&P 500 Index	Growth of $10,000	$10,696	$12,059	$13,928	$16,631	$15,333
	Average annual total return	6.96%	20.59%	11.68%	10.71%	8.62%
DWS Equity 500 Index VIP		**6-Month†**	**1-Year**	**3-Year**	**5-Year**	**Life of Class*****
Class B2	Growth of $10,000	$10,661	$11,991	N/A	N/A	$12,424
	Average annual total return	6.61%	19.91%	N/A	N/A	12.95%
S&P 500 Index	Growth of $10,000	$10,696	$12,059	N/A	N/A	$12,644
	Average annual total return	6.96%	20.59%	N/A	N/A	14.34%

The growth of $10,000 is cumulative.

† *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced operations on October 1, 1997. Index returns began on September 30, 1997.*

** *The Portfolio commenced offering Class B shares on April 30, 2002. Index returns began on April 30, 2002.*

*** *The Portfolio commenced offering Class B2 shares on September 16, 2005. Index returns began on September 30, 2005.*

Information concerning portfolio holdings of the Portfolio as of a month end will be posted to www.dws-scudder.com on or after the last day of the following month.

Information About Your Portfolio's Expenses

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual portfolios. In the most recent period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the period and held for the entire six-month period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**	**Class B2**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,068.60	$1,067.20	$1,066.10
Expenses Paid per $1,000*	$ 1.49	$ 2.77	$ 3.28

Hypothetical 5% Portfolio Return	**Class A**	**Class B**	**Class B2**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,023.36	$1,022.12	$1,021.62
Expenses Paid per $1,000*	$ 1.45	$ 2.71	$ 3.21

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**	**Class B2**
DWS Equity 500 Index VIP	.29%	.54%	.64%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

Management Summary

June 30, 2007

Except for a period of weakness in late February and early March, equity markets were quite strong during the first half of 2007. By the end of May, most indices were at or near their all-time highs; markets were volatile with no pronounced trend in June. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, returned 7.11% for the six-month period. Growth stocks, as measured by the Russell 1000® Growth Index, performed better than value stocks, as measured by the Russell 1000® Value Index.

The Portfolio returned 6.86% (Class A shares, unadjusted for contract charges). Since the Portfolio's investment strategy is to replicate, as closely as possible, before the deduction of expenses, the performance of the Standard & Poor's 500® (S&P 500®) Index, the Portfolio's return is normally quite close to the return of the index.

In the first half of 2007, nine of the 10 industry sectors within the S&P 500 had positive returns. Only the financial sector had a modestly negative return, as shares of many banks and financial institutions dropped on concerns about the impact of a weakening housing market on their mortgage businesses. The strongest sector was energy, with a return above 17%, followed by materials, telecommunication services and industrials, all of which posted double-digit returns.

Brent Reeder
Vice President
Northern Trust Investments, N.A. (NTI), Subadvisor to the Portfolio

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please contact your participating insurance company for the Portfolio's most recent month-end performance. Performance figures for Classes A and B differ because each class maintains a distinct expense structure. Performance doesn't reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option. These charges and fees will reduce returns.

Risk Considerations

The Portfolio is subject to investment risks, including possible loss of principal amount invested. The Portfolio may not be able to mirror the S&P 500 index closely enough to track its performance for several reasons, including the Portfolio's cost to buy and sell securities, the flow of money into and out of the Portfolio and the potential underperformance of stocks selected. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 3000 Index measures the performance of the 3,000 largest US companies based on total market capitalization, which represents approximately 98% of the investable US equity market.

The Russell 1000 Growth Index is an unmanaged, capitalization-weighted index consisting of those stocks in the Russell 1000 Index that have greater-than-average growth orientation.

The Russell 1000 Value Index is an unmanaged, capitalization-weighted index which consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions and should not be construed as a recommendation. Past performance does not guarantee future results.

Portfolio Summary

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	98%	97%
Cash Equivalents	2%	3%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/07**	**12/31/06**
Financials	21%	22%
Information Technology	15%	15%
Health Care	12%	12%
Industrials	11%	11%
Energy	11%	10%
Consumer Discretionary	10%	11%
Consumer Staples	9%	9%
Telecommunication Services	4%	3%
Utilities	4%	4%
Materials	3%	3%
	100%	100%

Ten Largest Equity Holdings (19.0% of Net Assets)

1.	**ExxonMobil Corp.** Explorer and producer of oil and gas	**3.5%**
2.	**General Electric Co.** Industrial conglomerate	**2.9%**
3.	**AT&T, Inc.** Provider of communications services	**1.9%**
4.	**Citigroup, Inc.** Provider of diversified financial services	**1.9%**
5.	**Microsoft Corp.** Developer of computer software	**1.8%**
6.	**Bank of America Corp.** Provider of commercial banking services	**1.6%**
7.	**Procter & Gamble Co.** Manufacturer of diversified consumer products	**1.4%**
8.	**American International Group, Inc.** Provider of insurance services	**1.4%**
9.	**Chevron Corp.** Operator of petroleum exploration, delivery and refining facilities	**1.3%**
10.	**Pfizer, Inc.** Manufacturer of prescription pharmaceuticals and nonprescription self medications	**1.3%**

Asset allocation, sector diversification, and holdings are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 7. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

	Shares	Value ($)
Common Stocks 98.5%		
Consumer Discretionary 10.0%		
Auto Components 0.2%		
Goodyear Tire & Rubber Co.*	19,994	694,992
Johnson Controls, Inc.	17,746	2,054,454
		2,749,446
Automobiles 0.4%		
Ford Motor Co. (a)	172,675	1,626,599
General Motors Corp.	51,766	1,956,755
Harley-Davidson, Inc.	23,586	1,405,961
		4,989,315
Distributors 0.1%		
Genuine Parts Co.	15,509	**769,246**
Diversified Consumer Services 0.1%		
Apollo Group, Inc. "A"*	12,844	750,475
H&R Block, Inc.	27,896	651,929
		1,402,404
Hotels Restaurants & Leisure 1.5%		
Carnival Corp.	40,546	1,977,428
Darden Restaurants, Inc.	12,254	539,053
Harrah's Entertainment, Inc.	17,119	1,459,566
Hilton Hotels Corp.	35,532	1,189,256
International Game Technology	31,456	1,248,803
Marriott International, Inc. "A"	30,140	1,303,254
McDonald's Corp.	110,291	5,598,371
Starbucks Corp.*	68,028	1,785,055
Starwood Hotels & Resorts Worldwide, Inc.	19,625	1,316,249
Wendy's International, Inc.	9,311	342,179
Wyndham Worldwide Corp.*	16,737	606,884
Yum! Brands, Inc.	48,316	1,580,900
		18,946,998
Household Durables 0.6%		
Black & Decker Corp.	6,022	531,803
Centex Corp.	12,235	490,624
D.R. Horton, Inc.	25,000	498,250
Fortune Brands, Inc.	14,655	1,207,132
Harman International Industries, Inc.	5,700	665,760
KB HOME	7,092	279,212
Leggett & Platt, Inc.	15,364	338,776
Lennar Corp. "A"	12,600	460,656
Newell Rubbermaid, Inc.	23,497	691,517
Pulte Homes, Inc.	18,582	417,166
Snap-on, Inc.	5,393	272,400
The Stanley Works	7,556	458,649
Whirlpool Corp.	7,588	843,786
		7,155,731
Internet & Catalog Retail 0.2%		
Amazon.com, Inc.*	28,528	1,951,600
IAC/InterActiveCorp.*	21,200	733,732
		2,685,332
Leisure Equipment & Products 0.2%		
Brunswick Corp.	8,506	277,551
Eastman Kodak Co. (a)	25,007	695,945
Hasbro, Inc.	14,586	458,146
Mattel, Inc.	35,998	910,389
		2,342,031
Media 3.3%		
CBS Corp. "B"	67,487	2,248,667
Clear Channel Communications, Inc.	45,152	1,707,649
Comcast Corp. "A"*	285,487	8,027,895
Dow Jones & Co., Inc.	5,261	302,245
E.W. Scripps Co. "A"	7,600	347,244
Gannett Co., Inc.	20,842	1,145,268
Interpublic Group of Companies, Inc.*	39,697	452,546
McGraw-Hill Companies, Inc.	32,464	2,210,149
Meredith Corp.	3,524	217,078
New York Times Co. "A" (a)	16,710	424,434
News Corp. "A"	213,854	4,535,843
Omnicom Group, Inc.	30,432	1,610,461
The DIRECTV Group, Inc.*	70,500	1,629,255
Time Warner, Inc.	347,530	7,312,031
Tribune Co.	6,835	200,949
Viacom, Inc. "B"*	63,287	2,634,638
Walt Disney Co.	182,480	6,229,867
		41,236,219
Multiline Retail 1.1%		
Big Lots, Inc.*	9,492	279,255
Dillard's, Inc. "A"	5,551	199,448
Dollar General Corp.	28,584	626,561
Family Dollar Stores, Inc. (a)	13,770	472,586
J.C. Penney Co., Inc.	20,522	1,485,382
Kohl's Corp.*	29,878	2,122,234
Macy's, Inc.	42,008	1,671,078
Nordstrom, Inc.	20,648	1,055,526
Sears Holdings Corp.*	7,543	1,278,539
Target Corp.	78,210	4,974,156
		14,164,765
Specialty Retail 1.8%		
Abercrombie & Fitch Co. "A"	8,100	591,138
AutoNation, Inc.*	13,851	310,817
AutoZone, Inc.*	4,491	613,560
Bed Bath & Beyond, Inc.*	26,716	961,509
Best Buy Co., Inc.	36,936	1,723,803
Circuit City Stores, Inc.	13,030	196,492
Home Depot, Inc.	181,599	7,145,921
Limited Brands, Inc.	31,270	858,362
Lowe's Companies, Inc.	139,200	4,272,048
Office Depot, Inc.*	25,303	766,681
OfficeMax, Inc.	7,641	300,291
RadioShack Corp.	12,445	412,427
Staples, Inc.	65,489	1,554,054
The Gap, Inc.	48,632	928,871
The Sherwin-Williams Co.	9,389	624,087
Tiffany & Co.	12,000	636,720
TJX Companies, Inc.	41,458	1,140,095
		23,036,876
Textiles, Apparel & Luxury Goods 0.5%		
Coach, Inc.*	33,800	1,601,782
Jones Apparel Group, Inc.	9,694	273,856
Liz Claiborne, Inc.	8,624	321,675
NIKE, Inc. "B"	36,550	2,130,500

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Polo Ralph Lauren Corp.	5,600	549,416
VF Corp.	8,487	777,239
		5,654,468

Consumer Staples 9.1%

	Shares	Value ($)
Beverages 2.0%		
Anheuser-Busch Companies, Inc.	69,909	3,646,454
Brown-Forman Corp. "B"	7,080	517,406
Coca-Cola Co.	184,114	9,631,003
Coca-Cola Enterprises, Inc.	28,150	675,600
Constellation Brands, Inc. "A"* (a)	17,900	434,612
Molson Coors Brewing Co. "B"	4,192	387,592
Pepsi Bottling Group, Inc.	12,211	411,267
PepsiCo, Inc.	149,546	9,698,058
		25,401,992
Food & Staples Retailing 2.3%		
Costco Wholesale Corp.	41,345	2,419,509
CVS Caremark Corp.	140,790	5,131,796
Kroger Co.	64,963	1,827,409
Safeway, Inc.	40,227	1,368,925
SUPERVALU, Inc.	18,848	873,039
Sysco Corp.	56,357	1,859,218
Wal-Mart Stores, Inc.	222,627	10,710,585
Walgreen Co.	91,396	3,979,382
Whole Foods Market, Inc. (a)	13,500	517,050
		28,686,913
Food Products 1.4%		
Archer-Daniels-Midland Co.	59,607	1,972,396
Campbell Soup Co.	19,885	771,737
ConAgra Foods, Inc.	45,705	1,227,636
Dean Foods Co.	11,600	369,692
General Mills, Inc.	31,528	1,841,866
H.J. Heinz Co.	29,679	1,408,862
Kellogg Co.	21,632	1,120,321
Kraft Foods, Inc. "A"	147,282	5,191,690
McCormick & Co., Inc.	12,214	466,331
Sara Lee Corp.	67,639	1,176,919
The Hershey Co.	15,246	771,752
Tyson Foods, Inc. "A"	23,100	532,224
Wm. Wrigley Jr. Co.	19,833	1,096,963
		17,948,389
Household Products 2.0%		
Clorox Co.	12,930	802,953
Colgate-Palmolive Co.	48,621	3,153,072
Kimberly-Clark Corp.	41,747	2,792,457
Procter & Gamble Co.	288,455	17,650,561
		24,399,043
Personal Products 0.2%		
Avon Products, Inc.	42,270	1,553,423
Estee Lauder Companies, Inc. "A"	10,600	482,406
		2,035,829
Tobacco 1.2%		
Altria Group, Inc.	192,670	13,513,874
Reynolds American, Inc.	15,828	1,031,985
UST, Inc.	14,635	786,046
		15,331,905

Energy 10.6%

	Shares	Value ($)
Energy Equipment & Services 2.1%		
Baker Hughes, Inc.	29,271	2,462,569
BJ Services Co.	26,786	761,794
ENSCO International, Inc.	13,800	841,938
Halliburton Co.	83,573	2,883,269
Nabors Industries Ltd.*	25,896	864,408
National-Oilwell Varco, Inc.*	17,000	1,772,080
Noble Corp.	12,295	1,199,008
Rowan Companies, Inc.	10,282	421,356
Schlumberger Ltd.	107,718	9,149,567
Smith International, Inc.	18,400	1,078,976
Transocean, Inc.*	26,503	2,808,788
Weatherford International Ltd.*	31,744	1,753,539
		25,997,292
Oil, Gas & Consumable Fuels 8.5%		
Anadarko Petroleum Corp.	43,514	2,262,293
Apache Corp.	29,953	2,443,865
Chesapeake Energy Corp.	39,800	1,377,080
Chevron Corp.	197,282	16,619,036
ConocoPhillips	150,242	11,793,997
CONSOL Energy, Inc.	16,700	770,037
Devon Energy Corp.	40,692	3,185,777
El Paso Corp.	64,954	1,119,157
EOG Resources, Inc.	21,857	1,596,872
ExxonMobil Corp.	517,304	43,391,460
Hess Corp.	24,650	1,453,364
Marathon Oil Corp.	64,042	3,839,958
Murphy Oil Corp.	16,300	968,872
Occidental Petroleum Corp.	76,588	4,432,914
Peabody Energy Corp.	24,300	1,175,634
Spectra Energy Corp.	57,991	1,505,446
Sunoco, Inc.	11,516	917,595
Valero Energy Corp.	50,172	3,705,704
Williams Companies, Inc.	54,687	1,729,203
XTO Energy, Inc.	34,908	2,097,971
		106,386,235

Financials 20.6%

	Shares	Value ($)
Capital Markets 3.6%		
Ameriprise Financial, Inc.	21,505	1,367,073
Bank of New York Co., Inc.*	69,084	2,862,841
Bear Stearns Companies, Inc.	10,930	1,530,200
Charles Schwab Corp.	92,889	1,906,082
E*TRADE Financial Corp.*	39,000	861,510
Federated Investors, Inc. "B"	7,200	275,976
Franklin Resources, Inc.	15,252	2,020,432
Janus Capital Group, Inc.	17,971	500,312
Legg Mason, Inc.	12,000	1,180,560
Lehman Brothers Holdings, Inc.	48,042	3,580,090
Mellon Financial Corp.	36,475	1,604,900
Merrill Lynch & Co., Inc.	79,972	6,684,060
Morgan Stanley	96,740	8,114,551
Northern Trust Corp.	16,549	1,063,108
State Street Corp.	36,465	2,494,206
T. Rowe Price Group, Inc.	24,720	1,282,721
The Goldman Sachs Group, Inc.	37,533	8,135,278
		45,463,900
Commercial Banks 3.7%		
BB&T Corp.	49,334	2,006,907
Comerica, Inc.	13,837	822,886
Commerce Bancorp, Inc. (a)	17,100	632,529
Compass Bancshares, Inc.	11,900	820,862
Fifth Third Bancorp.	50,906	2,024,532
First Horizon National Corp.	10,698	417,222
Huntington Bancshares, Inc.	33,560	763,155

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
KeyCorp.	35,229	1,209,412
M&T Bank Corp.	6,850	732,265
Marshall & Ilsley Corp.	21,854	1,040,906
National City Corp.	54,176	1,805,144
PNC Financial Services Group, Inc.	31,626	2,263,789
Regions Financial Corp.	66,661	2,206,479
SunTrust Banks, Inc.	33,071	2,835,508
Synovus Financial Corp.	32,903	1,010,122
US Bancorp.	161,954	5,336,384
Wachovia Corp.	174,199	8,927,699
Wells Fargo & Co.	308,748	10,858,667
Zions Bancorp.	10,011	769,946
		46,484,414
Consumer Finance 1.0%		
American Express Co.	109,025	6,670,150
Capital One Financial Corp.	38,802	3,043,629
SLM Corp.	38,878	2,238,595
		11,952,374
Diversified Financial Services 5.0%		
Bank of America Corp.	407,486	19,921,991
Chicago Mercantile Exchange Holdings, Inc. "A"	3,200	1,709,952
CIT Group, Inc.	17,724	971,807
Citigroup, Inc.	454,031	23,287,250
JPMorgan Chase & Co.	314,762	15,250,219
Moody's Corp.	21,152	1,315,654
		62,456,873
Insurance 4.7%		
ACE Ltd.	29,376	1,836,588
Aflac, Inc.	44,737	2,299,482
Allstate Corp.	55,756	3,429,552
Ambac Financial Group, Inc.	9,578	835,106
American International Group, Inc.	237,781	16,651,803
Aon Corp.	26,983	1,149,746
Assurant, Inc.	9,100	536,172
Chubb Corp.	37,370	2,023,212
Cincinnati Financial Corp.	15,909	690,451
Genworth Financial, Inc. "A"	38,400	1,320,960
Hartford Financial Services Group, Inc.	29,034	2,860,139
Lincoln National Corp.	24,869	1,764,456
Loews Corp.	40,970	2,088,651
Marsh & McLennan Companies, Inc.	50,113	1,547,489
MBIA, Inc.	11,364	707,068
MetLife, Inc.	68,132	4,393,151
Principal Financial Group, Inc.	24,311	1,417,088
Progressive Corp.	68,056	1,628,580
Prudential Financial, Inc.	42,863	4,167,569
Safeco Corp.	10,818	673,529
The Travelers Companies, Inc.	60,971	3,261,948
Torchmark Corp.	8,810	590,270
Unum Group	31,365	818,940
XL Capital Ltd. "A"	15,877	1,338,272
		58,030,222
Real Estate Investment Trusts 1.2%		
Apartment Investment & Management Co. "A" (REIT)	7,700	388,234
Archstone-Smith Trust (REIT)	21,800	1,288,598
AvalonBay Communities, Inc. (REIT)	7,100	844,048
Boston Properties, Inc. (REIT)	11,500	1,174,495

	Shares	Value ($)
Developers Diversified Realty Corp. (REIT)	13,800	727,398
Equity Residential (REIT)	25,730	1,174,060
General Growth Properties, Inc. (REIT)	22,500	1,191,375
Host Hotels & Resorts, Inc. (REIT)	47,600	1,100,512
Kimco Realty Corp. (REIT)	19,200	730,944
Plum Creek Timber Co., Inc. (REIT)	16,700	695,722
ProLogis (REIT)	23,400	1,331,460
Public Storage, Inc. (REIT)	10,546	810,144
Simon Property Group, Inc. (REIT) (a)	20,241	1,883,222
Vornado Realty Trust (REIT)	12,600	1,383,984
		14,724,196
Real Estate Management & Development 0.1%		
CB Richard Ellis Group, Inc. "A"*	16,900	**616,850**
Thrifts & Mortgage Finance 1.3%		
Countrywide Financial Corp.	53,938	1,960,646
Fannie Mae	89,250	5,830,702
Freddie Mac	62,363	3,785,434
Hudson City Bancorp., Inc.	47,200	576,784
MGIC Investment Corp.	7,642	434,524
Sovereign Bancorp, Inc. (a)	31,798	672,210
Washington Mutual, Inc.	81,643	3,481,258
		16,741,558
Health Care 11.5%		
Biotechnology 1.2%		
Amgen, Inc.*	107,416	5,939,031
Biogen Idec, Inc.*	26,260	1,404,910
Celgene Corp.*	34,800	1,995,084
Genzyme Corp.*	25,203	1,623,073
Gilead Sciences, Inc.*	84,972	3,294,364
		14,256,462
Health Care Equipment & Supplies 1.6%		
Bausch & Lomb, Inc.	5,836	405,252
Baxter International, Inc.	59,403	3,346,765
Becton, Dickinson & Co.	22,378	1,667,161
Biomet, Inc.	22,443	1,026,094
Boston Scientific Corp.*	111,265	1,706,805
C.R. Bard, Inc.	8,898	735,242
Hospira, Inc.*	13,720	535,629
Medtronic, Inc.	105,325	5,462,154
St. Jude Medical, Inc.*	31,488	1,306,437
Stryker Corp. (a)	27,282	1,721,221
Varian Medical Systems, Inc.*	11,800	501,618
Zimmer Holdings, Inc.*	21,684	1,840,755
		20,255,133
Health Care Providers & Services 2.2%		
Aetna, Inc.	47,272	2,335,237
AmerisourceBergen Corp.	17,282	854,941
Cardinal Health, Inc.	36,600	2,585,424
CIGNA Corp.	26,405	1,378,869
Coventry Health Care, Inc.*	14,195	818,342
Express Scripts, Inc.*	24,868	1,243,649
Humana, Inc.*	14,775	899,945
Laboratory Corp. of America Holdings*	11,191	875,808
Manor Care, Inc.	6,738	439,924
McKesson Corp.	27,015	1,611,175
Medco Health Solutions, Inc.*	26,364	2,056,128
Patterson Companies, Inc.*	12,700	473,329

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Quest Diagnostics, Inc.	14,216	734,256
Tenet Healthcare Corp.*	43,100	280,581
UnitedHealth Group, Inc.	123,808	6,331,541
WellPoint, Inc.*	56,188	4,485,488
		27,404,637
Health Care Technology 0.0%		
IMS Health, Inc.	16,930	**543,961**
Life Sciences Tools & Services 0.3%		
Applera Corp. — Applied Biosystems Group	16,029	489,526
Millipore Corp.*	4,915	369,067
PerkinElmer, Inc.	11,136	290,204
Thermo Fisher Scientific, Inc.*	39,721	2,054,370
Waters Corp.*	9,300	552,048
		3,755,215
Pharmaceuticals 6.2%		
Abbott Laboratories	140,982	7,549,586
Allergan, Inc.	27,724	1,598,011
Barr Pharmaceuticals, Inc.*	9,200	462,116
Bristol-Myers Squibb Co.	183,862	5,802,685
Eli Lilly & Co.	92,237	5,154,203
Forest Laboratories, Inc.*	28,995	1,323,622
Johnson & Johnson	264,534	16,300,585
King Pharmaceuticals, Inc.*	22,186	453,926
Merck & Co., Inc.	198,059	9,863,338
Mylan Laboratories, Inc.	22,436	408,111
Pfizer, Inc.	647,589	16,558,851
Schering-Plough Corp.	135,950	4,138,318
Watson Pharmaceuticals, Inc.*	9,355	304,318
Wyeth	123,676	7,091,582
		77,009,252

Industrials 11.2%

	Shares	Value ($)
Aerospace & Defense 2.6%		
Boeing Co.	72,108	6,933,905
General Dynamics Corp.	36,934	2,888,978
Goodrich Corp.	10,561	629,013
Honeywell International, Inc.	71,947	4,049,177
L-3 Communications Holdings, Inc.	11,500	1,119,985
Lockheed Martin Corp.	32,993	3,105,631
Northrop Grumman Corp.	31,331	2,439,745
Precision Castparts Corp.	13,100	1,589,816
Raytheon Co.	40,796	2,198,496
Rockwell Collins, Inc.	14,731	1,040,598
United Technologies Corp.	92,600	6,568,118
		32,563,462
Air Freight & Logistics 0.9%		
C.H. Robinson Worldwide, Inc.	15,800	829,816
FedEx Corp.	28,065	3,114,373
United Parcel Service, Inc. "B"	97,458	7,114,434
		11,058,623
Airlines 0.1%		
Southwest Airlines Co.	71,995	**1,073,446**
Building Products 0.1%		
American Standard Companies, Inc.	15,264	900,271
Masco Corp.	36,165	1,029,617
		1,929,888
Commercial Services & Supplies 0.5%		
Allied Waste Industries, Inc.*	23,275	313,282
Avery Dennison Corp.	8,886	590,741
Cintas Corp.	12,742	502,417
Equifax, Inc.	11,791	523,756
Monster Worldwide, Inc.*	11,785	484,364
Pitney Bowes, Inc.	20,146	943,236
R.R. Donnelley & Sons Co.	19,629	854,058
Robert Half International, Inc.	15,000	547,500
Waste Management, Inc.	49,269	1,923,954
		6,683,308
Construction & Engineering 0.1%		
Fluor Corp.	8,025	**893,744**
Electrical Equipment 0.4%		
Cooper Industries Ltd. "A"	15,728	897,911
Emerson Electric Co.	74,904	3,505,507
Rockwell Automation, Inc.	15,847	1,100,416
		5,503,834
Industrial Conglomerates 3.9%		
3M Co.	66,136	5,739,943
General Electric Co.	941,632	36,045,673
Textron, Inc.	12,041	1,325,835
Tyco International Ltd.	180,753	6,107,644
		49,219,095
Machinery 1.7%		
Caterpillar, Inc.	58,736	4,599,029
Cummins, Inc.	9,656	977,284
Danaher Corp.	21,765	1,643,258
Deere & Co.	20,712	2,500,767
Dover Corp.	17,502	895,227
Eaton Corp.	13,405	1,246,665
Illinois Tool Works, Inc.	37,794	2,048,057
Ingersoll-Rand Co., Ltd. "A"	28,122	1,541,648
ITT Corp.	15,894	1,085,242
PACCAR, Inc.	23,201	2,019,415
Pall Corp.	11,353	522,124
Parker Hannifin Corp.	11,179	1,094,536
Terex Corp.*	9,300	756,090
		20,929,342
Road & Rail 0.8%		
Burlington Northern Santa Fe Corp.	32,738	2,787,313
CSX Corp.	39,848	1,796,348
Norfolk Southern Corp.	36,086	1,897,041
Ryder System, Inc.	4,852	261,038
Union Pacific Corp.	24,881	2,865,047
		9,606,787
Trading Companies & Distributors 0.1%		
W.W. Grainger, Inc.	6,709	**624,272**

Information Technology 15.2%

	Shares	Value ($)
Communications Equipment 2.6%		
Avaya, Inc.*	40,192	676,833
Ciena Corp.*	8,365	302,227
Cisco Systems, Inc.*	554,695	15,448,256
Corning, Inc.*	143,422	3,664,432
JDS Uniphase Corp.* (a)	19,278	258,904
Juniper Networks, Inc.*	53,600	1,349,112
Motorola, Inc.	212,580	3,762,666
QUALCOMM, Inc.	151,420	6,570,114
Tellabs, Inc.*	39,916	429,496
		32,462,040

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Computers & Peripherals 3.9%		
Apple, Inc.*	78,962	9,636,522
Dell, Inc.*	207,709	5,930,092
EMC Corp.*	192,667	3,487,273
Hewlett-Packard Co.	241,427	10,772,473
International Business Machines Corp.	124,802	13,135,410
Lexmark International, Inc. "A"*	8,768	432,350
NCR Corp.*	15,651	822,303
Network Appliance, Inc.*	34,484	1,006,933
QLogic Corp.*	17,518	291,675
SanDisk Corp.*	21,900	1,071,786
Sun Microsystems, Inc.*	327,781	1,724,128
		48,310,945
Electronic Equipment & Instruments 0.2%		
Agilent Technologies, Inc.*	36,397	1,399,101
Jabil Circuit, Inc.	16,147	356,364
Molex, Inc.	12,217	366,632
Solectron Corp.*	82,607	303,994
Tektronix, Inc.	7,624	257,234
		2,683,325
Internet Software & Services 1.4%		
eBay, Inc.*	103,768	3,339,254
Google, Inc. "A"* (a)	19,853	10,390,663
VeriSign, Inc.*	22,500	713,925
Yahoo!, Inc.*	111,088	3,013,818
		17,457,660
IT Services 1.1%		
Affiliated Computer Services, Inc. "A"*	9,673	548,653
Automatic Data Processing, Inc.	50,308	2,438,429
Cognizant Technology Solutions Corp. "A"*	13,000	976,170
Computer Sciences Corp.*	15,844	937,173
Convergys Corp.*	10,872	263,537
Electronic Data Systems Corp.	46,591	1,291,968
Fidelity National Information Services, Inc.	15,500	841,340
First Data Corp.	68,812	2,248,088
Fiserv, Inc.*	16,442	933,906
Paychex, Inc.	32,911	1,287,478
Unisys Corp.*	27,480	251,167
Western Union Co.	70,112	1,460,433
		13,478,342
Office Electronics 0.1%		
Xerox Corp.*	86,788	**1,603,842**
Semiconductors & Semiconductor Equipment 2.7%		
Advanced Micro Devices, Inc.* (a)	49,660	710,138
Altera Corp. (a)	32,586	721,128
Analog Devices, Inc.	30,535	1,149,337
Applied Materials, Inc. (a)	127,230	2,528,060
Broadcom Corp. "A"*	43,121	1,261,289
Intel Corp.	529,545	12,581,989
KLA-Tencor Corp.	19,145	1,052,018
Linear Technology Corp. (a)	23,214	839,883
LSI Corp.*	70,413	528,802
Maxim Integrated Products, Inc.	29,301	978,946
MEMC Electronic Materials, Inc.*	20,500	1,252,960
Micron Technology, Inc.*	66,620	834,749
National Semiconductor Corp.	25,926	732,928
Novellus Systems, Inc.*	11,514	326,652
NVIDIA Corp.*	33,214	1,372,070
Teradyne, Inc.*	16,804	295,414
Texas Instruments, Inc.	131,879	4,962,607
Xilinx, Inc. (a)	30,346	812,363
		32,941,333
Software 3.2%		
Adobe Systems, Inc.*	53,810	2,160,471
Autodesk, Inc.*	21,448	1,009,772
BMC Software, Inc.*	18,306	554,672
CA, Inc. (a)	37,559	970,149
Citrix Systems, Inc.*	16,498	555,488
Compuware Corp.*	29,646	351,602
Electronic Arts, Inc.*	29,358	1,389,221
Intuit, Inc.*	31,270	940,602
Microsoft Corp.	773,071	22,782,402
Novell, Inc.*	31,036	241,770
Oracle Corp.*	363,478	7,164,151
Symantec Corp.*	84,552	1,707,950
		39,828,250
Materials 3.1%		
Chemicals 1.6%		
Air Products & Chemicals, Inc.	19,739	1,586,423
Ashland, Inc.	5,108	326,657
Dow Chemical Co.	87,661	3,876,369
E.I. du Pont de Nemours & Co.	86,412	4,393,186
Eastman Chemical Co.	7,030	452,240
Ecolab, Inc.	15,766	673,208
Hercules, Inc.*	13,807	271,308
International Flavors & Fragrances, Inc.	6,543	341,152
Monsanto Co.	50,916	3,438,867
PPG Industries, Inc.	14,250	1,084,567
Praxair, Inc.	29,085	2,093,829
Rohm & Haas Co.	12,194	666,768
Sigma-Aldrich Corp.	14,240	607,621
		19,812,195
Construction Materials 0.1%		
Vulcan Materials Co. (a)	8,625	**987,907**
Containers & Packaging 0.2%		
Ball Corp.	8,836	469,810
Bemis Co., Inc.	7,872	261,193
Pactiv Corp.*	14,219	453,444
Sealed Air Corp.	14,896	462,074
Temple-Inland, Inc.	9,436	580,597
		2,227,118
Metals & Mining 0.9%		
Alcoa, Inc.	79,481	3,221,365
Allegheny Technologies, Inc.	9,317	977,167
Freeport-McMoRan Copper & Gold, Inc.	34,299	2,840,643
Newmont Mining Corp.	41,232	1,610,522
Nucor Corp.	27,530	1,614,635
United States Steel Corp.	10,859	1,180,916
		11,445,248
Paper & Forest Products 0.3%		
International Paper Co.	39,972	1,560,907
MeadWestvaco Corp.	16,959	598,992
Weyerhaeuser Co.	19,298	1,523,191
		3,683,090

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Telecommunication Services 3.7%		
Diversified Telecommunication Services 3.1%		
AT&T, Inc.	566,236	23,498,794
CenturyTel, Inc.	10,519	515,957
Citizens Communications Co.	27,790	424,353
Embarq Corp.	13,398	849,031
Qwest Communications International, Inc.* (a)	142,640	1,383,608
Verizon Communications, Inc.	265,929	10,948,297
Windstream Corp.	46,459	685,735
		38,305,775
Wireless Telecommunication Services 0.6%		
ALLTEL Corp.	32,908	2,222,936
Sprint Nextel Corp.	265,268	5,493,700
		7,716,636
Utilities 3.5%		
Electric Utilities 1.8%		
Allegheny Energy, Inc.*	14,110	730,051
American Electric Power Co., Inc.	36,216	1,631,169
Duke Energy Corp.	116,083	2,124,319
Edison International	28,867	1,620,016
Entergy Corp.	19,256	2,067,132
Exelon Corp.	61,242	4,446,169
FirstEnergy Corp.	29,154	1,887,139
FPL Group, Inc.	37,684	2,138,190
Pinnacle West Capital Corp.	7,608	303,179
PPL Corp.	34,028	1,592,170
Progress Energy, Inc.	21,831	995,275
Southern Co.	69,004	2,366,147
		21,900,956
Gas Utilities 0.1%		
Nicor, Inc.	4,084	175,285
Questar Corp.	15,800	835,030
		1,010,315
Independent Power Producers & Energy Traders 0.5%		
AES Corp.*	60,648	1,326,978
Constellation Energy Group	16,510	1,439,177
Dynegy, Inc. "A"*	34,972	330,136
TXU Corp.	42,112	2,834,137
		5,930,428
Multi-Utilities 1.1%		
Ameren Corp.	17,369	851,255
CenterPoint Energy, Inc.	26,021	452,765
CMS Energy Corp.	24,872	427,798
Consolidated Edison, Inc.	26,622	1,201,185
Dominion Resources, Inc.	33,617	2,901,483
DTE Energy Co.	15,657	754,980
Integrys Energy Group, Inc.	7,200	365,256
KeySpan Corp.	15,514	651,278
NiSource, Inc.	26,608	551,052
PG&E Corp.	32,049	1,451,820
Public Service Enterprise Group, Inc.	24,375	2,139,637
Sempra Energy	25,687	1,521,441
TECO Energy, Inc.	24,500	420,910
Xcel Energy, Inc.	34,057	697,147
		14,388,007
Total Common Stocks (Cost $923,880,378)		**1,227,274,689**

	Principal Amount ($)	Value ($)
Government & Agency Obligations 0.2%		
US Treasury Bill, 4.64%**, 8/9/2007 (b) (Cost $2,118,587)	2,130,000	**2,118,587**

	Shares	Value ($)
Securities Lending Collateral 1.3%		
Daily Assets Fund Institutional, 5.36% (c) (d) (Cost $16,758,750)	16,758,750	**16,758,750**
Cash Equivalents 1.4%		
Cash Management QP Trust, 5.34% (c) (Cost $17,043,526)	17,043,526	**17,043,526**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $959,801,241)†	101.4	**1,263,195,552**
Other Assets and Liabilities, Net (a)	(1.4)	**(16,942,634)**
Net Assets	100.0	**1,246,252,918**

* *Non-income producing security.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $988,360,334. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $274,835,218. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $325,614,358 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $50,779,140.*

(a) *All or a portion of these securities were on loan amounting to $16,248,118. In addition, included in other assets and liabilities, net are pending sales, amounting to $125,730, that are also on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $16,373,848 which is 1.3% of net assets.*

(b) *At June 30, 2007, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(c) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

REIT: Real Estate Investment Trust

At June 30, 2007, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Depreciation ($)
S&P 500 Index	9/20/2007	53	20,200,215	20,079,050	**(121,165)**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $925,998,965) — including $16,248,118 of securities loaned	$ 1,229,393,276
Investment in Daily Assets Fund Institutional (cost $16,758,750)*	16,758,750
Investment in Cash Management QP Trust (cost $17,043,526)	17,043,526
Total investments in securities, at value (cost $959,801,241)	1,263,195,552
Dividends receivable	1,570,637
Receivable for investments sold	798,373
Interest receivable	143,891
Receivable for Portfolio shares sold	90,364
Other assets	49,945
Total assets	1,265,848,762

Liabilities	
Payable upon return of securities loaned	16,758,750
Payable for investments purchased	1,730,140
Payable for Portfolio shares redeemed	487,275
Payable for daily variation margin on open futures contracts	26,322
Accrued management fee	354,086
Other accrued expenses and payables	239,271
Total liabilities	19,595,844
Net assets, at value	**$ 1,246,252,918**

Net Assets	
Net assets consist of:	
Undistributed net investment income	12,557,880
Net unrealized appreciation (depreciation) on:	
Investments	303,394,311
Futures	(121,165)
Accumulated net realized gain (loss)	6,045,946
Paid-in capital	924,375,946
Net assets, at value	**$ 1,246,252,918**
Class A	
Net Asset Value, offering and redemption price per share ($1,122,878,130 ÷ 71,253,742 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$ 15.76**
Class B	
Net Asset Value, offering and redemption price per share ($68,134,145 ÷ 4,321,041 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$ 15.77**
Class B2	
Net Asset Value, offering and redemption price per share ($55,240,643 ÷ 3,502,676 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$ 15.77**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income	
Income:	
Dividends	$ 14,193,717
Interest	78,167
Interest — Cash Management QP Trust	806,439
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	35,737
Total Income	15,114,060
Expenses:	
Management fee	1,457,046
Administration fee	761,757
Custodian fee	32,401
Distribution service fees (Class B and Class B2)	168,699
Record keeping fee (Class B2)	38,361
Services to shareholders	668
Auditing	20,252
Legal	28,249
Trustees' fees and expenses	24,088
Reports to shareholders and shareholder meeting	219,183
Other	50,675
Total expenses before expense reductions	2,801,379
Expense reductions	(265,992)
Total expenses after expense reductions	2,535,387
Net investment income (loss)	**12,578,673**

Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	20,763,135
In-kind redemptions	73,117,202
Futures	977,140
	94,857,477
Net unrealized appreciation (depreciation) during the period on:	
Investments	(7,997,040)
Futures	(175,557)
	(8,172,597)
Net gain (loss) on investment transactions	**86,684,880**
Net increase (decrease) in net assets resulting from operations	**$ 99,263,553**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 12,578,673	$ 23,189,108
Net realized gain (loss) on investment transactions	94,857,477	2,943,751
Net unrealized appreciation (depreciation) during the period on investment transactions	(8,172,597)	178,849,313
Net increase (decrease) in net assets resulting from operations	99,263,553	204,982,172
Distributions to shareholders from:		
Net investment income:		
Class A	(21,156,472)	(13,781,595)
Class B	(1,115,985)	(640,558)
Class B2	(629,996)	(485,019)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	107,903,386	369,528,119
Reinvestment of distributions	21,156,472	13,781,595
Cost of shares redeemed	(190,049,073)	(245,811,474)
In-kind redemptions	(297,115,219)	—
Net increase (decrease) in net assets from Class A share transactions	(358,104,434)	137,498,240
Class B		
Proceeds from shares sold	11,261,472	21,759,460
Reinvestment of distributions	1,115,985	640,558
Cost of shares redeemed	(32,651,243)	(15,841,867)
Net increase (decrease) in net assets from Class B share transactions	(20,273,786)	6,558,151
Class B2		
Proceeds from shares sold	2,328,741	10,704,216
Reinvestment of distributions	629,996	485,019
Cost of shares redeemed	(8,123,693)	(20,239,713)
Net increase (decrease) in net assets from Class B2 share transactions	(5,164,956)	(9,050,478)
Increase (decrease) in net assets	(307,182,076)	325,080,913
Net assets at beginning of period	1,553,434,994	1,228,354,081
Net assets at end of period (including undistributed net investment income of $12,557,880 and $22,881,660, respectively)	**$ 1,246,252,918**	**$ 1,553,434,994**

Statement of Changes in Net Assets (continued)

Other Information	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Class A		
Shares outstanding at beginning of period	94,305,191	84,067,247
Shares sold	7,020,876	27,355,596
Shares issued to shareholders in reinvestment of distributions	1,366,697	1,008,902
Shares redeemed	(12,570,970)	(18,126,554)
In-kind redemptions	(18,868,052)	—
Net increase (decrease) in Class A shares	(23,051,449)	10,237,944
Shares outstanding at end of period	**71,253,742**	**94,305,191**
Class B		
Shares outstanding at beginning of period	5,613,107	5,155,670
Shares sold	733,491	1,579,717
Shares issued to shareholders in reinvestment of distributions	72,046	46,858
Shares redeemed	(2,097,603)	(1,169,138)
Net increase (decrease) in Class B shares	(1,292,066)	457,437
Shares outstanding at end of period	**4,321,041**	**5,613,107**
Class B2		
Shares outstanding at beginning of period	3,841,811	4,506,034
Shares sold	153,726	788,488
Shares issued to shareholders in reinvestment of distributions	40,645	35,455
Shares redeemed	(533,506)	(1,488,166)
Net increase (decrease) in Class B2 shares	(339,135)	(664,223)
Shares outstanding at end of period	**3,502,676**	**3,841,811**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$14.97**	**$13.11**	**$12.73**	**$11.64**	**$ 9.20**	**$11.98**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.13	.24	.21	.21	.15	.14
Net realized and unrealized gain (loss) on investment transactions	.89	1.78	.37	1.01	2.41	(2.81)
Total from investment operations	1.02	2.02	.58	1.22	2.56	(2.67)
Less distributions from:						
Net investment income	(.23)	(.16)	(.20)	(.13)	(.12)	(.11)
Net asset value, end of period	**$15.76**	**$14.97**	**$13.11**	**$12.73**	**$11.64**	**$ 9.20**
Total Return (%)	6.86[c]**	15.52[c]	4.68	10.59[c]	28.16[c]	(22.31)[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	1,123	1,412	1,102	790	627	395
Ratio of expenses before expense reductions and/or recoupments (%)	.33*	.28	.27	.28	.30	.32
Ratio of expenses after expense reductions and/or recoupments (%)	.29*	.27	.27	.29	.30	.30
Ratio of net investment income (loss) (%)	1.69*	1.73	1.62	1.76	1.50	1.33
Portfolio turnover rate (%)	4[d]**	9	15	1	1	10

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
d *Excludes portfolio securities delivered as a result of processing redemption in-kind transactions.*
* *Annualized*
** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$14.96**	**$13.10**	**$12.72**	**$11.63**	**$ 9.20**	**$11.27**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.11	.21	.17	.20	.14	.09
Net realized and unrealized gain (loss) on investment transactions	.89	1.78	.38	.99	2.40	(2.07)
Total from investment operations	1.00	1.99	.55	1.19	2.54	(1.98)
Less distributions from:						
Net investment income	(.19)	(.13)	(.17)	(.10)	(.11)	(.09)
Net asset value, end of period	**$15.77**	**$14.96**	**$13.10**	**$12.72**	**$11.63**	**$ 9.20**
Total Return (%)	6.72[d]**	15.24[d]	4.42	10.32[d]	27.83	(17.56)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	68	84	68	53	17	3
Ratio of expenses before expense reductions and/or recoupments (%)	.58*	.53	.52	.53	.55	.55*
Ratio of expenses after expense reductions and/or recoupments (%)	.54*	.52	.52	.54	.55	.55*
Ratio of net investment income (loss) (%)	1.44*	1.48	1.37	1.71	1.29	1.45*
Portfolio turnover rate (%)	4[e]**	9	15	1	1	10

a *For the six months ended June 30, 2007 (Unaudited).*
b *For the period April 30, 2002 (commencement of operations) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
e *Excludes portfolio securities delivered as a result of processing redemption in-kind transactions.*
* *Annualized*
** *Not annualized*

Class B2

Years Ended December 31,	2007[a]	2006	2005[b]
Selected Per Share Data			
Net asset value, beginning of period	**$14.96**	**$13.09**	**$12.94**
Income (loss) from investment operations:			
Net investment income (loss)[c]	.10	.19	.05
Net realized and unrealized gain (loss) on investment transactions	.89	1.79	.10
Total from investment operations	.99	1.98	.15
Less distributions from:			
Net investment income	(.18)	(.11)	—
Net asset value, end of period	**$15.77**	**$14.96**	**$13.09**
Total Return (%)[d]	6.61**	15.20	1.16**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	55	57	59
Ratio of expenses before expense reductions (%)	.72*	.67	.66*
Ratio of expenses after expense reductions (%)	.64*	.63	.63*
Ratio of net investment income (loss) (%)	1.34*	1.37	1.34*
Portfolio turnover rate (%)	4[e]**	9	15

a *For the six months ended June 30, 2007 (Unaudited).*
b *For the period September 16, 2005 (commencement of operations) to December 31, 2005.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
e *Excludes portfolio securities delivered as a result of processing redemption in-kind transactions.*
* *Annualized*
** *Not annualized*

Notes to Financial Statements (Unaudited)

A. Significant Accounting Policies

DWS Investments VIT Funds (the "Trust") is registered under the Investment Company Act of 1940 as amended, (the "1940 Act"), as a diversified, open-end management investment company. The Trust is organized as a Massachusetts business trust. The Trust is comprised of several portfolios. DWS Equity 500 Index VIP (the "Portfolio") is one of the series the Trust offers to investors. The Portfolio is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies ("Participating Insurance Companies").

Multiple Classes of Shares of Beneficial Interest. The Portfolio offers three classes of shares to investors: Class A Shares, Class B Shares and Class B2 shares. Class B and Class B2 Shares are subject to Rule 12b-1 distribution fees under the 1940 Act equal to an annual rate up to 0.25% of average daily net assets. In addition, Class B2 shares are subject to record keeping fees equal to an annual rate of up to 0.15% of average daily net assets. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain Portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares, except that each class bears certain expenses unique to that class (including the applicable 12b-1 distribution fee). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Portfolio's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Portfolio in the preparation of its financial statements.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees.

In September 2006, the Financial Accounting Standards Board (FASB) released Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 is effective for fiscal years beginning after November 15, 2007. As of June 30, 2007, management does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements, however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal period.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The Portfolio enters into futures contracts to keep cash on hand to meet shareholder redemptions or other needs while maintaining exposure to the stock market.

Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary an amount ("initial margin") equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the Portfolio depending upon the daily fluctuations in the value of the underlying security and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. When entering into a closing transaction, the Portfolio will realize a gain or loss equal to the difference between the value of the futures contract to sell and the futures contract to buy. Futures contracts are valued at the most recent settlement price.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid secondary market will limit the Portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the securities hedged.

Federal Income Taxes. The Portfolio's policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies, and to distribute all of its taxable and tax-exempt income to its shareholders. Accordingly, the Portfolio paid no federal income taxes and no federal income tax provision was required.

At December 31, 2006, DWS Equity 500 Index VIP had a net tax basis capital loss carryforward of approximately $60,044,000, of which $46,481,000 was inherited from its merger with the SVS II Index 500 Portfolio, and may be applied against any realized net taxable gains of each succeeding year until fully utilized or until the expiration dates December 31, 2009 ($5,504,000), December 31, 2010 ($17,081,000) and December 31, 2011 ($4,052,000) and December 31, 2012 ($33,407,000), whichever occurs first, and which may be subject to certain limitations under Sections 382-384 of the Internal Revenue Code.

In addition, from November 1, 2006 through December 31, 2006, the Portfolio incurred approximately $169,000 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year end December 31, 2007.

In July 2006, FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" (the "Interpretation"). The Interpretation establishes for the Portfolio a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns. Management has evaluated the application of FIN 48 and has determined there is no impact on the Portfolio's financial statements.

Distribution of Income and Gains. Net investment income of the Portfolio, if any, is declared and distributed to shareholders annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in futures contracts and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Securities Lending. The Portfolio may lend securities to financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the issuer of securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of liquid, unencumbered assets having a value at least equal to the value of the securities loaned. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to Exemptive Orders issued by the SEC. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of fees paid to a lending agent. Either the Portfolio or the borrower may terminate the loan. The Portfolio is subject to all investment risks associated with the value of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Contingencies. In the normal course of business, the Portfolio may enter into contracts with service providers that contain general indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet been made. However, based on experience, the Portfolio expects the risk of loss to be remote.

Expenses. Expenses of the Trust arising in connection with a specific portfolio are allocated to that portfolio. Other Trust expenses which cannot be directly attributed to a portfolio are apportioned among the portfolios in the Trust.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset valuation calculations. However, for financial reporting purposes, investment security transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis.

B. Purchases and Sales of Securities

During the six months ended June 30, 2007, purchases and sales of investment securities (excluding short-term investments and in-kind redemptions) aggregated $64,532,101 and $132,959,706, respectively.

C. Related Parties

Investment Management Agreement. Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Portfolio in accordance with its investment objectives, policies and restrictions. Pursuant to the Investment Management Agreement with the Advisor, the Portfolio pays a monthly management fee based on the Portfolio's average daily net assets, accrued daily and payable monthly, at the following annual rates:

First $1 billion of the Portfolio's average daily net assets	.200%
Next $1 billion of such net assets	.175%
Over $2 billion of such net assets	.150%

Northern Trust Investments, N.A. ("NTI") acts as investment sub-advisor for the Portfolio. As the Portfolio's investment sub-advisor, NTI makes the Portfolio's investment decisions. It buys and sells securities for the Portfolio and conducts the research that leads to these purchase and sale decisions. NTI is paid by the Advisor for its services.

For the period from January 1, 2007 through April 30, 2009, the Advisor contractually agreed to waive all or a portion of its management fee and reimburse or pay certain operating expenses of the Portfolio to the extent necessary to maintain operating expenses of each class (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest, proxy and organizational and offering costs) as follows:

Class A	.28%
Class B	.53%
Class B2	.63%

Accordingly, for the six months ended June 30, 2007, the Advisor waived a portion of its Management fee aggregating $253,493 and the amount charged aggregated $1,203,553, which was equivalent to an annualized effective rate of 0.16% of the Portfolio's average daily net assets.

In addition, the Advisor reimbursed the Portfolio $10,642 of record keeping fees for Class B2 shares for the six months ended June 30, 2007.

The Advisor may recoup any of its waived investment management fees within the following three years if the Portfolio is able to make the repayment without exceeding its contractual expense limits during the period of waiver/reimbursement. As of June 30, 2007, $357,627 was subject to repayment to the Advisor.

Administration Fee. Pursuant to the Administrative Services Agreement with DIMA, the Advisor provides most administrative services to the Portfolio. For all services provided under the Administrative Services Agreement, the Portfolio pays the Advisor an annual fee ("Administration fee") of 0.10% of the Portfolio's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2007, the Advisor received an Administration fee of $761,757, of which $124,379 is unpaid.

Distribution Service Agreement. DWS Scudder Distributors, Inc. ("DWS-SDI"), an affiliate of the Advisor, is the Portfolio's distributor. In accordance with the Distribution Plan, DWS-SDI receives 12b-1 fees of up to 0.25% of average daily net assets of Class B and B2 shares. For the six months ended June 30, 2007, the Distribution Service Fees were as follows:

Distribution Service Fees	**Total Aggregated**	**Unpaid at June 30, 2007**
Class B	$ 99,130	$ 17,885
Class B2	69,569	12,097
	$ 168,699	**$ 29,982**

Service Provider Fees. DWS Scudder Investments Service Company ("DWS-SISC"), an affiliate of the Advisor, is the transfer agent, dividend-paying agent and shareholder service agent of the Portfolio. Pursuant to a sub-transfer agency agreement among DWS-SISC and DST Systems, Inc. ("DST"), DWS-SISC has delegated certain transfer agent and dividend paying agent functions to DST. DWS-SISC compensates DST out of the shareholder servicing fee they receive from the Portfolio. For the six months ended June 30, 2007, the amounts charged to the Portfolio by DWS-SISC were as follows:

Services to Shareholders	Total Aggregated	Waived	Unpaid at June 30, 2007
Class A	$ 497	$ 497	$ —
Class B	97	24	87
Class B2	74	74	—
	$ 668	**$ 595**	**$ 87**

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Portfolio. For the six months ended June 30, 2007, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders and shareholder meeting" aggregated $8,501, of which $7,668 is unpaid.

Trustees Fees and Expenses. As compensation for his or her services, each Independent Trustee receives an aggregated annual fee, plus a fee for each meeting attended (plus reimbursement for reasonable out-of-pocket expenses incurred in connection with his or her attendance at board and committee meetings) from each Fund in the Fund Complex for which he or she serves. In addition, the Chairperson of the Board and the Chairperson of each committee of the Board receives additional compensation for their services. Payment of such fees and expenses is allocated among all such Funds described above in direct proportion to their relative net assets.

Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the Portfolio may invest in the Cash Management QP Trust (the "QP Trust") and other affiliated funds managed by the Manager or Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Manager or Advisor a management fee for the affiliated funds' investments in the QP Trust.

D. Fee Reductions

The Portfolio has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Portfolio's custodian expenses. During the six months ended June 30, 2007, the Portfolio's custodian fees were reduced by $1,262 for custody credits earned.

E. Line of Credit

The Portfolio and other affiliated funds (the "Participants") share in a $750 million revolving credit facility administered by JPMorgan Chase Bank N.A. for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.35%. The Portfolio may borrow up to a maximum of 33% of its net assets under the agreement.

F. Ownership of the Portfolio

At June 30, 2007, two participating insurance companies were beneficial owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 52% and 18%, respectively. At June 30, 2007, one participating insurance company was a beneficial owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 83%. At June 30, 2007, two participating insurance companies were beneficial owners of record of 10% or more of the outstanding Class B2 shares of the Portfolio, each owning 77% and 13%, respectively.

G. Regulatory Matters and Litigation

Regulatory Settlements. On December 21, 2006, Deutsche Asset Management ("DeAM") settled proceedings with the Securities and Exchange Commission ("SEC") and the New York Attorney General on behalf of Deutsche Asset Management, Inc. ("DAMI") and Deutsche Investment Management Americas Inc. ("DIMA"), the investment advisors to many of the DWS Scudder funds, regarding allegations of improper trading at DeAM and at the legacy Scudder and Kemper organizations prior to their acquisition by DeAM in April 2002. These regulators alleged that although the prospectuses for certain funds in the regulators' view indicated that the funds did not permit market timing, DAMI and DIMA breached their fiduciary duty to those funds in that their efforts to limit trading activity in the funds were not effective at certain times. The regulators also alleged that DAMI and DIMA breached their fiduciary duty to certain funds by entering into certain market timing arrangements with investors. These trading arrangements originated in businesses that existed prior to the currently constituted DeAM organization, which came together as a result of various mergers of the legacy Scudder, Kemper and Deutsche fund groups, and all of the arrangements were terminated prior to the start of the regulatory investigations that began in the summer of 2003. No current DeAM employee approved these trading arrangements. Under the terms of the settlements, DAMI and DIMA neither admit nor deny any wrongdoing.

The terms of the SEC settlement, which identified improper trading in the legacy Deutsche and Kemper mutual funds only, provide for payment of disgorgement in the amount of $17.2 million. The terms of the settlement with the New York Attorney General provide for payment of disgorgement in the amount of $102.3 million, which is inclusive of the amount payable under the SEC settlement, plus a civil penalty in the amount of $20 million. The total amount payable by DeAM, approximately $122.3 million, would be distributed to funds in accordance with a distribution plan to be developed by a distribution consultant. The funds' investment advisors do not believe these amounts will have a material adverse financial impact on them or materially affect their ability to perform under their investment management agreements with the DWS funds. The above-described amounts are not material to Deutsche Bank, and have already been reserved.

Among the terms of the settled orders, DeAM is subject to certain undertakings regarding the conduct of its business in the future, including: formation of a Code of Ethics Oversight Committee to oversee all matters relating to issues arising under the advisors' Code of Ethics; establishment of an Internal Compliance Controls Committee having overall compliance oversight responsibility of the advisors; engagement of an Independent Compliance Consultant to conduct a comprehensive review of the advisors' supervisory compliance and other policies and procedures designed to prevent and detect breaches of fiduciary duty, breaches of the Code of Ethics and federal securities law violations by the advisors and their employees; and commencing in 2008, the advisors shall undergo a compliance review by an independent third party.

In addition, DeAM is subject to certain further undertakings relating to the governance of the mutual funds, including that: at least 75% of the members of the Boards of Trustees/Directors overseeing the DWS Funds continue to be independent of DeAM; the Chairmen of the DWS Funds' Boards of Trustees/Directors continue to be independent of DeAM; DeAM maintain existing management fee reductions for these certain funds for a period of five years and not increase management fees for certain funds during this period; the funds retain a senior officer (or independent consultants, as applicable) responsible for assisting in the review of fee arrangements and monitoring compliance by the funds and the investment advisors with securities laws, fiduciary duties, codes of ethics and other compliance policies, the expense of which shall be borne by DeAM; and periodic account statements, fund prospectuses and the mutual funds' web site contain additional disclosure and/or tools that assist investors in understanding the fees and costs associated with an investment in the funds and the impact of fees and expenses on fund returns.

DeAM has also settled proceedings with the Illinois Secretary of State regarding market timing matters. The terms of the Illinois settlement provide for investor education contributions totaling approximately $4 million and a payment in the amount of $2 million to the Securities Audit and Enforcement Fund.

On September 28, 2006, the SEC and the National Association of Securities Dealers ("NASD") announced final agreements in which Deutsche Investment Management Americas Inc. ("DIMA"), Deutsche Asset Management, Inc. ("DAMI") and Scudder Distributors, Inc. ("SDI") (now known as DWS Scudder Distributors, Inc.) settled administrative proceedings regarding disclosure of brokerage allocation practices in connection with sales of the Scudder Funds' (now known as the DWS Scudder Funds) shares during 2001–2003. The agreements with the SEC and NASD are reflected in orders which state, among other things, that DIMA and DAMI failed to disclose potential conflicts of interest to the fund Boards and to shareholders relating to SDI's use of certain funds' brokerage commissions to reduce revenue sharing costs to broker-dealer firms with whom it had arrangements to market and distribute Scudder Fund shares. These directed brokerage practices were discontinued in October 2003.

Under the terms of the settlements, in which DIMA, DAMI and SDI neither admitted nor denied any of the regulators' findings, DIMA, DAMI and SDI agreed to pay disgorgement, prejudgment interest and civil penalties in the total amount of $19.3 million. The portion of the settlements distributed to the funds was approximately $17.8 million and was paid to the funds as prescribed by the settlement orders based upon the amount of brokerage commissions from each fund used to satisfy revenue sharing agreements with broker-dealers who sold fund shares. Based on the prescribed settlement order, the Portfolio was not entitled to a portion of the settlement.

As part of the settlements, DIMA, DAMI and SDI also agreed to implement certain measures and undertakings relating to revenue sharing payments including making additional disclosures in the fund Prospectuses or Statements of Additional Information, adopting or modifying relevant policies and procedures and providing regular reporting to the fund Boards.

Private Litigation Matters. The matters alleged in the regulatory settlements described above also serve as the general basis of a number of private class action lawsuits involving the DWS funds. These lawsuits name as defendants various persons, including certain DWS funds, the funds' investment advisors and their affiliates, and certain individuals, including in some cases fund Trustees/Directors, officers, and other parties. Each DWS fund's investment advisor has agreed to indemnify the applicable DWS funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making similar allegations.

Based on currently available information, the funds' investment advisors believe the likelihood that the pending lawsuits will have a material adverse financial impact on a DWS fund is remote and such actions are not likely to materially affect their ability to perform under their investment management agreements with the DWS funds.

H. In-Kind Redemption

In certain circumstances, the Portfolio may distribute portfolio securities rather than cash as payments for a redemption of Portfolio shares (in-kind redemption). For financial reporting purposes, the Portfolio recognizes a gain on in-kind redemptions to the extent the value of the distributed securities exceeds their costs; the Portfolio recognizes a loss if cost exceeds value. Gains and losses realized on in-kind redemptions are not recognized for tax purposes, and are reclassified from undistributed realized gain (loss) to paid-in capital. During the six months ended June 30, 2007, the Portfolio realized $73,117,202 of net gain attributable to in-kind redemptions.

Proxy Voting

A description of the Portfolio's policies and procedures for voting proxies for portfolio securities and information about how the Portfolio voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — www.dws-scudder.com (click on "proxy voting"at the bottom of the page) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the Portfolio's policies and procedures without charge, upon request, call us toll free at (800) 778-1482.

Notes

About the Portfolio's Advisor

Deutsche Investment Management Americas Inc. ("DIMA"), an indirect, wholly owned subsidiary of Deutsche Bank AG, is the Portfolio's Advisor.

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Investment Management Americas Inc. and DWS Trust Company.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

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vit-equ500-3 (49962 8/07)

DWS SCUDDER
Deutsche Bank Group

June 30, 2007

SEMIANNUAL REPORT

DWS VARIABLE SERIES I

DWS Bond VIP

DWS Growth & Income VIP

DWS Capital Growth VIP

DWS Global Opportunities VIP

DWS International VIP

DWS Health Care VIP

ONE GLOBAL FORCE. ONE FOCUS. YOU.

DWS SCUDDER

Deutsche Bank Group

Contents

Information About Your Portfolio's Expenses, Management Summary, Portfolio Summary, Investment Portfolio, Financial Statements and Financial Highlights for:

3 DWS Bond VIP

18 DWS Growth & Income VIP

27 DWS Capital Growth VIP

35 DWS Global Opportunities VIP

43 DWS International VIP

51 DWS Health Care VIP

59 Notes to Financial Statements

69 Proxy Voting

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus, call (800) 778-1482 or your financial representative. We advise you to consider the product's objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other important information about the investment product. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Investment Management Americas Inc. and DWS Trust Company.

Information About Your Portfolio's Expenses

DWS Bond VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,010.40	$1,007.90
Expenses Paid per $1,000*	$ 2.99	$ 5.03
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,021.82	$1,019.79
Expenses Paid per $1,000*	$ 3.01	$ 5.06

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Bond VIP	.60%	1.01%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Bond VIP

The market entered 2007 anticipating US Federal Reserve Board (the Fed) easing, as reflected in lower yields early in the period. However, the resurgence of volatility and risk — resulting principally from the subprime mortgage meltdown and fear of possible contagion — led to wider credit spreads and higher rates overall as Fed easing was priced out of the market.[1] The yield on the benchmark 10-year Treasury, after initially declining, ended the period at 5.03%, up 32 basis points (one basis points equal .01%) from where it began the year. Despite positive absolute returns, this combination of wider spreads and higher yields led all spread sectors except for corporate bonds to underperform relative to comparable duration Treasuries.

During the six-month period ended June 30, 2007, the Portfolio's Class A shares, unadjusted for contract charges, outperformed the 0.98% return of its benchmark, the Lehman Brothers Aggregate Bond Index.

Within the corporate sector, performance relative to Treasuries was mixed. Financials underperformed, while industrials and utilities outperformed on the basis of their yield advantage versus comparable Treasuries. Our overweight to financials detracted from performance.[2] Our mortgage-backed holdings were structured to minimize volatility, and this position contributed positively to performance during the period. Asset-backed securities (ABS) underperformed treasuries, with those backed by home equity loans lagging the most as they are part of the subprime mortgages which continue to decline. Nearly all of our home equity-related ABS holdings are in very short term, AAA-rated bonds that have experienced minimal impact from the worsening performance of lower-quality subprime mortgages. Nonetheless, our holdings in this area detracted from performance, as any exposure to subprime was a negative.[3] Commercial mortgage-backed securities also underperformed Treasuries during the period. Exposure to both high-yield corporate and emerging-markets debt contributed to results. With respect to our high-yield position, we reduced the risk profile as prices rose, and our holdings were relatively defensive, two strategies which added value. Finally, our management of currency exposure detracted value during the period.

The following members of the management team handle the day-to-day operations of the high-yield and core bond, active fixed-income and high-yield portions of the Portfolio.

Portfolio Managers, Aberdeen Asset Management, Inc., Subadvisor to the Portfolio

Gary W. Bartlett, CFA
Warren S. Davis, III
Thomas J. Flaherty
J. Christopher Gagnier
Daniel R. Taylor, CFA
Timothy C. Vile, CFA
William T. Lissenden

The following portfolio managers are responsible for the day-to-day management of the foreign securities, foreign currencies and related investments for the Portfolio.

Portfolio Managers, Aberdeen Asset Management Investment Services Limited, Sub-subadvisor to the Portfolio

Brett Diment
Annette Fraser
Anthony Fletcher
Nik Hart
Stephen Ilott
Ian Winship
Matthew Cobon

Risk Considerations

Investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. This Portfolio 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 such that when interest rates rise, the prices of the bonds, and thus the value of the investment, can decline and the investor can lose principal value. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and changes in political/economic conditions and market risks. Derivatives may be more volatile and less liquid than traditional securities, and the Portfolio could suffer losses on an underlying Portfolio's derivative position. Investing in securities of emerging markets presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. All of these factors may result in greater share price volatility. Please see this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Lehman Brothers Aggregate Bond (LBAB) Index is an unmanaged, market value-weighted measure of Treasury issues, agency issues, corporate bond issues and mortgage securities.

Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *Credit spread is the additional yield provided by non-Treasury fixed-income securities versus Treasury securities of comparable duration.*

2 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

3 *The credit quality of a bond is an assessment of the likelihood that the issuer will default on scheduled payments of principal and interest.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Bond VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Commercial and Non-Agency Mortgage-Backed Securities	35%	29%
Corporate Bonds	21%	25%
Mortgage Backed Securities Pass-Throughs	13%	12%
Government & Agency Obligations	12%	11%
Collateralized Mortgage Obligations	8%	11%
Cash Equivalents	5%	4%
Municipal Bonds and Notes	4%	5%
Asset Backed	2%	3%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
US Government & Treasury Obligations	33%	34%
AAA*	40%	36%
AA	2%	—
A	4%	6%
BBB	13%	14%
BB or Below	8%	10%
	100%	100%

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/07**	**12/31/06**
Under 1 year	10%	9%
1–4.99 years	37%	35%
5–9.99 years	40%	39%
10–14.99 years	4%	7%
15+ years	9%	10%
	100%	100%

* *Category includes cash equivalents*

Weighted average effective maturity: 6.63 and 7.95 years, respectively.

Asset allocation, quality and effective maturity are subject to change.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's credit quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 6. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on or after the last day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Bond VIP

	Principal Amount ($)(a)	Value ($)
Corporate Bonds 21.3%		
Consumer Discretionary 1.7%		
Avis Budget Car Rental LLC, 7.625%, 5/15/2014 (b)	45,000	45,450
Caesars Entertainment, Inc.:		
7.875%, 3/15/2010	248,000	253,902
8.125%, 5/15/2011	168,000	175,350
Comcast Cable Holdings LLC, 10.125%, 4/15/2022	168,000	218,413
Dex Media East LLC/Financial, 12.125%, 11/15/2012	132,000	142,065
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015	106,000	105,470
INVISTA, 144A, 9.25%, 5/1/2012	334,000	353,205
MGM MIRAGE, 6.75%, 9/1/2012	266,000	254,030
Penske Automotive Group, Inc., 7.75%, 12/15/2016	161,000	160,195
Station Casinos, Inc., 6.5%, 2/1/2014	274,000	242,490
TCI Communications, Inc., 8.75%, 8/1/2015	608,000	703,091
Time Warner, Inc., 7.625%, 4/15/2031	347,000	371,766
Valassis Communications, Inc., 144A, 8.25%, 3/1/2015 (b)	127,000	123,825
Viacom, Inc.:		
5.75%, 4/30/2011	458,000	457,337
6.875%, 4/30/2036	192,000	185,496
		3,792,085
Consumer Staples 0.8%		
Constellation Brands, Inc.:		
7.25%, 9/1/2016	149,000	145,275
144A, 7.25%, 5/15/2017	165,000	160,875
CVS Caremark Corp.:		
6.25%, 6/1/2027	332,000	321,692
6.302%, 6/1/2037 (b)	1,050,000	1,033,545
Dean Foods Co., 7.0%, 6/1/2016	115,000	109,825
		1,771,212
Energy 1.4%		
Allis-Chalmers Energy, Inc., 8.5%, 3/1/2017 (b)	165,000	164,794
Basic Energy Services, Inc., 7.125%, 4/15/2016	108,000	103,140
Canadian Natural Resources Ltd., 6.5%, 2/15/2037 (b)	320,000	314,077
Dynegy Holdings, Inc., 144A, 7.5%, 6/1/2015	288,000	271,080
Enterprise Products Operating LP, 8.375%, 8/1/2066	367,000	391,682
GAZ Capital (Gazprom), 144A, 6.212%, 11/22/2016	119,000	115,906
Southern Union Co., 7.2%, 11/1/2066	321,000	321,423
Tesoro Corp., 6.625%, 11/1/2015	231,000	228,690
TransCanada Pipelines Ltd., 6.35%, 5/15/2067 (b)	620,000	596,042
Valero Energy Corp., 6.625%, 6/15/2037	560,000	557,420
Williams Partners LP, 7.25%, 2/1/2017	95,000	95,475
		3,159,729

	Principal Amount ($)(a)	Value ($)
Financials 9.9%		
AES El Salvador Trust, 144A, 6.75%, 2/1/2016	475,000	469,961
American International Group, Inc., 6.25%, 3/15/2037	1,100,000	1,040,066
Arch Western Finance, 6.75%, 7/1/2013	180,000	172,800
Axa, 144A, 6.379%, 12/14/2049	500,000	451,036
Banco Mercantil del Norte SA, Series A, 144A, 6.862%, 10/13/2021	362,000	361,629
Banque Centrale de Tunisie, 8.25%, 9/19/2027	80,000	95,248
Catlin Insurance Co., Ltd., 144A, 7.249%, 12/31/2049	208,000	197,915
ComEd Financing III, 6.35%, 3/15/2033	238,000	212,582
Corp. Andina de Fomento, 5.75%, 1/12/2017 (b)	375,000	368,136
Discover Financial Services, 144A, 5.89%*, 6/11/2010	550,000	549,927
Erac USA Finance Co., 144A, 8.0%, 1/15/2011	330,000	352,180
ESI Tractebel Acquisition Corp., Series B, 7.99%, 12/30/2011	122,000	123,840
Farmers Exchange Capital, 144A, 7.2%, 7/15/2048	385,000	377,495
Ford Motor Credit Co. LLC:		
7.8%, 6/1/2012	100,000	97,553
8.11%*, 1/13/2012	109,000	108,724
FPL Group Capital, Inc., 6.65%, 6/15/2067	360,000	357,019
General Electric Capital Corp., 5.0%, 4/10/2012	654,000	638,321
Glen Meadow Pass-Through, 144A, 6.505%, 2/12/2067	605,000	616,677
GMAC LLC:		
6.625%, 5/15/2012	399,000	385,307
8.0%, 11/1/2031	45,000	46,016
Goldman Sachs Capital II, 5.793%, 12/29/2049	660,000	644,124
ICICI Bank Ltd., 144A, 5.75%, 1/12/2012	555,000	545,063
Kazakhstan Temir Zholy, 7.0%, 5/11/2016	250,000	257,365
Lehman Brother Capital Trust VII, 5.857%, 11/29/2049	1,060,000	1,038,332
Lloyds TSB Group PLC, 144A, 6.267%, 12/31/2049	600,000	569,209
Mangrove Bay Pass-Through Trust, 144A, 6.102%, 7/15/2033	540,000	522,374
Mellon Capital IV, Series 1, 6.244%, 6/29/2049 (b)	1,060,000	1,069,561
Merrill Lynch & Co., Inc.:		
6.11%, 1/29/2037	450,000	422,245
6.22%, 9/15/2026	420,000	409,209
MUFG Capital Finance 1 Ltd., 6.346%, 7/29/2049	945,000	928,534
NLV Financial Corp., 144A, 6.5%, 3/15/2035	734,000	703,339
Oil Insurance Ltd., 144A, 7.558%, 12/29/2049	1,505,000	1,555,884
R.H. Donnelly, Inc., 10.875%, 12/15/2012	57,000	60,776

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
Rabobank Capital Funding Trust III, 144A, 5.254%, 12/29/2049		1,110,000	1,039,306
Red Arrow International Leasing, "A", 8.375%, 6/30/2012	RUB	3,977,485	160,030
Residential Capital LLC, 6.5%, 6/1/2012		334,000	325,915
SMFG Preferred Capital, 144A, 6.078%, 1/29/2049		1,100,000	1,058,211
SPI Electricity & Gas Australia Holdings Property Ltd., 144A, 6.15%, 11/15/2013		425,000	429,745
Suntrust Preferred Capital I, 5.853%, 12/15/2011		256,000	254,455
The Travelers Companies, Inc., 6.25%, 3/15/2037 (b)		210,000	201,799
UDR, Inc., Series E, (REIT), 3.9%, 3/15/2010		245,000	234,143
Union Bank of Switzerland, 5.33%, 7/6/2007		660,688	660,688
Washington Mutual Preferred Funding III, 144A, 6.895%, 6/29/2049		600,000	591,709
White Mountains RE Group, Ltd. 144A, 6.375%, 3/20/2017		275,000	264,213
Wimar Opco LLC, 144A, 9.625%, 12/15/2014		106,000	102,025
Woori Bank, 144A, 6.208%, 5/2/2037		470,000	450,083
XL Capital Ltd., Series E, 6.5%, 12/31/2049		906,000	850,903
			22,371,672
Health Care 0.2%			
Community Health Systems, Inc., 144A, 8.875%, 7/15/2015 (g)		184,000	186,530
Quest Diagnostics, Inc., 6.95%, 7/1/2037		260,000	262,942
			449,472
Industrials 1.2%			
America West Airlines, Inc., Series 99-1, 7.93%, 1/2/2019		215,680	232,277
Arizona Public Service Co., 5.625%, 5/15/2033		550,000	487,383
Forest Oil Corp., 144A, 7.25%, 6/15/2019		64,000	62,080
Kansas City Southern de Mexico, 9.375%, 5/1/2012		289,000	309,230
Northwest Pipelines Corp., 144A, 5.95%, 4/15/2017		450,000	437,625
SemGroup LP, 144A, 8.75%, 11/15/2015		132,000	132,660
TransDigm, Inc., 144A, 7.75%, 7/15/2014		22,000	22,220
United States Steel Corp., 5.65%, 6/1/2013		441,000	434,201
Xerox Corp., 6.75%, 2/1/2017		460,000	471,858
			2,589,534
Information Technology 0.4%			
Broadridge Financial Solutions, Inc., 6.125%, 6/1/2017		494,000	483,179
Seagate Technology HDD Holdings:			
6.375%, 10/1/2011		255,000	248,625
6.8%, 10/1/2016		67,000	64,320
			796,124

		Principal Amount ($)(a)	Value ($)
Materials 0.7%			
Celulosa Arauco y Constitucion SA:			
5.125%, 7/9/2013 (b)		274,000	261,648
5.625%, 4/20/2015		385,000	372,018
Lyondell Chemical Co.:			
8.0%, 9/15/2014		61,000	62,677
10.5%, 6/1/2013 (b)		55,000	59,400
Momentive Performance Materials, Inc., 144A, 9.75%, 12/1/2014		230,000	232,300
OI European Group BV, 144A, 6.875%, 3/31/2017	EUR	260,000	353,656
Pliant Corp., 11.625%, 6/15/2009 (PIK)		7	8
Sappi Papier Holding AG, 144A, 6.75%, 6/15/2012		85,000	83,998
The Mosaic Co., 144A, 7.375%, 12/1/2014		157,000	158,570
Westlake Chemical Corp., 6.625%, 1/15/2016		37,000	35,058
			1,619,333
Telecommunication Services 1.0%			
Axtel SAB de CV, 144A, 7.625%, 2/1/2017		209,000	206,910
Citizens Communications Co., 9.0%, 8/15/2031		171,000	176,130
Embarq Corp., 7.995%, 6/1/2036 (b)		129,000	130,917
Mobifon Holdings BV, 12.5%, 7/31/2010		60,000	64,050
Nextel Communications, Inc., Series D, 7.375%, 8/1/2015		172,000	171,926
Qwest Corp.:			
7.5%, 10/1/2014		265,000	271,625
7.625%, 6/15/2015		309,000	319,043
Telecom Italia Capital:			
4.95%, 9/30/2014		306,000	283,517
6.2%, 7/18/2011 (b)		175,000	177,169
US Unwired, Inc., Series B, 10.0%, 6/15/2012		480,000	519,772
			2,321,059
Utilities 4.0%			
AES Corp., 144A, 8.75%, 5/15/2013		70,000	73,850
Allegheny Energy Supply Co. LLC, 144A, 8.25%, 4/15/2012		365,000	388,725
Baltimore Gas & Electric Co., 144A, 6.35%, 10/1/2036		260,000	257,478
CMS Energy Corp., 8.5%, 4/15/2011 (b)		35,000	37,227
Commonwealth Edison Co.:			
Series 98, 6.15%, 3/15/2012		550,000	552,604
6.95%, 7/15/2018 (b)		475,000	470,134
Constellation Energy Group, 7.6%, 4/1/2032		205,000	226,236
Dominion Resources, Inc.:			
Series 06-B, 6.3%, 9/30/2066		330,000	331,905
7.5%, 6/30/2066		935,000	982,624
Edison Mission Energy:			
144A, 7.0%, 5/15/2017		57,000	53,723
144A, 7.625%, 5/15/2027		103,000	97,335
7.75%, 6/15/2016		208,000	206,960
Energy East Corp., 6.75%, 7/15/2036		545,000	564,637

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Entergy Mississippi, Inc., 5.92%, 2/1/2016	225,000	221,488
FPL Energy National Wind, 144A, 5.608%, 3/10/2024	509,631	494,286
Integrys Energy Group, Inc., 6.11%, 12/1/2066	580,000	556,166
Mirant Mid Atlantic LLC, Series A, 8.625%, 6/30/2012	126,379	132,698
Nevada Power Co., Series R, 6.75%, 7/1/2037	105,000	106,589
Pedernales Electric Cooperative, Series 2002-A, 144A, 6.202%, 11/15/2032	315,000	318,780
PPL Capital Funding, Inc., Series A, 6.7%, 3/30/2067	830,000	799,225
PSE&G Energy Holdings LLC, 10.0%, 10/1/2009	57,000	61,283
Regency Energy Partners LP, 144A, 8.375%, 12/15/2013	230,000	236,900
Sierra Pacific Power Co., Series P, 6.75%, 7/1/2037	550,000	558,324
TXU Corp., 7.48%, 1/1/2017	406,229	412,269
Wisconsin Energy Corp., Series A, 6.25%, 5/15/2067	955,000	918,597
		9,060,043
Total Corporate Bonds (Cost $48,732,360)		**47,930,263**

Asset Backed 1.6%

Automobile Receivables 0.1%

	Principal Amount ($)(a)	Value ($)
Drive Auto Receivables Trust, "A2", Series 2005-2, 144A, 4.12%, 1/15/2010	143,646	**143,217**

Home Equity Loans 1.5%

	Principal Amount ($)(a)	Value ($)
Chase Funding Loan Acquisition Trust, "IA5", Series 2001-C2, 6.468%, 2/25/2013	812,967	812,559
Household Home Equity Loan Trust, "A1F", Series 2007-2, 5.93%, 7/20/2036	571,347	571,081
New Century Home Equity Loan Trust, "A2", Series 2005-A, 4.461%, 8/25/2035	618,245	613,385
Soundview Home Equity Loan Trust, "A2", Series 2005-CTX1, 5.195%, 11/25/2035	929,533	924,242
Wells Fargo Home Equity Trust, "A1", Series 2006-2, 5.39%*, 7/25/2036	579,911	579,877
		3,501,144
Total Asset Backed (Cost $3,646,845)		**3,644,361**

Mortgage Backed Securities Pass-Throughs 12.5%

	Principal Amount ($)(a)	Value ($)
Federal Home Loan Mortgage Corp., 5.5%, with various maturities from 11/15/2016 until 10/1/2034 (f)	3,365,707	3,289,087
Federal National Mortgage Association:		
4.5%, with various maturities from 5/1/2019 until 6/1/2034	3,356,641	3,133,227
5.0%, with various maturities from 7/1/2033 until 5/1/2034	2,089,674	1,967,452
5.5%, with various maturities from 1/1/2025 until 3/1/2037 (f)	10,116,634	9,793,307
6.0%, with various maturities from 4/1/2024 until 3/1/2025	1,656,002	1,647,593
6.31%, 6/1/2008	1,700,000	1,697,696
6.5%, with various maturities from 3/1/2017 until 4/1/2037	5,451,398	5,507,816
7.0%, 2/1/2032 (f)	915,000	939,376
8.0%, 9/1/2015	38,534	40,293
Total Mortgage Backed Securities Pass-Throughs (Cost $28,508,775)		**28,015,847**

Commercial and Non-Agency Mortgage-Backed Securities 35.2%

	Principal Amount ($)(a)	Value ($)
Adjustable Rate Mortgage Trust, "3A31", Series 2005-10, 5.421%*, 1/25/2036	820,000	799,042
American Home Mortgage Investment Trust, "5A3", Series 2005-2, 5.077%, 9/25/2035	1,050,000	1,036,885
Banc of America Commercial Mortgage, Inc., "A4", Series 2005-5, 5.115%, 10/10/2045	1,465,000	1,398,314
Banc of America Mortgage Securities, Inc., "1A20", Series 2005-3, 5.5%, 4/25/2035	1,095,000	1,081,994
Bear Stearns Adjustable Rate Mortgage Trust:		
"A1", Series 2006-1, 4.625%*, 2/25/2036	2,711,559	2,648,966
"2A1", Series 2006-4, 5.818%*, 10/25/2036	795,496	793,727
Bear Stearns Commercial Mortgage Securities:		
"A2", Series 2007-PW16, 5.661%*, 6/13/2040	1,650,000	1,655,857
"AAB", 2007-PW16, 5.713%*, 6/13/2040	1,200,000	1,198,920
Chase Commercial Mortgage Securities Corp., "A2", Series 1998-2, 6.39%, 11/18/2030	917,778	924,938
Chase Mortgage Finance Corp., "3A1", Series 2005-A1, 5.272%*, 12/25/2035	1,382,721	1,362,782
Citigroup Mortgage Loan Trust, Inc.:		
"1A2", Series 2006-AR2, 5.54%*, 3/25/2036	1,194,979	1,188,167
"1CB2", Series 2004-NCM2, 6.75%, 8/25/2034	706,156	712,887
CitiMortgage Alternative Loan Trust, "A1", Series 2006-A2, 6.0%, 5/25/2036	1,188,131	1,188,841
Countrywide Alternative Loan Trust:		
"1A1", Series 2004-2CB, 4.25%, 3/25/2034	417,826	408,615
"A1", Series 2004-1T1, 5.0%, 2/25/2034	447,489	442,194
"A2", Series 2002-18, 5.25%, 2/25/2033	776,952	765,363
"A2", Series 2003-21T1, 5.25%, 12/25/2033	636,160	629,983

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
"A2", Series 2004-1T1, 5.5%, 2/25/2034	297,194	295,161
Countrywide Capital Cobalt, "AAB", Series 2006-C1, 5.223%, 8/15/2048	559,000	540,052
Countrywide Home Loans:		
"2A2C", Series 2006-HYB1, 5.235%*, 3/20/2036	930,000	916,636
"2A1", Series 2006-HYB1, 5.355%*, 3/20/2036	682,338	675,618
"A1", Series 2005-29, 5.75%, 12/25/2035	1,221,759	1,184,144
"A2", Series 2006-1, 6.0%, 3/25/2036	925,767	908,554
Credit Suisse Mortgage Capital Certificates, Inc., "3A1", Series 2006-9, 6.0%, 11/25/2036	1,388,371	1,364,726
CS First Boston Mortgage Securities Corp.:		
"A2", Series 1998-C2, 6.3%, 11/15/2030	1,565,948	1,578,250
"A3", Series 1997-C2, 6.55%, 1/17/2035	358,500	358,893
Deutsche Mortgage & Asset Receiving Corp., "A2", Series 1998-C1, 6.538%, 6/15/2031	515,736	516,136
First Franklin Mortgage Loan Asset Backed Certificate:		
"A2A", Series 2007-FFC, 5.47%, 6/25/2027	951,937	952,023
"2A2", Series 2005-FFH4, 5.51%*, 12/25/2035	2,200,000	2,200,524
First Horizon Alternative Mortgage Securities, "1A18", Series 2005-FA8, 5.5%, 11/25/2035	938,962	930,279
GMAC Mortgage Corp. Loan Trust:		
"A15", Series 2004-J1, 5.25%, 4/25/2034	507,973	504,117
"A1", Series 2006-J1, 5.75%, 4/25/2036	1,256,080	1,250,385
Greenwich Capital Commercial Funding Corp., "A2", Series 2007-GG9, 5.381%, 3/10/2039	775,000	766,062
GS Mortgage Securities Corp. II:		
"CLJ", Series 2007-GG10, 144A, 5.993%, 8/10/2045 (g)	1,096,000	980,065
"K", Series GG10, 5.993%, 144A, 8/10/2045 (g)	767,000	652,556
"A2", Series 2006-GG8 5.479%, 11/10/2039	1,100,000	1,093,518
"A2", Series 2007-GG10, 5.778%, 8/10/2045 (g)	1,640,000	1,639,967
"AAB", Series 2007-GG10, 5.993%, 8/10/2045 (g)	1,620,000	1,624,504
GSR Mortgage Loan Trust, "2A1", Series 2007-AR1, 6.019%*, 3/25/2037	1,814,175	1,815,090
Indymac Index Mortgage Loan Trust, "3A1", Series 2006-AR33, 5.806%*, 1/25/2037	907,924	895,095
JPMorgan Chase Commercial Mortgage Securities Corp.:		
"A3A1", Series 2005-LDP4, 4.871%, 10/15/2042	235,000	228,581
"A4", Series 2006-CB17, 5.429%, 12/12/2043	1,070,000	1,035,656
"A4", Series 2006-LDP6, 5.475%, 4/15/2043	1,250,000	1,217,395
"ASB", Series 2007-CB19, 5.73%, 2/12/2049	880,000	878,354
JPMorgan Mortgage Trust, "2A4", Series 2006-A2, 5.755%*, 4/25/2036	1,420,000	1,412,321
Master Alternative Loans Trust:		
"5A1", Series 2005-1, 5.5%, 1/25/2020	935,806	923,937
"5A1", Series 2005-2, 6.5%, 12/25/2034	117,625	117,790
"8A1", Series 2004-3, 7.0%, 4/25/2034	35,293	35,478
Master Asset Securitization Trust, "2A7", Series 2003-9, 5.5%, 10/25/2033	561,358	536,361
Merrill Lynch Mortgage Investors Trust, "A2", Series 2005-A5, 4.566%, 6/25/2035	105,000	102,187
Merrill Lynch/Countrywide Commercial Mortgage Trust, "ASB", Series 2007-5, 5.362%, 8/12/2048	1,000,000	972,574
Morgan Stanley Capital I:		
"A2", Series 2007-HQ11, 5.359%, 2/12/2044	1,600,000	1,579,471
"AAB", Series 2007-IQ14, 5.654%, 4/15/2049	1,105,000	1,093,213
"F", Series 1998-HF1, 144A, 7.18%, 3/15/2030	925,000	929,748
RAAC Series, "2A5", Series 2005-SP1, 5.25%, 9/25/2034	1,003,653	999,501
Residential Accredit Loans, Inc.:		
"3A1", Series 2006-QS18, 5.75%, 12/25/2021	874,931	870,790
"CB", Series 2004-QS2, 5.75%, 2/25/2034	597,891	577,245
Residential Funding Mortgage Security I, "2A2", Series 2007-SA1, 5.637%*, 2/25/2037	1,504,861	1,494,331
Sequoia Mortgage Trust, "2A1", Series 2007-1, 5.831%*, 2/20/2047	1,547,194	1,542,893
Structured Adjustable Rate Mortgage Loan Trust:		
"6A3", Series 2005-21, 5.4%, 11/25/2035	740,000	714,156
"5A1", Series 2005-18, 5.534%*, 9/25/2035	567,882	563,362
"7A4", Series 2006-1, 5.62%, 2/25/2036	930,000	900,441
Structured Asset Securities Corp., "2A1", Series 2003-1, 6.0%, 2/25/2018	5,217	5,229
Wachovia Bank Commercial Mortgage Trust:		
"A3", Series 2007-C30, 5.246%, 12/15/2043	770,000	755,290
"A2", Series 2007-C31, 5.421%, 4/15/2047	1,080,000	1,066,496
"H", Series 2007-C32, 144A, 5.741%, 6/15/2049	770,000	698,775
"J", Series 2007-C32, 144A, 5.741%, 6/15/2049	770,000	678,375
"K", Series 2007-C32, 144A, 5.741%, 6/15/2049	1,010,000	837,928
Wachovia Mortgage Loan Trust LLC, "3A1", Series 2005-B, 5.157%*, 10/20/2035	1,200,380	1,181,642

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Washington Mutual Mortgage Pass-Through Certificates Trust:		
"2A1", Series 2002-S8, 4.5%, 1/25/2018	62,717	62,455
"1A3", Series 2005-AR16, 5.109%*, 12/25/2035	825,000	809,013
"4A1", Series 2007-HY3, 5.354%*, 3/25/2037	1,793,443	1,776,787
"1A1", Series 2006-AR18, 5.358%*, 1/25/2037	1,332,367	1,315,051
"1A1", Series 2007-HY4, 5.569%*, 4/25/2037	1,564,096	1,548,211
"1A1", Series 2007-HY2, 5.642%*, 12/25/2036	1,552,519	1,543,671
Wells Fargo Mortgage Backed Securities Trust:		
"B1", Series 2005-AR12, 4.325%*, 7/25/2035	762,352	740,778
"2A5", Series 2006-AR2, 5.089%*, 3/25/2036	2,832,037	2,798,857
"A4", Series 2005-AR14, 5.386%*, 8/25/2035	945,000	910,966
"2A5", Series 2006-AR1, 5.554%*, 3/25/2036	935,000	904,977
"1A3", Series 2006-6, 5.75%, 5/25/2036	955,575	951,173
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $80,012,767)		**79,191,289**

Collateralized Mortgage Obligations 8.4%

	Principal Amount ($)(a)	Value ($)
Fannie Mae Whole Loan, "1A1", Series 2004-W15, 6.0%, 8/25/2044	336,703	335,805
Federal Home Loan Mortgage Corp.:		
"WJ", Series 2557, 5.0%, 7/15/2014	601,096	598,276
"EW", Series 2545, 5.0%, 3/15/2029	455,759	450,676
"PD", Series 2844, 5.0%, 12/15/2032	1,580,000	1,498,401
"EG", Series 2836, 5.0%, 12/15/2032	1,580,000	1,498,386
"PD", Series 2783, 5.0%, 1/15/2033	761,000	722,222
"TE", Series 2780, 5.0%, 1/15/2033	1,150,000	1,094,829
"NE", Series 2802, 5.0%, 2/15/2033	1,580,000	1,503,715
"PD", Series 2893, 5.0%, 2/15/2033	800,000	757,948
"OG", Series 2889, 5.0%, 5/15/2033	685,000	648,198
"PE", Series 2898, 5.0%, 5/15/2033	335,000	317,225
"ND", Series 2950, 5.0%, 6/15/2033	1,140,000	1,075,557
"BG", Series 2869, 5.0%, 7/15/2033	185,000	175,654
"PD", Series 2939, 5.0%, 7/15/2033	535,000	506,101
"KD", Series 2915, 5.0%, 9/15/2033	1,140,000	1,078,497
"KG", Series 2987, 5.0%, 12/15/2034	1,470,000	1,385,856
"CH", Series 2390, 5.5%, 12/15/2016	200,000	199,542
"PE", Series 2522, 5.5%, 3/15/2022	950,000	939,297
Federal National Mortgage Association:		
"PE", Series 2005-44, 5.0%, 7/25/2033	300,000	283,443
"ME", Series 2005-14, 5.0%, 10/25/2033	1,525,000	1,432,730
"EG", Series 2005-22, 5.0%, 11/25/2033	750,000	708,574
"OG", Series 2001-69, 5.5%, 12/25/2016	750,000	745,080
"PG", Series 2002-3, 5.5%, 2/25/2017	500,000	496,629
"QC", Series 2002-11, 5.5%, 3/25/2017	286,912	285,418
"VD", Series 2002-56, 6.0%, 4/25/2020	10,161	10,135
"ZQ", Series G92-9, 7.0%, 12/25/2021	86,304	86,746
Total Collateralized Mortgage Obligations (Cost $19,340,814)		**18,834,940**

Government & Agency Obligations 12.4%

Sovereign Bonds 1.8%

		Principal Amount ($)(a)	Value ($)
Dominican Republic, Series REG S, 8.625%, 4/20/2027		100,000	116,000
Government of Indonesia:			
Series FR-43, 10.25%, 7/15/2022	IDR	920,000,000	107,427
Series FR-23, 11.0%, 12/15/2012	IDR	100,000,000	12,145
Series FR-26, 11.0%, 10/15/2014	IDR	722,000,000	88,590
Series FR-33, 12.5%, 3/15/2013	IDR	600,000,000	77,211
Government of Malaysia, Series 1/04, 4.305%, 2/27/2009	MYR	570,000	167,766
Government of Ukraine:			
Series REG S, 6.385%, 6/26/2012		180,000	180,144
Series REG S, 6.58%, 11/21/2016		330,000	327,112
Series REG S, 7.65%, 6/11/2013		100,000	105,830
Islamic Republic of Pakistan, Series REG S, 6.875%, 6/1/2017		370,000	355,200
Mexican Bonds:			
Series M-20, 8.0%, 12/7/2023	MXN	880,000	83,646
Series M 9.0%, 12/22/2011	MXN	1,850,000	179,751
Series M-20, 10.0%, 12/5/2024	MXN	740,000	83,497
Nota Do Tesouro Nacional, 10.0%, 1/1/2017	BRL	340,000	168,808
Republic of Argentina:			
GDP Linked Note, 12/15/2035		237,062	34,611
Series X, 7.0%, 4/17/2017		290,000	253,750
Republic of Colombia, 9.85%, 6/28/2027	COP	153,000,000	82,339
Republic of Egypt:			
9.1%, 7/12/2010 (g)	EGP	380,000	69,398
9.35%, 8/16/2010 (g)	EGP	80,000	14,554

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
Republic of El Salvador, Series REG S, 7.65%, 6/15/2035		130,000	148,200
Republic of Panama:			
6.7%, 1/26/2036		80,000	81,600
7.125%, 1/29/2026		220,000	234,300
Republic of Peru, 8.2%, 8/12/2026	PEN	910,000	351,683
Republic of Serbia, Series REG S, Step-up Coupon, 3.75% to 11/1/2009, 6.75% to 11/1/2024		100,000	94,250
Republic of Turkey:			
6.875%, 3/17/2036		90,000	85,163
Series CPI, 10.0%, 2/15/2012	TRY	210,000	176,000
15.0%, 2/10/2010	TRY	110,000	79,545
16.0%, 3/7/2012	TRY	230,000	182,248
State of Qatar, Series REG S, 9.75%, 6/15/2030		50,000	72,000
			4,012,768

US Treasury Obligations 10.6%

	Principal Amount ($)(a)	Value ($)
US Treasury Bonds:		
4.75%, 2/15/2037	1,100,000	1,037,180
6.0%, 2/15/2026 (b)	7,087,000	7,735,900
6.875%, 8/15/2025 (b)	150,000	178,699
8.75%, 8/15/2020 (b)	5,000	6,677
US Treasury Inflation Index Note, 2.0%, 1/15/2014	4,925,295	4,733,287
US Treasury Notes:		
4.25%, 11/15/2014 (b)	580,000	553,402
4.625%, 12/31/2011 (b)	4,576,000	4,519,157
4.625%, 2/29/2012 (b)	4,162,000	4,108,677
4.875%, 8/31/2008 (b)	1,110,000	1,108,266
		23,981,245
Total Government & Agency Obligations (Cost $28,675,339)		**27,994,013**

Municipal Bonds and Notes 4.0%

	Principal Amount ($)(a)	Value ($)
Gainesville, FL, Post-Employment Benefits Obligation Revenue, Retiree Health Care Plan, 4.6%, 10/1/2012 (c)	630,000	608,410
Georgia, Winder-Barrow Industrial Building Authority Revenue, Barrow County Economic Development, 5.65%, 10/1/2015 (c)	465,000	464,805
Jicarilla, NM, Apache Nation Revenue, 144A, 3.85%, 12/1/2008	680,000	666,978
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	670,000	652,198
Los Angeles, CA, Community Development Agency Tax Allocation Revenue, Adelante Eastside Project, Series C, 6.49%, 9/1/2037 (c)	945,000	949,423
Los Angeles, CA, Community Redevelopment Agency, Financing Authority Revenue, Bunker Hill Project, Series B, 4.99%, 12/1/2012 (c)	320,000	314,656
Phoenix, AZ, Civic Improvement Corp., Excise Tax Revenue, Series C, 5.75%, 7/1/2022 (c)	700,000	689,976
Trenton, NJ, Core City General Obligation, School District Revenue, 4.7%, 4/1/2013 (c)	745,000	716,161
Union County, NJ, Improvement Authority, Student Loan Revenue, 5.29%, 4/1/2018 (c)	940,000	908,284
Virgin Islands, Port Authority Marine Revenue, Series B, 5.08%, 9/1/2013 (c)	1,420,000	1,397,479
Washington, State Economic Development Finance Authority Revenue, CSC Tacoma LLC Project, Series A, 3.8%, 10/1/2011 (c)	550,000	516,961
Washington, Energy Northwest Electric Revenue, Columbia Generating Station, Series B, 5.33%, 7/1/2021	1,060,000	1,014,038
Total Municipal Bonds and Notes (Cost $9,076,185)		**8,899,369**

Preferred Stocks 0.3%

	Shares	Value ($)
Arch Capital Group Ltd., 8.0%	4,202	108,333
Delphi Financial Group, Inc. 7.376%	18,000	444,375
Ford Motor Credit Co. 7.375%	2,520	54,180
Total Preferred Stocks (Cost $611,443)		**606,888**

Time Deposit 0.3%

	Principal Amount ($)(a)	Value ($)
Dexia Banque International, Series A, 5.32%, 7/5/2007 (Cost $665,456)	665,456	**665,456**

Securities Lending Collateral 9.4%

	Shares	Value ($)
Daily Assets Fund Institutional, 5.36%(d) (e) (Cost $21,097,426)	21,097,426	**21,097,426**

Cash Equivalents 5.2%

	Shares	Value ($)
Cash Management QP Trust, 5.34%(d) (Cost $11,723,688)	11,723,688	**11,723,688**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $252,091,098)†	110.6	**248,603,540**
Other Assets and Liabilities, Net	(10.6)	**(23,771,805)**
Net Assets	100.0	**224,831,735**

The accompanying notes are an integral part of the financial statements.

* *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2007.*

† *The cost for federal income tax purposes was $252,127,670. At June 30, 2007, net unrealized depreciation for all securities based on tax cost was $3,524,130. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $494,171 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,018,301.*

(a) *Principal amount stated in US dollars unless otherwise noted.*

(b) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $20,631,592 which is 9.2% of net assets.*

(c) *Bond is insured by one of these companies:*

Insurance Coverage	As a % of Total Investment Portfolio
Ambac Financial Group	0.1
Financial Guaranty Insurance Co.	0.3
Financial Security Assurance, Inc.	0.9
MBIA Corp.	0.9
Radian Asset Assurance	0.4

(d) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

(f) *Mortgage dollar rolls included.*

(g) *When-issued/delayed delivery security.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

PIK: Denotes that all or a portion of the income is paid in kind.

REIT: Real Estate Investment Trust

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and Federal Home Loan Mortgage Corp. issues have similar coupon rates and have been aggregated for presentation purposes in the investment portfolio.

As of June 30, 2007, the Portfolio entered into the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)
CAD	556,000	EUR	385,674	7/23/2007	166
EUR	776,000	USD	1,056,023	7/23/2007	4,902
JPY	126,480,000	GBP	520,393	7/23/2007	14,267
MXN	2,020,000	USD	186,912	7/23/2007	180
TRY	290,000	USD	219,864	7/23/2007	802
USD	510,408	AUD	613,000	7/23/2007	8,978
USD	1,023,347	AUD	1,240,000	7/23/2007	27,288
USD	1,152,192	CAD	1,290,000	7/23/2007	59,489
USD	521,811	CHF	642,000	7/23/2007	4,704
USD	185,008	CNY	1,408,000	7/23/2007	456
USD	523,093	CNY	3,981,000	7/23/2007	1,288
USD	768,923	EUR	571,000	7/23/2007	4,518
USD	112,646	MXN	1,230,000	7/23/2007	1,057
USD	556,832	NOK	3,320,000	7/23/2007	6,425
USD	1,039,495	NZD	1,358,000	7/23/2007	5,450
USD	143,383	TRY	194,000	7/23/2007	3,162
USD	143,832	TRY	194,000	7/23/2007	2,713
USD	51,876	TRY	69,000	7/23/2007	246
USD	82,540	UAH	416,000	7/23/2007	703
Total net unrealized appreciation					**146,794**

The accompanying notes are an integral part of the financial statements.

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)
AUD	1,383,000	USD	1,149,149	7/23/2007	(22,649)
CAD	1,130,000	USD	1,043,578	7/23/2007	(17,817)
CAD	111,000	USD	103,871	7/23/2007	(390)
GBP	529,699	JPY	125,460,000	7/23/2007	(41,258)
IDR	908,000,000	USD	99,496	7/23/2007	(887)
JPY	125,150,000	USD	1,019,220	7/23/2007	(369)
MXN	1,070,000	USD	98,608	7/23/2007	(304)
NOK	1,730,000	USD	291,512	7/23/2007	(1,993)
NZD	2,445,000	USD	1,809,496	7/23/2007	(71,866)
NZD	28,079	ZAR	144,860	7/23/2007	(792)
NZD	3,877	ZAR	20,000	7/23/2007	(52)
TRY	246,000	USD	172,199	7/23/2007	(13,625)
TRY	189,000	USD	136,118	7/23/2007	(6,649)
USD	112,026	JPY	13,130,000	7/23/2007	(5,057)
USD	1,038,137	JPY	125,040,000	7/23/2007	(19,445)
USD	524,230	JPY	64,260,000	7/23/2007	(708)
Total net unrealized depreciation					**(203,861)**

Currency Abbreviations

AUD	Australian Dollar	EUR	Euro	NZD	New Zealand Dollar
BRL	Brazilian Real	GBP	Pound Sterling	PEN	Peruvian Nouveau Sol
CAD	Canadian Dollar	IDR	Indonesian Rupiah	RUB	New Russian Ruble
CHF	Swiss Franc	JPY	Japanese Yen	TRY	New Turkish Lira
CNY	Yuan Renminbi	MXN	Mexican Peso	UAH	Ukraine Hryvna
COP	Colombian Peso	MYR	Malaysian Ringgit	USD	United States Dollar
EGP	Egyptian Pound	NOK	Norwegian Krone	ZAR	South African Rand

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $219,269,984), including $20,631,592 of securities loaned	$ 215,782,426
Investment in Daily Assets Fund Institutional (cost $21,097,426)*	21,097,426
Investment in Cash Management QP Trust (cost $11,723,688)	11,723,688
Total investments in securities, at value (cost $252,091,098)	248,603,540
Cash	10,842
Receivable for investments sold	1,712,976
Dividends receivable	1,151
Interest receivable	2,001,270
Receivable for Portfolio shares sold	5,625,682
Unrealized appreciation on forward foreign currency exchange contracts	146,794
Other assets	2,850
Total assets	258,105,105
Liabilities	
Foreign cash overdraft, at value (cost $159,541)	166,748
Payable for investments purchased	3,611,623
Payable for investments purchased — mortgage dollar rolls	2,776,502
Payable for when-issued/ delayed delivery securities	5,141,622
Payable for Portfolio shares redeemed	80,455
Payable upon return of securities loaned	21,097,426
Net payable on closed forward foreign currency exchange contracts	6,990
Unrealized depreciation on forward foreign currency exchange contracts	203,861
Accrued management fee	69,955
Accrued distribution service fee (Class B)	181
Accrued shareholder service fee (Class A)	384
Accrued shareholder service fee (Class B)	14
Other accrued expenses and payables	117,609
Total liabilities	33,273,370
Net assets, at value	**$ 224,831,735**
Net Assets	
Net assets consist of:	
Undistributed net investment income	5,381,603
Net unrealized appreciation (depreciation) on:	
Investments	(3,487,558)
Foreign currency related transactions	(71,067)
Accumulated net realized gain (loss)	(1,797,599)
Paid-in capital	224,806,356
Net assets, at value	**$ 224,831,735**
Class A	
Net Asset Value, offering and redemption price per share ($223,954,581 ÷ 33,103,916 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 6.77**
Class B	
Net Asset Value, offering and redemption price per share ($877,154 ÷ 129,829 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 6.76**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income	
Dividends	$ 6,525
Interest (net of foreign taxes withheld of $3,288)	5,819,177
Interest — Cash Management QP Trust	223,725
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	13,911
Total Income	6,063,338
Expenses:	
Management fee	425,662
Administration fee	109,144
Custodian fee	15,283
Distribution service fee (Class B)	1,800
Shareholder service fee (Class A)	403
Shareholder service fee (Class B)	42
Record keeping fee (Class B)	945
Auditing	21,586
Legal	14,884
Trustees' fees and expenses	4,777
Reports to shareholders and shareholder meeting	107,495
Other	4,996
Total expenses before expense reductions	707,017
Expense reductions	(127)
Total expenses after expense reductions	706,890
Net investment income	**5,356,448**
Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	395,633
Foreign currency related transactions	(396,547)
	(914)
Net unrealized appreciation (depreciation) during the period on:	
Investments	(3,332,887)
Foreign currency related transactions	(7,741)
	(3,340,628)
Net gain (loss) on investment transactions	**(3,341,542)**
Net increase (decrease) in net assets resulting from operations	**$ 2,014,906**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income	$ 5,356,448	$ 10,339,954
Net realized gain (loss) on investment transactions	(914)	(1,437,844)
Net unrealized appreciation (depreciation) during the period on investment transactions	(3,340,628)	1,127,759
Net increase (decrease) in net assets resulting from operations	2,014,906	10,029,869
Distributions to shareholders from:		
Net investment income:		
Class A	(10,313,794)	(7,979,436)
Class B	(83,297)	(26,938)
Net realized gains:		
Class A	—	(254,695)
Class B	—	(953)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	21,857,734	35,231,866
Reinvestment of distributions	10,313,794	8,234,131
Cost of shares redeemed	(18,123,061)	(35,894,600)
Net increase (decrease) in net assets from Class A share transactions	14,048,467	7,571,397
Class B		
Proceeds from shares sold	1,127,049	1,183,848
Reinvestment of distributions	83,297	27,891
Cost of shares redeemed	(1,652,504)	(308,110)
Net increase (decrease) in net assets from Class B share transactions	(442,158)	903,629
Increase (decrease) in net assets	5,224,124	10,242,873
Net assets at beginning of period	219,607,611	209,364,738
Net assets at end of period (including undistributed net investment income of $5,381,603 and $10,422,246, respectively)	**$ 224,831,735**	**$ 219,607,611**

Other Information		
Class A		
Shares outstanding at beginning of period	31,026,023	29,892,841
Shares sold	3,155,655	5,142,133
Shares issued to shareholders in reinvestment of distributions	1,510,072	1,234,502
Shares redeemed	(2,587,834)	(5,243,453)
Net increase (decrease) in Class A shares	2,077,893	1,133,182
Shares outstanding at end of period	**33,103,916**	**31,026,023**
Class B		
Shares outstanding at beginning of period	198,161	66,058
Shares sold	158,571	172,869
Shares issued to shareholders in reinvestment of distributions	12,196	4,182
Shares redeemed	(239,099)	(44,948)
Net increase (decrease) in Class B shares	(68,332)	132,103
Shares outstanding at end of period	**129,829**	**198,161**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$ 7.03**	**$ 6.99**	**$ 7.13**	**$ 7.04**	**$ 6.98**	**$ 6.89**
Income (loss) from investment operations:						
Net investment income[b]	.17	.33	.29	.29	.26	.34
Net realized and unrealized gain (loss) on investment transactions	(.09)	(.01)	(.10)	.08	.09	.17
Total from investment operations	.08	.32	.19	.37	.35	.51
Less distributions from:						
Net investment income	(.34)	(.27)	(.26)	(.28)	(.29)	(.42)
Net realized gain on investment transactions	—	(.01)	(.07)	—	—	—
Total distributions	(.34)	(.28)	(.33)	(.28)	(.29)	(.42)
Net asset value, end of period	**$ 6.77**	**$ 7.03**	**$ 6.99**	**$ 7.13**	**$ 7.04**	**$ 6.98**
Total Return (%)	1.04**	4.72[d]	2.60	5.38	5.06	7.66
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	224	218	209	177	176	165
Ratio of expenses before expense reductions (%)	.60*	.66	.68	.60	.58	.55
Ratio of expenses after expense reductions (%)	.60*	.62	.68	.60	.58	.55
Ratio of net investment income (%)	4.96*	4.82	4.11	4.18	3.78	5.03
Portfolio turnover rate (%)[c]	100**	179	187	223	242	262

a *For the six months ended June 30, 2007 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *The portfolio turnover rate including mortgage dollar roll transactions was 106% for the period ended June 30, 2007 and 186%, 197%, 245%, 286% and 276% for the years ended December 31, 2006, December 31, 2005, December 31, 2004, December 31, 2003 and December 31, 2002, respectively.*

d *Total return would have been lower had certain expenses not been reduced.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005[b]
Selected Per Share Data			
Net asset value, beginning of period	**$ 7.01**	**$ 6.97**	**$ 6.88**
Income (loss) from investment operations:			
Net investment income[c]	.15	.30	.18
Net realized and unrealized gain (loss) on investment transactions	(.09)	(.01)	(.09)
Total from investment operations	.06	.29	.09
Less distributions from:			
Net investment income	(.31)	(.24)	—
Net realized gain on investment transactions	—	(.01)	—
Total distributions	(.31)	(.25)	—
Net asset value, end of period	**$ 6.76**	**$ 7.01**	**$ 6.97**
Total Return (%)	.79**	4.33[e]	1.31**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period ($ millions)	.9	1	.5
Ratio of expenses, before expense reductions (%)	1.01*	1.04	1.04*
Ratio of expenses, after expense reductions (%)	1.01*	.99	1.04*
Ratio of net investment income (%)	4.55*	4.45	3.86*
Portfolio turnover rate (%)[d]	100**	179	187**

a *For the six months ended June 30, 2007 (Unaudited).*

b *For the period May 2, 2005 (commencement of operations of Class B shares) to December 31, 2005.*

c *Based on average shares outstanding during the period.*

d *The portfolio turnover rate including mortgage dollar roll transactions was 106% for period ended June 30, 2007 and 186% for the year ended December 31, 2006 and 197% for the period ended December 31, 2005, respectively.*

e *Total return would have been lower had certain expenses not been reduced.*

* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Growth & Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 3007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,034.20	$1,032.50
Expenses Paid per $1,000*	$ 2.77	$ 4.54
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,022.07	$1,020.33
Expenses Paid per $1,000*	$ 2.76	$ 4.51

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Growth & Income VIP	.55%	.90%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Growth & Income VIP

Except for a period of weakness in late February and early March, equity markets were quite strong during the first six months of 2007. By the end of May, most indices were at or near their all-time highs. Markets were volatile with no pronounced trend in June. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, returned 7.11% for the six-month period. Growth stocks, as measured by the Russell 1000® Growth index, performed better than value stocks, as measured by the Russell 1000® Value index. For the period ending June 30, 2007, the Portfolio's Class A shares, unadjusted for contract charges, underperformed its benchmarks, the Russell 1000® Index, which posted a return of 7.18%, and the Standard & Poor's 500® (S&P 500) Index, which returned 6.96%.

Since sector weights of this Portfolio are maintained quite close to those of the Russell 1000® Index, essentially all differences in return between the Portfolio and the index result from stock selection. The Portfolio is managed using a quantitative stock selection model, and most holdings are large US-based companies. For the first half of 2007, stock selection in the industrials, energy and materials sectors contributed to performance relative to the Russell 1000 Index. Positions in the information technology, consumer discretionary and financial sectors detracted from performance.

In the industrials sector, holdings that contributed to performance include Honeywell International, Inc. and Caterpillar, Inc., both of which reported stronger-than-expected earnings. In energy, performance benefited from significant positions in Devon Energy Corp., Marathon Oil Corp. and Tidewater, Inc. In materials, which posted the highest return of the 10 sectors in the Russell 1000 Index, holdings that were especially strong were Lyondell Chemical Co., which has significant involvement in energy, Monsanto Co.* and Celanese Corp.

In information technology, performance was hurt by an overweight in Lexmark International, Inc., which reported sales and earnings below expectations, and by not owning some of the strongest stocks in the Russell 1000® Index.[1] Consumer discretionary holdings that detracted from performance include The DIRECTV Group, Inc. and Starbucks Corp.* In the financial sector, performance was hurt by overweight positions in Merrill Lynch & Co., Inc. and Bank of America Corp.

Robert Wang   Jin Chen, CFA
Julie Abbett
Portfolio Managers

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Derivatives may be more volatile and less liquid than traditional securities, and the Portfolio could suffer losses on an underlying Portfolio's derivative position. Investing in securities of emerging markets presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. Please read this Portfolio's prospectus for specific information regarding its investments and risk profile.

The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

The Russell 1000 Growth Index is an unmanaged capitalization- weighted index containing those securities in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000 Value Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values.

The Russell 1000 Index is an unmanaged index that measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

* *As of June 30, 2007, the positions were sold.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Growth & Income VIP

Asset Allocation	**6/30/07**	**12/31/06**
Common Stocks	98%	99%
Cash Equivalents	2%	—
Exchange Traded Funds	—	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/07**	**12/31/06**
Financials	19%	22%
Information Technology	14%	15%
Consumer Discretionary	13%	10%
Industrials	12%	12%
Energy	12%	10%
Health Care	12%	12%
Consumer Staples	6%	9%
Materials	5%	3%
Telecommunication Services	4%	4%
Utilities	3%	3%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 21. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Growth & Income VIP

	Shares	Value ($)
Common Stocks 96.9%		
Consumer Discretionary 12.1%		
Auto Components 0.3%		
TRW Automotive Holdings Corp.*	18,100	**666,623**
Hotels Restaurants & Leisure 2.3%		
Brinker International, Inc.	21,500	629,305
Darden Restaurants, Inc.	38,600	1,698,014
McDonald's Corp.	34,300	1,741,068
Yum! Brands, Inc.	67,700	2,215,144
		6,283,531
Household Durables 1.1%		
Centex Corp.	22,400	898,240
NVR, Inc.*	3,300	2,243,175
		3,141,415
Media 2.7%		
McGraw-Hill Companies, Inc.	52,830	3,596,667
Regal Entertainment Group "A"	13,700	300,441
The DIRECTV Group, Inc.*	154,500	3,570,495
		7,467,603
Multiline Retail 2.5%		
Big Lots, Inc.*	14,200	417,764
Dollar Tree Stores, Inc.*	23,900	1,040,845
Family Dollar Stores, Inc.	60,000	2,059,200
Macy's, Inc.	67,900	2,701,062
Target Corp.	8,700	553,320
		6,772,191
Specialty Retail 2.3%		
American Eagle Outfitters, Inc.	54,500	1,398,470
AutoZone, Inc.*	17,400	2,377,188
Dick's Sporting Goods, Inc.*	39,300	2,286,081
GameStop Corp. "A"*	9,300	363,630
		6,425,369
Textiles, Apparel & Luxury Goods 0.9%		
Polo Ralph Lauren Corp.	26,100	**2,560,671**
Consumer Staples 5.8%		
Beverages 0.8%		
Coca-Cola Enterprises, Inc.	56,800	1,363,200
PepsiCo, Inc.	14,860	963,671
		2,326,871
Food & Staples Retailing 0.8%		
Kroger Co.	17,100	481,023
Safeway, Inc.	47,500	1,616,425
		2,097,448
Food Products 1.9%		
Dean Foods Co.	27,900	889,173
General Mills, Inc.	50,700	2,961,894
Kellogg Co.	16,500	854,535
Smithfield Foods, Inc.*	4,500	138,555
The J.M. Smucker Co.	6,000	381,960
		5,226,117
Household Products 1.2%		
Colgate-Palmolive Co.	50,100	**3,248,985**
Personal Products 0.1%		
Estee Lauder Companies, Inc. "A"	6,800	**309,468**
Tobacco 1.0%		
Altria Group, Inc.	33,720	2,365,121
Loews Corp. — Carolina Group	4,400	339,988
		2,705,109
Energy 11.9%		
Energy Equipment & Services 2.4%		
Global Industries Ltd.*	54,100	1,450,962
Patterson-UTI Energy, Inc.	11,000	288,310
Tidewater, Inc.	36,000	2,551,680
Transocean, Inc.*	9,600	1,017,408
Unit Corp.*	20,300	1,277,073
		6,585,433
Oil, Gas & Consumable Fuels 9.5%		
Chesapeake Energy Corp.	77,000	2,664,200
Chevron Corp.	77,500	6,528,600
ConocoPhillips	6,400	502,400
Devon Energy Corp.	45,300	3,546,537
ExxonMobil Corp.	135,139	11,335,459
Marathon Oil Corp.	28,700	1,720,852
		26,298,048
Financials 18.3%		
Capital Markets 5.7%		
Lehman Brothers Holdings, Inc.	10,600	789,912
Merrill Lynch & Co., Inc.	56,800	4,747,344
Morgan Stanley	60,435	5,069,288
The Goldman Sachs Group, Inc.	24,365	5,281,114
		15,887,658
Commercial Banks 2.1%		
US Bancorp.	30,200	995,090
Wachovia Corp.	37,600	1,927,000
Wells Fargo & Co.	79,760	2,805,159
		5,727,249
Diversified Financial Services 5.4%		
Bank of America Corp.	158,670	7,757,376
Citigroup, Inc.	8,000	410,320
JPMorgan Chase & Co.	141,300	6,845,985
		15,013,681
Insurance 3.5%		
ACE Ltd.	4,700	293,844
Arch Capital Group Ltd.*	2,600	188,604
Genworth Financial, Inc. "A"	72,500	2,494,000
Hartford Financial Services Group, Inc.	5,400	531,954
MetLife, Inc.	55,750	3,594,760
Partnerre Ltd.	1,800	139,500
Renaissancere Holdings Ltd.	3,900	241,761
Travelers Companies, Inc.	14,400	770,400
W.R. Berkley Corp.	17,200	559,688
XL Capital Ltd. "A"	9,800	826,042
		9,640,553

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Real Estate Investment Trusts 1.6%		
AMB Property Corp. (REIT)	2,600	138,372
AvalonBay Communities, Inc. (REIT)	2,000	237,760
Equity Residential (REIT)	14,100	643,383
Essex Property Trust, Inc. (REIT)	500	58,150
Hospitality Properties Trust (REIT)	2,700	112,023
Host Hotels & Resorts, Inc. (REIT)	20,100	464,712
ProLogis (REIT)	11,700	665,730
Public Storage, Inc. (REIT)	6,800	522,376
Simon Property Group, Inc. (REIT)	6,900	641,976
The Macerich Co. (REIT)	1,500	123,630
Vornado Realty Trust (REIT)	6,300	691,992
		4,300,104
Health Care 11.6%		
Biotechnology 2.4%		
Cephalon, Inc.*	2,500	200,975
Genzyme Corp.*	47,400	3,052,560
Gilead Sciences, Inc.*	84,200	3,264,434
		6,517,969
Health Care Equipment & Supplies 2.0%		
Advanced Medical Optics, Inc.*	42,900	1,496,352
Becton, Dickinson & Co.	35,500	2,644,750
Dade Behring Holdings, Inc.	15,300	812,736
Zimmer Holdings, Inc.*	7,200	611,208
		5,565,046
Health Care Providers & Services 2.6%		
Aetna, Inc.	13,100	647,140
Coventry Health Care, Inc.*	36,100	2,081,165
Health Net, Inc.*	13,600	718,080
Humana, Inc.*	37,700	2,296,307
WellPoint, Inc.*	17,200	1,373,076
		7,115,768
Life Sciences Tools & Services 0.4%		
Invitrogen Corp.*	16,400	**1,209,500**
Pharmaceuticals 4.2%		
Abbott Laboratories	93,100	4,985,505
Eli Lilly & Co.	77,900	4,353,052
Merck & Co., Inc.	17,500	871,500
Pfizer, Inc.	1,900	48,583
Sepracor, Inc.*	35,600	1,460,312
		11,718,952
Industrials 11.9%		
Aerospace & Defense 6.3%		
Boeing Co.	55,640	5,350,342
General Dynamics Corp.	11,700	915,174
Honeywell International, Inc.	73,520	4,137,706
Lockheed Martin Corp.	48,400	4,555,892
Precision Castparts Corp.	7,700	934,472
Raytheon Co.	30,100	1,622,089
		17,515,675
Airlines 1.3%		
AMR Corp.*	69,000	1,818,150
Continental Airlines, Inc. "B"*	50,700	1,717,209
		3,535,359
Commercial Services & Supplies 0.6%		
Brink's Co.	8,500	526,065
Dun & Bradstreet Corp.	5,900	607,582
Equifax, Inc.	12,800	568,576
		1,702,223
Construction & Engineering 0.1%		
Fluor Corp.	2,900	**322,973**
Industrial Conglomerates 1.0%		
General Electric Co.	73,850	**2,826,978**
Machinery 1.8%		
AGCO Corp.*	12,300	533,943
Caterpillar, Inc.	49,500	3,875,850
PACCAR, Inc.	6,300	548,352
		4,958,145
Road & Rail 0.8%		
Hertz Global Holdings, Inc.*	12,300	326,811
Ryder System, Inc.	32,900	1,770,020
		2,096,831
Information Technology 13.6%		
Communications Equipment 0.1%		
Cisco Systems, Inc.*	6,930	**193,001**
Computers & Peripherals 4.9%		
Hewlett-Packard Co.	110,500	4,930,510
International Business Machines Corp.	56,400	5,936,100
Lexmark International, Inc. "A"*	27,000	1,331,370
NCR Corp.*	5,300	278,462
Western Digital Corp.*	56,100	1,085,535
		13,561,977
Electronic Equipment & Instruments 0.2%		
Vishay Intertechnology, Inc.*	42,400	**670,768**
Internet Software & Services 1.3%		
eBay, Inc.*	34,170	1,099,591
Google, Inc. "A"*	4,220	2,208,663
Yahoo!, Inc.*	6,100	165,493
		3,473,747
IT Services 0.9%		
Accenture Ltd. "A"	10,600	454,634
Computer Sciences Corp.*	24,900	1,472,835
Convergys Corp.*	22,600	547,824
		2,475,293
Semiconductors & Semiconductor Equipment 3.0%		
Atmel Corp.*	24,200	134,552
MEMC Electronic Materials, Inc.*	33,200	2,029,184
National Semiconductor Corp.	87,000	2,459,490
NVIDIA Corp.*	46,500	1,920,915
Teradyne, Inc.*	90,200	1,585,716
Xilinx, Inc.	8,200	219,514
		8,349,371
Software 3.2%		
BMC Software, Inc.*	9,600	290,880
Microsoft Corp.	266,375	7,850,071
Symantec Corp.*	31,530	636,906
		8,777,857
Materials 4.3%		
Chemicals 2.7%		
Albemarle Corp.	26,000	1,001,780
Celanese Corp. "A"	56,400	2,187,192
Chemtura Corp.	51,200	568,832

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Huntsman Corp.	37,800	918,918
Lyondell Chemical Co.	75,900	2,817,408
		7,494,130
Containers & Packaging 0.4%		
Packaging Corp. of America	21,700	549,227
Sonoco Products Co.	11,600	496,596
		1,045,823
Metals & Mining 1.2%		
Cleveland-Cliffs, Inc.	8,000	621,360
Nucor Corp.	41,900	2,457,435
United States Steel Corp.	2,300	250,125
		3,328,920
Telecommunication Services 4.3%		
Diversified Telecommunication Services 4.2%		
AT&T, Inc.	25,780	1,069,870
CenturyTel, Inc.	18,600	912,330
Citizens Communications Co.	116,200	1,774,374
Embarq Corp.	32,400	2,053,188
Verizon Communications, Inc.	133,000	5,475,610
Windstream Corp.	18,200	268,632
		11,554,004
Wireless Telecommunication Services 0.1%		
United States Cellular Corp.*	2,200	**199,320**
Utilities 3.1%		
Electric Utilities 2.0%		
Exelon Corp.	31,080	2,256,408
Southern Co.	92,300	3,164,967
		5,421,375
Multi-Utilities 1.1%		
PG&E Corp.	5,000	226,500
Sempra Energy	47,000	2,783,810
		3,010,310
Total Common Stocks (Cost $252,698,415)		**267,325,442**

	Principal Amount ($)	Value ($)
Government & Agency Obligations 0.2%		
US Treasury Bill, 4.845%**, 7/19/2007 (a) (Cost $598,547)	600,000	**598,547**

	Shares	Value ($)
Cash Equivalents 2.1%		
Cash Management QP Trust, 5.34% (b) (Cost $5,673,347)	5,673,347	**5,673,347**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $258,970,309)†	99.2	**273,597,336**
Other Assets and Liabilities, Net	0.8	**2,317,337**
Net Assets	100.0	**275,914,673**

* *Non-income producing security.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $260,432,467. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $13,164,869. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $20,617,649 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $7,452,780.*

(a) *At June 30, 2007, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

REIT: Real Estate Investment Trust

At June 30, 2007, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Appreciation ($)
S&P 500 Index	9/20/2007	22	8,303,973	8,334,700	30,727

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $253,296,962)	$	267,923,989
Investment in Cash Management QP Trust (cost $5,673,347)		5,673,347
Total investments in securities, at value (cost $258,970,309)		273,597,336
Receivable for investments sold		24,637,193
Dividends receivable		206,306
Interest receivable		30,891
Receivable for Portfolio shares sold		37,304
Foreign taxes recoverable		514
Other assets		2,624
Total assets		298,512,168

Liabilities		
Payable for investments purchased		22,235,617
Payable for Portfolio shares redeemed		172,512
Payable for daily variation margin on open futures contracts		9,900
Accrued management fee		88,651
Accrued distribution service fee (Class B)		3,096
Accrued shareholder service fee (Class A)		123
Other accrued expenses and payables		87,596
Total liabilities		22,597,495
Net assets, at value	**$**	**275,914,673**

Net Assets		
Net assets consist of:		
Undistributed net investment income		1,605,134
Net unrealized appreciation (depreciation) on:		
Investments		14,627,027
Futures		30,727
Accumulated net realized gain (loss)		29,419,421
Paid-in capital		230,232,364
Net assets, at value	**$**	**275,914,673**
Class A		
Net Asset Value, offering and redemption price per share ($259,758,813 ÷ 23,549,673 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**11.03**
Class B		
Net Asset Value, offering and redemption price per share ($16,155,860 ÷ 1,467,370 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**11.01**

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $19,980)	$	2,370,284
Interest		12,518
Interest — Cash Management QP Trust		179,819
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		22,966
Total Income		2,585,587
Expenses:		
Management fee		595,459
Administration fee		154,648
Custodian fee		19,665
Distribution service fee (Class B)		50,183
Shareholder service fee (Class A)		369
Shareholder service fee (Class B)		107
Record keeping fee (Class B)		25,426
Auditing		20,365
Legal		12,227
Trustees' fees and expenses		7,905
Reports to shareholders and shareholder meeting		91,163
Other		10,825
Total expenses before expense reductions		988,342
Expense reductions		(22,796)
Total expenses after expense reductions		965,546
Net investment income (loss)		**1,620,041**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		40,865,934
Futures		505,294
Foreign currency related transactions		2,927
		41,374,155
Net unrealized appreciation (depreciation) during the period on:		
Investments		(31,979,040)
Futures		30,727
Foreign currency related transactions		173
		(31,948,140)
Net gain (loss) on investment transactions		**9,426,015**
Net increase (decrease) in net assets resulting from operations	**$**	**11,046,056**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 1,620,041	$ 3,845,235
Net realized gain (loss) on investment transactions	41,374,155	24,911,633
Net unrealized appreciation (depreciation) during the period on investment transactions	(31,948,140)	12,505,619
Net increase (decrease) in net assets resulting from operations	11,046,056	41,262,487
Distributions to shareholders from:		
Net investment income:		
Class A	(3,254,218)	(2,664,327)
Class B	(431,057)	(286,921)
Net realized gains:		
Class A	(3,589,531)	—
Class B	(675,883)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	3,966,209	14,579,038
Reinvestment of distributions	6,843,749	2,664,327
Cost of shares redeemed	(33,029,035)	(64,690,476)
Net increase (decrease) in net assets from Class A share transactions	(22,219,077)	(47,447,111)
Class B		
Proceeds from shares sold	1,464,256	8,202,285
Net assets acquired in tax-free reorganization	—	5,500,068
Reinvestment of distributions	1,106,940	286,921
Cost of shares redeemed	(39,364,885)	(14,614,169)
Net increase (decrease) in net assets from Class B share transactions	(36,793,689)	(624,895)
Increase (decrease) in net assets	(55,917,399)	(9,760,767)
Net assets at beginning of period	331,832,072	341,592,839
Net assets at end of period (including undistributed net investment income of $1,605,134 and $3,670,368, respectively)	**$ 275,914,673**	**$ 331,832,072**

Other Information		
Class A		
Shares outstanding at beginning of period	25,561,711	30,277,518
Shares sold	359,411	1,462,864
Shares issued to shareholders in reinvestment of distributions	621,594	265,107
Shares redeemed	(2,993,043)	(6,443,778)
Net increase (decrease) in Class A shares	(2,012,038)	(4,715,807)
Shares outstanding at end of period	**23,549,673**	**25,561,711**
Class B		
Shares outstanding at beginning of period	4,788,468	4,883,742
Shares sold	134,384	780,726
Shares issued in tax-free reorganization	—	509,730
Shares issued to shareholders in reinvestment of distributions	100,722	28,606
Shares redeemed	(3,556,204)	(1,414,336)
Net increase (decrease) in Class B shares	(3,321,098)	(95,274)
Shares outstanding at end of period	**1,467,370**	**4,788,468**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$10.94**	**$ 9.72**	**$ 9.29**	**$ 8.50**	**$ 6.77**	**$ 8.90**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.06	.13[d]	.10	.12	.07	.07
Net realized and unrealized gain (loss) on investment transactions	.31	1.19	.45	.74	1.74	(2.12)
Total from investment operations	.37	1.32	.55	.86	1.81	(2.05)
Less distributions from:						
Net investment income	(.13)	(.10)	(.12)	(.07)	(.08)	(.08)
Net realized gains on investment transactions	(.15)	—	—	—	—	—
Total distributions	(.28)	(.10)	(.12)	(.07)	(.08)	(.08)
Net asset value, end of period	**$11.03**	**$10.94**	**$ 9.72**	**$ 9.29**	**$ 8.50**	**$ 6.77**
Total Return (%)	3.42[c]**	13.63[c,d]	6.07[c]	10.16	26.74	(23.13)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	260	280	294	172	161	135
Ratio of expenses before expense reductions (%)	.56*	.56	.57	.56	.59	.57
Ratio of expenses after expense reductions (%)	.55*	.54	.54	.56	.59	.57
Ratio of net investment income (loss) (%)	1.12*	1.24[d]	1.10	1.37	.91	.92
Portfolio turnover rate (%)	210**	105	115	33	37	66

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
d *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (See Note H). The non-recurring income resulted in an increase in net investment income of $0.007 per share and an increase in the ratio of net investment income of 0.07%. Excluding this non-recurring income, total return would have been 0.06% lower.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$10.90**	**$ 9.68**	**$ 9.25**	**$ 8.47**	**$ 6.75**	**$ 8.87**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.04	.09[d]	.07	.09	.05	.05
Net realized and unrealized gain (loss) on investment transactions	.31	1.19	.45	.73	1.73	(2.12)
Total from investment operations	.35	1.28	.52	.82	1.78	(2.07)
Less distributions from:						
Net investment income	(.09)	(.06)	(.09)	(.04)	(.06)	(.05)
Net realized gains on investment transactions	(.15)	—	—	—	—	—
Total distributions	(.24)	(.06)	(.09)	(.04)	(.06)	(.05)
Net asset value, end of period	**$11.01**	**$10.90**	**$ 9.68**	**$ 9.25**	**$ 8.47**	**$ 6.75**
Total Return (%)	3.25[c]**	13.28[c,d]	5.73[c]	9.78	26.55	(23.40)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	16	52	47	33	18	7
Ratio of expenses before expense reductions (%)	.95*	.94	.95	.89	.85	.82
Ratio of expenses after expense reductions (%)	.90*	.89	.89	.89	.85	.82
Ratio of net investment income (loss) (%)	.77*	.89[d]	.75	1.04	.65	.67
Portfolio turnover rate (%)	210**	105	115	33	37	66

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
d *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (See Note H). The non-recurring income resulted in an increase in net investment income of $0.007 per share and an increase in the ratio of net investment income of 0.07%. Excluding this non-recurring income, total return would have been 0.06% lower.*
* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Capital Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,068.50	$1,066.50
Expenses Paid per $1,000*	$ 2.67	$ 4.61
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,022.22	$1,020.33
Expenses Paid per $1,000*	$ 2.61	$ 4.51

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Capital Growth VIP	.52%	.90%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

Management Summary

June 30, 2007

DWS Capital Growth VIP

Except for a period of weakness in late February and early March, equity markets were quite strong during the first six months of 2007. By the end of May, most indices were near their all-time highs. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, returned 7.11% for the six-month period. Growth stocks, as measured by the Russell 1000® Growth Index, performed better than value stocks, as measured by the Russell 1000® Value Index. For the period ending June 30, 2007, the Portfolio's Class A shares, unadjusted for contract charges, underperformed its benchmarks, the Russell 1000 Growth Index, which posted a return of 8.13%, and the Standard & Poor's® 500 (S&P 500®) Index, which returned 6.96%. The Portfolio's performance relative to the Russell 1000 Growth Index was helped by sector allocation decisions, while stock selection detracted from performance.

Positioning within the energy sector was the largest contributor to performance during the six-month period as the Portfolio's significant overweight to the sector continued to be rewarded.[1] Stock selection within the sector also contributed as Schlumberger Ltd., Devon Energy Corp. and Baker Hughes, Inc. were among the best performing energy holdings.

Positioning within the information technology sector also proved additive to returns during the six-month period. The strongest returns came from those firms with innovative new products or dominant/growing market share positions. Examples of this strength included Portfolio holdings Apple, Inc. and Intel Corp.

Security selection within the consumer discretionary and health care sectors detracted from performance. In the consumer discretionary sector, weakness was visible in holdings such as Harley-Davidson, Inc. and Starbucks Corp. In health care, performance was hurt by drops in large positions including Johnson & Johnson and Genentech, Inc. However, several large health care holdings, including Gilead Sciences, Inc. and Baxter International, Inc., were up strongly.

Underweight positions in utilities and materials, two sectors in which there are few growth opportunities, was a factor in the Portfolio's underperformance relative to the Russell 1000 Growth index, as these sectors were quite strong.

Julie M. Van Cleave, CFA	Jack A. Zehner
Lead Portfolio Manager	*Portfolio Manager*

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Please read this Portfolio's prospectus for specific information regarding its investments and risk profile.

The Russell 3000 Index measures the performance of the 3,000 largest US companies based on total market capitalization, which represents approximately 98% of the investable US equity market.

The Russell 1000 Growth Index is an unmanaged capitalization-weighted index containing those securities in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly in an index.

1 *"Overweight" means the Portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the Portfolio holds a lower weighting.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Capital Growth VIP

Asset Allocation (Excludes Securities Lending Collateral)	6/30/07	12/31/06
Common Stocks	98%	98%
Cash Equivalents	2%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	6/30/07	12/31/06
Information Technology	21%	22%
Health Care	17%	19%
Consumer Discretionary	14%	12%
Energy	14%	15%
Consumer Staples	12%	14%
Industrials	10%	9%
Financials	8%	8%
Materials	3%	1%
Telecommunication Services	1%	—
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 30. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

Investment Portfolio

June 30, 2007 (Unaudited)

DWS Capital Growth VIP

	Shares	Value ($)
Common Stocks 98.4%		
Consumer Discretionary 14.2%		
Automobiles 0.8%		
Harley-Davidson, Inc. (a)	157,700	**9,400,497**
Hotels Restaurants & Leisure 1.9%		
McDonald's Corp.	280,900	14,258,484
Starbucks Corp.*	242,195	6,355,197
		20,613,681
Household Durables 1.0%		
Fortune Brands, Inc.	129,500	**10,666,915**
Media 3.0%		
McGraw-Hill Companies, Inc.	262,900	17,898,232
Omnicom Group, Inc.	298,880	15,816,730
		33,714,962
Multiline Retail 3.5%		
Kohl's Corp.*	180,000	12,785,400
Nordstrom, Inc.	97,600	4,989,312
Target Corp.	341,600	21,725,760
		39,500,472
Specialty Retail 2.9%		
Best Buy Co., Inc. (a)	92,900	4,335,643
Lowe's Companies, Inc.	267,600	8,212,644
Staples, Inc.	606,665	14,396,160
Tiffany & Co.	105,500	5,597,830
		32,542,277
Textiles, Apparel & Luxury Goods 1.1%		
Coach, Inc.*	259,800	**12,311,922**
Consumer Staples 11.6%		
Beverages 3.7%		
Diageo PLC	625,507	13,025,561
PepsiCo, Inc.	439,425	28,496,711
		41,522,272
Food & Staples Retailing 2.2%		
Shoppers Drug Mart Corp.	130,200	6,030,573
Walgreen Co.	418,300	18,212,782
		24,243,355
Food Products 2.9%		
Dean Foods Co.	226,618	7,222,316
Groupe Danone	138,401	11,242,870
Kellogg Co.	204,200	10,575,518
Royal Numico NV	64,547	3,366,022
		32,406,726
Household Products 2.8%		
Colgate-Palmolive Co.	144,740	9,386,389
Procter & Gamble Co.	369,370	22,601,750
		31,988,139
Energy 13.6%		
Energy Equipment & Services 7.0%		
Baker Hughes, Inc.	245,000	20,611,850
Noble Corp. (a)	116,400	11,351,328
Schlumberger Ltd.	344,800	29,287,312
Transocean, Inc.*	166,640	17,660,507
		78,910,997

	Shares	Value ($)
Oil, Gas & Consumable Fuels 6.6%		
ConocoPhillips	158,260	12,423,410
Devon Energy Corp.	252,500	19,768,225
EOG Resources, Inc.	166,725	12,180,928
Valero Energy Corp.	158,845	11,732,292
XTO Energy, Inc.	288,466	17,336,807
		73,441,662
Financials 7.6%		
Capital Markets 3.9%		
Lehman Brothers Holdings, Inc.	166,800	12,429,936
Merrill Lynch & Co., Inc.	142,360	11,898,449
The Goldman Sachs Group, Inc.	48,200	10,447,350
UBS AG (Registered) (b)	29,900	1,794,299
UBS AG (Registered) (b)	122,687	7,392,356
		43,962,390
Consumer Finance 0.9%		
American Express Co.	170,050	**10,403,659**
Diversified Financial Services 1.9%		
Bank of America Corp.	259,000	12,662,510
Chicago Mercantile Exchange Holdings, Inc. "A"	15,377	8,216,854
		20,879,364
Insurance 0.9%		
Aflac, Inc.	189,524	**9,741,533**
Health Care 17.2%		
Biotechnology 4.9%		
Celgene Corp.*	143,800	8,244,054
Genentech, Inc.*	294,250	22,262,955
Gilead Sciences, Inc.*	636,920	24,693,388
		55,200,397
Health Care Equipment & Supplies 5.5%		
Baxter International, Inc.	361,800	20,383,812
C.R. Bard, Inc.	121,500	10,039,545
Medtronic, Inc.	326,500	16,932,290
Zimmer Holdings, Inc.*	170,840	14,502,608
		61,858,255
Health Care Providers & Services 2.0%		
Laboratory Corp. of America Holdings*	112,700	8,819,902
UnitedHealth Group, Inc.	266,885	13,648,499
		22,468,401
Life Sciences Tools & Services 0.5%		
Thermo Fisher Scientific, Inc.*	111,100	**5,746,092**
Pharmaceuticals 4.3%		
Abbott Laboratories	237,700	12,728,835
Eli Lilly & Co.	116,100	6,487,668
Johnson & Johnson	459,666	28,324,619
		47,541,122
Industrials 9.6%		
Aerospace & Defense 2.5%		
Honeywell International, Inc.	177,600	9,995,328
United Technologies Corp.	251,700	17,853,081
		27,848,409

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Air Freight & Logistics 1.2%		
FedEx Corp.	122,120	**13,551,657**
Electrical Equipment 1.9%		
Emerson Electric Co.	459,000	**21,481,200**
Industrial Conglomerates 2.4%		
General Electric Co.	711,365	**27,231,052**
Machinery 1.6%		
Caterpillar, Inc.	144,200	11,290,860
Parker Hannifin Corp.	61,000	5,972,510
		17,263,370
Information Technology 20.7%		
Communications Equipment 2.7%		
Cisco Systems, Inc.*	702,620	19,567,967
QUALCOMM, Inc.	252,400	10,951,636
		30,519,603
Computers & Peripherals 5.9%		
Apple, Inc.*	225,035	27,463,271
EMC Corp.*	838,615	15,178,932
Hewlett-Packard Co.	222,600	9,932,412
International Business Machines Corp.	135,700	14,282,425
		66,857,040
Electronic Equipment & Instruments 0.6%		
Mettler-Toledo International, Inc.*	66,600	**6,360,966**
Internet Software & Services 1.9%		
Google, Inc. "A"*	22,525	11,789,135
Yahoo!, Inc.*	338,625	9,186,896
		20,976,031
IT Services 2.4%		
Accenture Ltd. "A"	407,800	17,490,542
Paychex, Inc.	240,200	9,396,624
		26,887,166
Semiconductors & Semiconductor Equipment 3.5%		
Broadcom Corp. "A"*	196,500	5,747,625
Intel Corp.	728,490	17,308,922
Texas Instruments, Inc.	432,010	16,256,536
		39,313,083
Software 3.7%		
Adobe Systems, Inc.*	269,575	10,823,436
Electronic Arts, Inc.*	185,700	8,787,324
Microsoft Corp.	736,180	21,695,225
		41,305,985
Materials 2.9%		
Chemicals		
Ecolab, Inc.	249,200	10,640,840
Monsanto Co.	145,300	9,813,562
Praxair, Inc.	163,400	11,763,166
		32,217,568
Telecommunication Services 1.0%		
Diversified Telecommunication Services 0.5%		
AT&T, Inc.	138,900	**5,764,350**
Wireless Telecommunication Services 0.5%		
American Tower Corp. "A"*	135,700	**5,699,400**
Total Common Stocks (Cost $712,100,062)		**1,102,341,970**
Securities Lending Collateral 1.3%		
Daily Assets Fund Institutional, 5.36% (c) (d) (Cost $14,945,200)	14,945,200	**14,945,200**
Cash Equivalents 1.6%		
Cash Management QP Trust, 5.34% (c) (Cost $18,349,309)	18,349,309	**18,349,309**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $745,394,571)†	101.3	**1,135,636,479**
Other Assets and Liabilities, Net	(1.3)	**(15,028,252)**
Net Assets	100.0	**1,120,608,227**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $754,266,845. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $381,369,634. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $393,812,660 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $12,443,026.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $14,624,820 which is 1.3% of net assets.*

(b) *Securities with the same description are the same corporate entity but trade on different stock exchanges.*

(c) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $712,100,062), including $14,624,820 of securities loaned	$ 1,102,341,970
Investment in Daily Assets Fund Institutional (cost $14,945,200)*	14,945,200
Investment in Cash Management QP Trust (cost $18,349,309)	18,349,309
Total investments in securities, at value (cost $745,394,571)	1,135,636,479
Receivable for investment sold	8,574,535
Dividends receivable	614,860
Interest receivable	67,070
Receivable for Portfolio shares sold	38,955
Foreign taxes recoverable	58,009
Other assets	20,006
Total assets	1,145,009,914
Liabilities	
Payable for investments purchased	8,345,268
Payable for Portfolio shares redeemed	559,755
Payable upon return of securities loaned	14,945,200
Accrued management fee	302,312
Accrued distribution service fee (Class B)	3,231
Other accrued expenses and payables	245,921
Total liabilities	24,401,687
Net assets, at value	**$ 1,120,608,227**
Net Assets	
Net assets consist of:	
Undistributed net investment income	7,587,239
Net unrealized appreciation (depreciation) on:	
Investments	390,241,908
Foreign currency related transactions	(347)
Accumulated net realized gain (loss)	(359,868,014)
Paid-in capital	1,082,647,441
Net assets, at value	**$ 1,120,608,227**
Class A	
Net Asset Value, offering and redemption price per share ($1,101,782,579 ÷ 56,880,825 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 19.37**
Class B	
Net Asset Value, offering and redemption price per share ($18,825,648 ÷ 974,696 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 19.31**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $82,332)	$ 10,532,205
Interest	829
Interest — Cash Management QP Trust	421,317
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	32,752
Total Income	10,987,103
Expenses:	
Management fee	2,168,617
Administration fee	592,250
Custodian fee	46,329
Distribution service fee (Class B)	98,053
Shareholder service fee (Class A)	455
Shareholder service fee (Class B)	101
Record keeping fee (Class B)	54,269
Auditing	18,441
Legal	18,214
Trustees' fees and expenses	17,620
Reports to shareholders and shareholder meeting	409,944
Other	15,603
Total expenses before expense reductions	3,439,896
Expense reductions	(54,541)
Total expenses after expense reductions	3,385,355
Net investment income (loss)	**7,601,748**
Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	31,887,280
Foreign currency related transactions	(1,986)
	31,885,294
Net unrealized appreciation (depreciation) during the period on:	
Investments	40,696,613
Foreign currency related transactions	(252)
	40,696,361
Net gain (loss) on investment transactions	**72,581,655**
Net increase (decrease) in net assets resulting from operations	**$ 80,183,403**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 7,601,748	$ 7,388,043
Net realized gain (loss) on investment transactions	31,885,294	15,481,308
Net unrealized appreciation (depreciation) during the period on investment transactions	40,696,361	58,267,822
Net increase (decrease) in net assets resulting from operations	80,183,403	81,137,173
Distributions to shareholders from:		
Net investment income:		
Class A	(6,887,657)	(5,636,032)
Class B	(258,683)	(141,341)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	13,285,816	16,358,245
Net assets acquired in tax-free reorganization	—	210,765,818
Reinvestment of distributions	6,887,657	5,636,032
Cost of shares redeemed	(116,226,628)	(203,567,867)
Net increase (decrease) in net assets from Class A share transactions	(96,053,155)	29,192,228
Class B		
Proceeds from shares sold	866,223	43,601,768
Net assets acquired in tax-free reorganization	—	37,158,118
Reinvestment of distributions	258,683	141,341
Cost of shares redeemed	(95,858,349)	(51,781,199)
Net increase (decrease) in net assets from Class B share transactions	(94,733,443)	29,120,028
Increase (decrease) in net assets	(117,749,535)	133,672,056
Net assets at beginning of period	1,238,357,762	1,104,685,706
Net assets at end of period (including undistributed net investment income of $7,587,239 and $7,131,831, respectively)	**$ 1,120,608,227**	**$ 1,238,357,762**

Other Information		
Class A		
Shares outstanding at beginning of period	62,005,444	61,042,375
Shares sold	721,238	949,778
Shares issued in tax-free reorganization	—	11,523,100
Shares issued to shareholders in reinvestment of distributions	362,508	322,982
Shares redeemed	(6,208,365)	(11,832,791)
Net increase (decrease) in Class A shares	(5,124,619)	963,069
Shares outstanding at end of period	**56,880,825**	**62,005,444**
Class B		
Shares outstanding at beginning of period	5,921,673	4,353,863
Shares sold	47,085	2,415,727
Shares issued in tax-free reorganization	—	2,040,472
Shares issued to shareholders in reinvestment of distributions	13,644	8,123
Shares redeemed	(5,007,706)	(2,896,512)
Net increase (decrease) in Class B shares	(4,946,977)	1,567,810
Shares outstanding at end of period	**974,696**	**5,921,673**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$18.24**	**$16.90**	**$15.67**	**$14.59**	**$11.54**	**$16.36**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.12[e]	.13[d]	.10	.14	.08	.05
Net realized and unrealized gain (loss) on investment transactions	1.13	1.31	1.29	1.02	3.03	(4.82)
Total from investment operations	1.25	1.44	1.39	1.16	3.11	(4.77)
Less distributions from:						
Net investment income	(.12)	(.10)	(.16)	(.08)	(.06)	(.05)
Net asset value, end of period	**$19.37**	**$18.24**	**$16.90**	**$15.67**	**$14.59**	**$11.54**
Total Return (%)	6.85[c]**	8.53[c,d]	8.96[c]	7.99	26.89	(29.18)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	1,102	1,131	1,031	698	705	558
Ratio of expenses before expense reductions (%)	.53*	.52	.50	.50	.51	.51
Ratio of expenses after expense reductions (%)	.52*	.49	.49	.50	.51	.51
Ratio of net investment income (loss) (%)	1.01[e]*	.73[d]	.61	.98	.61	.38
Portfolio turnover rate (%)	14**	16	17	15	13	25

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
d *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note H). The non-recurring income resulted in an increase in net investment income of $0.007 per share and an increase in the ratio of net investment income of 0.04%. Excluding this non-recurring income, total return would have been 0.03% lower.*
e *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.06 per share and 0.33% of average daily net assets, respectively.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$18.15**	**$16.81**	**$15.59**	**$14.52**	**$11.49**	**$16.29**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.08[e]	.06[d]	.04	.09	.03	.02
Net realized and unrealized gain (loss) on investment transactions	1.13	1.31	1.28	1.01	3.02	(4.81)
Total from investment operations	1.21	1.37	1.32	1.10	3.05	(4.79)
Less distributions from:						
Net investment income	(.05)	(.03)	(.10)	(.03)	(.02)	(.01)
Net asset value, end of period	**$19.31**	**$18.15**	**$16.81**	**$15.59**	**$14.52**	**$11.49**
Total Return (%)	6.65[c]**	8.17[c,d]	8.51[c]	7.56	26.51	(29.37)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	19	107	73	23	15	.89
Ratio of expenses before expense reductions (%)	.93*	.91	.89	.88	.87	.76
Ratio of expenses after expense reductions (%)	.90*	.86	.86	.88	.87	.76
Ratio of net investment income (loss) (%)	.63[e]*	.36[d]	.24	.60	.25	.13
Portfolio turnover rate (%)	14**	16	17	15	13	25

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
d *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note H). The non-recurring income resulted in an increase in net investment income of $0.007 per share and an increase in the ratio of net investment income of 0.04%. Excluding this non-recurring income, total return would have been 0.03% lower.*
e *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.06 per share and 0.33% of average daily net assets, respectively.*
* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Global Opportunities VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,090.30	$1,088.60
Expenses Paid per $1,000*	$ 5.91	$ 7.87
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,019.14	$1,017.26
Expenses Paid per $1,000*	$ 5.71	$ 7.60

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series I — DWS Global Opportunities VIP	1.14%	1.52%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

Management Summary

June 30, 2007

DWS Global Opportunities VIP

For the period ending June 30, 2007, DWS Global Opportunities VIP's Class A shares, unadjusted for contract charges, trailed the 11.86% return of its benchmark, the S&P®/Citigroup World Extended Market Index. A natural outcome of our long-term, buy-and-hold approach is that the Portfolio will periodically underperform in the short term. Still, we believe the effectiveness of our strategy is well illustrated by the fact that the Portfolio remains well ahead of both its benchmark and the peer group average over the three-, five- and ten-year periods.

During the most recent six months, relative performance was dampened by the Portfolio's above-benchmark weighting in the underperforming health care sector.[1] A leading individual detractor in this area was Fresenius Medical Care AG & Co., a stock we continue to hold based on its long-term prospects. The Portfolio also was hurt by its underweight in the strong-performing industrials and materials sectors, a positioning that is a natural outcome of our growth orientation. This shortfall was made up to some extent by the outperformance of the Portfolio's holdings in the consumer discretionary sector. In addition, four Portfolio holdings were bid for at substantial premiums to their market prices: Puma AG, Harman International Industries, Inc., Nuveen Investments and Tandberg Television ASA.*

We believe the Portfolio remains well-positioned due to our use of fundamental research to identify what we see as the very best opportunities within an extremely broad investment universe. Even in the event of a market downturn — in which case small-caps would not be immune — we remain confident in the investment stories of the companies we hold in the Portfolio.

Joseph Axtell, CFA	Terrence S. Gray, CFA
Lead Portfolio Manager	*Portfolio Manager*

Risk Considerations

This Portfolio is subject to stock market risk. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuations, political and economic changes and market risks. Additionally, stocks of small-sized companies involve greater risk as they often have limited product lines, markets or financial resources and may be sensitive to erratic and abrupt market movements more so than securities of larger, more established companies. Derivatives may be more volatile and less liquid than traditional securities, and the Portfolio could suffer losses on an underlying Portfolio's derivative position. Investing in securities of emerging markets presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The S&P®/Citigroup World Equity Extended Market Index (Citigroup World Equity EMI), is an unmanaged index of small-capitalization stocks within 26 countries around the globe.

Index returns assume the reinvestment of dividends net of withholding tax and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

* *As of June 30, 2007, the position was sold.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Global Opportunities VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	97%	97%
Cash Equivalents	3%	3%
	100%	100%

Geographical Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/07**	**12/31/06**
Continental Europe	39%	41%
United States	30%	32%
United Kingdom	10%	7%
Pacific Basin	7%	7%
Japan	6%	7%
Australia	3%	3%
Latin America	2%	2%
Canada	2%	1%
Other	1%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/07**	**12/31/06**
Financials	24%	27%
Information Technology	17%	15%
Health Care	16%	17%
Industrials	13%	12%
Consumer Discretionary	12%	13%
Energy	9%	8%
Consumer Staples	3%	2%
Utilities	3%	3%
Materials	2%	2%
Telecommunication Services	1%	1%
	100%	100%

Asset allocation, geographical diversification and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 38. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Global Opportunities VIP

	Shares	Value ($)
Common Stocks 96.3%		
Australia 2.5%		
Babcock & Brown Ltd.	209,247	5,665,481
Sigma Pharmaceuticals Ltd. (a)	1,798,238	3,230,740
(Cost $6,385,379)		**8,896,221**
Bahrain 0.7%		
Gulf Finance House EC (GDR) 144A* (Cost $2,427,500)	97,100	**2,427,500**
Bermuda 0.6%		
Orient-Express Hotels Ltd. "A" (Cost $1,244,479)	40,300	**2,152,020**
Brazil 1.9%		
Aracruz Celulose SA "B" (ADR) (Preferred)	52,700	3,490,848
Diagnosticos da America SA	138,300	3,054,215
(Cost $4,115,396)		**6,545,063**
Canada 1.8%		
Certicom Corp.*	309,200	1,158,140
Flint Energy Services Ltd.*	44,400	1,187,890
OPTI Canada, Inc.*	80,700	1,721,196
SunOpta, Inc.*	192,200	2,143,030
(Cost $5,866,359)		**6,210,256**
France 3.7%		
Business Objects SA*	24,644	961,699
Business Objects SA (ADR)*	53,900	2,093,476
Financiere Marc de Lacharriere SA (a)	27,005	2,641,078
Flamel Technologies SA (ADR)* (a)	183,500	3,847,995
JC Decaux SA	104,376	3,311,738
(Cost $9,976,250)		**12,855,986**
Germany 13.6%		
AWD Holding AG (a)	83,583	3,548,445
Compugroup Holding AG*	78,100	1,739,183
Francotyp-Postalia Holding AG*	23,808	522,901
Fresenius Medical Care AG & Co.	197,207	9,102,503
Grenkeleasing AG	44,217	2,047,966
Hypo Real Estate Holding AG (a)	55,340	3,584,641
M.A.X. Automation AG (a)	352,294	2,642,676
Puma AG	3,967	1,770,271
QSC AG* (a)	269,712	1,742,019
Rational AG (a)	13,084	2,563,823
Software AG (a)	22,761	2,208,573
Stada Arzneimittel AG (a)	102,434	6,511,677
United Internet AG (Registered) (a)	294,343	6,119,266
Wincor Nixdorf AG	40,034	3,710,591
(Cost $23,935,710)		**47,814,535**
Greece 5.2%		
Coca-Cola Hellenic Bottling Co. SA	86,600	3,983,825
Hellenic Exchanges Holding SA	106,800	2,784,732
Piraeus Bank SA	225,675	8,257,675
Titan Cement Co. SA	55,900	3,236,328
(Cost $7,366,197)		**18,262,560**
Hong Kong 3.3%		
Kingboard Chemical Holdings Ltd.	1,246,240	5,726,731
Midland Holdings Ltd.	2,529,557	1,589,209
Wing Hang Bank Ltd.	380,500	4,181,794
(Cost $4,956,149)		**11,497,734**
Ireland 5.5%		
Anglo Irish Bank Corp. PLC	304,919	6,247,425
C&C Group PLC (b)	19,088	256,035
C&C Group PLC (b)	155,740	2,091,172
FBD Holdings PLC	47,800	2,052,688
ICON PLC (ADR)*	64,100	2,803,734
Paddy Power PLC	120,473	3,755,985
Ryanair Holdings PLC* (b)	339,000	2,262,016
Ryanair Holdings PLC* (b)	2,200	14,596
(Cost $7,851,122)		**19,483,651**
Italy 1.5%		
Banca Italease (a)	51,716	1,381,851
Lottomatica SpA (a)	42,913	1,706,937
Safilo Group SpA (a)	323,900	2,116,741
(Cost $6,237,589)		**5,205,529**
Japan 6.1%		
AEON Credit Services Co., Ltd.	92,800	1,472,116
AEON Mall Co., Ltd. (a)	144,000	4,417,285
JAFCO Co., Ltd.	21,900	1,004,122
KITZ Corp.	170,000	1,477,539
Matsui Securities Co., Ltd. (a)	166,900	1,486,962
Mitsubishi UFJ Lease & Finance Co., Ltd.	41,700	1,868,973
Nidec Corp. (a)	22,200	1,302,375
Park24 Co., Ltd. (a)	220,000	2,208,857
Sumitomo Realty & Development Co., Ltd.	188,000	6,108,352
(Cost $14,179,998)		**21,346,581**
Korea 0.9%		
Daewoo Shipbuilding & Marine Engineering Co., Ltd. (Cost $857,731)	58,600	**3,314,132**
Netherlands 4.3%		
Arcadis NV	25,086	2,127,510
Chicago Bridge & Iron Co., NV (New York Shares)	124,700	4,706,178
QIAGEN NV*	99,100	1,773,511
SBM Offshore NV	169,883	6,475,645
(Cost $7,284,891)		**15,082,844**
Norway 0.8%		
Electromagnetic GeoServices AS* (a)	36,000	719,998
Prosafe ASA	137,143	2,190,724
(Cost $2,178,750)		**2,910,722**
Spain 0.5%		
Tecnicas Reunidas SA(Cost $1,755,047)	27,891	**1,874,837**
Sweden 1.3%		
Brostrom AB "B" (a)	152,300	1,611,947
Eniro AB	169,900	2,151,573
Micronic Laser Systems AB* (a)	128,200	882,283
(Cost $3,669,050)		**4,645,803**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Switzerland 1.4%		
Advanced Digital Broadcast Holdings SA (ADB Group) (Registered)*	17,933	1,062,354
Fortune Management, Inc. (REG S)* (a)	382,703	1,163,645
Partners Group (Registered)	19,600	2,630,137
(Cost $3,182,031)		**4,856,136**
Taiwan 2.4%		
Fuhwa Financial Holding Co., Ltd.*	2,974,415	1,685,371
Powerchip Semiconductor Corp.	2,624,702	1,597,442
Siliconware Precision Industries Co.	2,485,738	5,276,742
(Cost $4,196,443)		**8,559,555**
Thailand 0.5%		
Bangkok Bank PCL (Foreign Registered) (Cost $1,314,894)	527,600	**1,863,496**
United Kingdom 9.2%		
Aegis Group PLC	527,905	1,443,531
ARM Holdings PLC	1,355,834	3,964,763
Ashmore Group PLC	657,992	3,531,103
BlueBay Asset Management PLC (Unit)*	293,056	2,891,860
Dicom Group PLC	463,976	1,721,604
John Wood Group PLC	265,140	1,791,622
Lamprell PLC	442,400	3,058,274
Michael Page International PLC	441,461	4,641,064
Serco Group PLC	481,171	4,342,211
Taylor Nelson Sofres PLC	495,551	2,343,636
Xchanging Ltd.*	501,028	2,602,353
(Cost $23,835,851)		**32,332,021**
United States 28.6%		
Adams Respiratory Therapeutics, Inc.* (a)	57,500	2,264,925
Advance Auto Parts, Inc.	63,950	2,591,894
Advanced Medical Optics, Inc.* (a)	65,200	2,274,176
Aecom Technology Corp.*	70,868	1,758,235
Aeropostale, Inc.*	75,000	3,126,000
Allegheny Energy, Inc.*	184,100	9,525,334
AMERIGROUP Corp.*	91,200	2,170,560
Bravo! Brands, Inc.*	641,300	9,748
Carter's, Inc.*	91,800	2,381,292
Celgene Corp.*	63,100	3,617,523
Cogent, Inc.* (a)	101,600	1,492,504
Diamond Foods, Inc.	65,000	1,140,750
Dresser-Rand Group, Inc.*	92,800	3,665,600
EMS Technologies, Inc.*	54,500	1,202,270
Euronet Worldwide, Inc.* (a)	93,400	2,723,544
Foundation Coal Holdings, Inc.	60,700	2,466,848
FTI Consulting, Inc.*	91,850	3,493,055
Gentex Corp.	83,100	1,636,239
Harman International Industries, Inc.	25,900	3,025,120
Harris Interactive, Inc.*	143,500	767,725
Invitrogen Corp.*	25,900	1,910,125
Itron, Inc.* (a)	58,300	4,543,902
Joy Global, Inc.	86,475	5,044,087
Lam Research Corp.*	34,200	1,757,880
Metabolix, Inc.*	47,600	1,191,428
Mueller Water Products, Inc. "A" (a)	92,300	1,574,638
NeuStar, Inc. "A"*	69,100	2,001,827
Nuveen Investments "A"	55,700	3,461,755
NxStage Medical, Inc.* (a)	195,000	2,521,350
Owens & Minor, Inc.	66,500	2,323,510
P.F. Chang's China Bistro, Inc.* (a)	46,200	1,626,240
Perficient, Inc.*	87,000	1,800,900
Rowan Companies, Inc.	49,600	2,032,608
Schawk, Inc.	92,100	1,843,842
Somanetics Corp.*	98,900	1,810,859
The First Marblehead Corp.	43,400	1,676,976
Thoratec Corp.*	124,500	2,289,555
THQ, Inc.*	142,100	4,336,892
Ultra Petroleum Corp.*	102,000	5,634,480
(Cost $67,162,726)		**100,716,196**
Total Common Stocks (Cost $209,979,542)		**338,853,378**

Securities Lending Collateral 18.7%

	Shares	Value ($)
Daily Assets Fund Institutional, 5.36% (c) (d) (Cost $65,908,637)	65,908,637	**65,908,637**

Cash Equivalents 2.6%

	Shares	Value ($)
Cash Management QP Trust, 5.34% (c) (Cost $9,330,470)	9,330,470	**9,330,470**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $285,218,649)†	117.6	**414,092,485**
Other Assets and Liabilities, Net	(17.6)	**(62,070,655)**
Net Assets	100.0	**352,021,830**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $293,423,675. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $120,668,810. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $137,735,406 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $17,066,596.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $63,118,262 which is 17.9% of net assets.*

(b) *Securities with the same description are the same corporate entity but trade on different stock exchanges.*

(c) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $209,979,542), including $63,118,262 of securities loaned	$	338,853,378
Investment in Daily Assets Fund Institutional (cost $65,908,637)*		65,908,637
Investment in Cash Management QP Trust (cost $9,330,470)		9,330,470
Total investments in securities, at value (cost $285,218,649)		414,092,485
Cash		910,790
Receivable for investments sold		11,837,705
Dividends receivable		608,449
Interest receivable		61,298
Receivable for Portfolio shares sold		82,628
Foreign taxes recoverable		113,540
Other assets		5,068
Total assets		427,711,963
Liabilities		
Foreign cash overdraft, at value (cost $204,236)		193,456
Payable for investments purchased		9,086,694
Payable for Portfolio shares redeemed		82,744
Payable upon return of securities loaned		65,908,637
Accrued management fee		259,710
Accrued distribution service fee (Class B)		2,696
Accrued shareholder service fee (Class A)		130
Accrued shareholder service fee (Class B)		20
Other accrued expenses and payables		156,046
Total liabilities		75,690,133
Net assets, at value	**$**	**352,021,830**
Net Assets		
Net assets consist of:		
Accumulated distributions in excess of net investment income		(6,363,003)
Net unrealized appreciation (depreciation) on:		
Investments		128,873,836
Foreign currency related transactions		17,469
Accumulated net realized gain (loss)		29,603,014
Paid-in capital		199,890,514
Net assets, at value	**$**	**352,021,830**
Class A		
Net Asset Value, offering and redemption price per share ($339,132,849 ÷ 18,606,495 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**18.23**
Class B		
Net Asset Value, offering and redemption price per share ($12,888,981 ÷ 715,821 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**18.01**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $239,521)	$	3,303,686
Interest		1,299
Interest — Cash Management QP Trust		177,115
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		237,964
Total Income		3,720,064
Expenses:		
Management fee		1,652,362
Administration fee		185,659
Custodian fee		114,381
Distribution service fee (Class B)		37,690
Shareholder service fee (Class A)		339
Shareholder service fee (Class B)		93
Record keeping fee (Class B)		19,181
Auditing		19,464
Legal		14,721
Trustees' fees and expenses		7,815
Reports to shareholders and shareholder meeting		175,614
Other		17,993
Total expenses		2,245,312
Net investment income (loss)		**1,474,752**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		30,081,108
Foreign currency related transactions (including CPMF tax of $48)		(3,322)
		30,077,786
Net unrealized appreciation (depreciation) during the period on:		
Investments		1,668,622
Foreign currency related transactions		15,355
		1,683,977
Net gain (loss) on investment transactions		**31,761,763**
Net increase (decrease) in net assets resulting from operations	**$**	**33,236,515**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 1,474,752	$ 491,309
Net realized gain (loss) on investment transactions	30,077,786	39,905,008
Net unrealized appreciation (depreciation) during the period on investment transactions	1,683,977	26,807,487
Net increase (decrease) in net assets resulting from operations	33,236,515	67,203,804
Distributions to shareholders from:		
Net investment income:		
Class A	(4,162,201)	(3,088,293)
Class B	(385,143)	(323,635)
Net realized gains:		
Class A	(23,747,876)	—
Class B	(2,659,501)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	17,743,828	29,442,382
Reinvestment of distributions	27,910,077	3,088,293
Cost of shares redeemed	(39,086,982)	(44,115,725)
Net increase (decrease) in net assets from Class A share transactions	6,566,923	(11,585,050)
Class B		
Proceeds from shares sold	1,954,738	3,685,449
Reinvestment of distributions	3,044,644	323,635
Cost of shares redeemed	(29,201,568)	(7,059,014)
Net increase (decrease) in net assets from Class B share transactions	(24,202,186)	(3,049,930)
Increase (decrease) in net assets	(15,353,469)	49,156,896
Net assets at beginning of period	367,375,299	318,218,403
Net assets at end of period (including accumulated distributions in excess of net investment income of $6,363,003 and $3,290,411, respectively)	**$ 352,021,830**	**$ 367,375,299**

Other Information		
Class A		
Shares outstanding at beginning of period	18,234,839	19,013,655
Shares sold	948,964	1,785,621
Shares issued to shareholders in reinvestment of distributions	1,512,741	181,664
Shares redeemed	(2,090,049)	(2,746,101)
Net increase (decrease) in Class A shares	371,656	(778,816)
Shares outstanding at end of period	**18,606,495**	**18,234,839**
Class B		
Shares outstanding at beginning of period	2,034,192	2,223,191
Shares sold	104,973	227,819
Shares issued to shareholders in reinvestment of distributions	167,013	19,241
Shares redeemed	(1,590,357)	(436,059)
Net increase (decrease) in Class B shares	(1,318,371)	(188,999)
Shares outstanding at end of period	**715,821**	**2,034,192**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$18.15**	**$15.00**	**$12.77**	**$10.38**	**$ 6.97**	**$ 8.70**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.08[e]	.03[d]	.04	.01	.02	(.00)[c]
Net realized and unrealized gain (loss) on investment transactions	1.56	3.28	2.27	2.41	3.40	(1.73)
Total from investment operations	1.64	3.31	2.31	2.42	3.42	(1.73)
Less distributions from:						
Net investment income	(.23)	(.16)	(.08)	(.03)	(.01)	—
Net realized gains on investment transactions	(1.33)	—	—	—	—	—
Total distributions	(1.56)	(.16)	(.08)	(.03)	(.01)	—
Net asset value, end of period	**$18.23**	**$18.15**	**$15.00**	**$12.77**	**$10.38**	**$ 6.97**
Total Return (%)	9.03**	22.08[d]	18.19	23.35	49.09	(19.89)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	339	331	285	232	183	121
Ratio of expenses (%)	1.14*	1.12	1.17	1.18	1.18	1.19
Ratio of net investment income (loss) (%)	.78[e]*	.16[d]	.32	.09	.28	(.03)
Portfolio turnover rate (%)	11**	28	30	24	41	47

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Amount is less than $.005.*
d *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note H). The non-recurring income resulted in an increase in net investment income of $0.002 per share and an increase in the ratio of net investment income of 0.01%. Excluding this non-recurring income, total return would have been 0.01% lower.*
e *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.02 per share and 0.08% of average daily net assets, respectively.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$17.93**	**$14.84**	**$12.62**	**$10.25**	**$ 6.89**	**$ 8.62**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.04[f]	(.00)[c,e]	.03	(.01)	.00[c]	(.02)
Net realized and unrealized gain (loss) on investment transactions	1.56	3.24	2.24	2.38	3.36	(1.71)
Total from investment operations	1.60	3.24	2.27	2.37	3.36	(1.73)
Less distributions from:						
Net investment income	(.19)	(.15)	(.05)	—	—	—
Net realized gains on investment transactions	(1.33)	—	—	—	—	—
Total distributions	(1.52)	(.15)	(.05)	—	—	—
Net asset value, end of period	**$18.01**	**$17.93**	**$14.84**	**$12.62**	**$10.25**	**$ 6.89**
Total Return (%)	8.86**	21.88[d,e]	18.06[d]	23.12[d]	48.77	(20.07)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	13	37	33	24	13	4
Ratio of expenses before expense reductions (%)	1.52*	1.51	1.54	1.52	1.43	1.44
Ratio of expenses after expense reductions (%)	1.52*	1.31	1.24	1.39	1.43	1.44
Ratio of net investment income (loss) (%)	.40[e]*	(.03)[e]	.25	(.12)	.03	(.28)
Portfolio turnover rate (%)	11**	28	30	24	41	47

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Amount is less than $.005.*
d *Total return would have been lower had certain expenses not been reduced.*
e *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note H). The non-recurring income resulted in an increase in net investment income of $0.002 per share and an increase in the ratio of net investment income of 0.01%. Excluding this non-recurring income, total return would have been 0.01% lower.*
f *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.02 per share and 0.08% of average daily net assets, respectively.*
* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS International VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, Class B shares limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,101.60	$1,100.60
Expenses Paid per $1,000*	$ 5.11	$ 7.24
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,019.93	$1,017.90
Expenses Paid per $1,000*	$ 4.91	$ 6.95

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS International VIP	.98%	1.39%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS International VIP

International equities performed very well in the first half of 2007, as measured by the 10.74% US dollar return of the MSCI EAFE® Index. The Portfolio's Class A shares, unadjusted for contract charges, lagged the benchmark.

Keeping in mind that the Portfolio's sector and industry weightings are a residual effect of our individual stock investments, performance was helped by holding an overweight position in Germany, the best-performing market in Europe.[1] An underweight in Japan, which underperformed, also was a positive. In terms of sectors, performance was boosted by an overweight position in industrials as well as strong stock selection within the group. The top individual contributor here was AMEC PLC, a UK-based energy company whose turnaround efforts are expected to result in higher profit margins. Telecommunications services was another strong sector for the Portfolio, led by Millicom International Cellular SA,* a fast-growing wireless provider in Latin America and Africa. And in utilities, performance was buoyed by the strong showing of the German utility E.ON AG.

On the negative side, returns were pressured by the Portfolio's position in Banca Italease, a leasing and asset securitization company in Italy. Also detracting were two consumer staples stocks that moved sideways amid the rising market: Japan Tobacco, Inc. and the Canadian stock Shoppers Drug Mart Corp.

Although investor sentiment grew more cautious during June, we believe the fundamental underpinnings of the global markets remain firm. We continue to find fast-growing, reasonably valued companies in Europe and Asia ex-Japan, as well as in small- and mid-cap companies that are not as heavily followed by the global research community.

Matthias Knerr, CFA
Manager

Risk Considerations

This Portfolio is subject to stock market risk. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes, and market risks. This may result in greater share price volatility. Derivatives may be more volatile and less liquid than traditional securities, and the Portfolio could suffer losses on an underlying Portfolio's derivative position. Investing in securities of emerging markets presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE®) Index is an unmanaged index that tracks international stock performance in the 21 developed markets in Europe, Australasia and the Far East. The index is calculated using closing local market prices and translates into US dollars using the London close foreign exchange rates.

Index returns assume the reinvestment of dividends net of withholding tax and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

* *As of June 30, 2007, the position was sold.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS International VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	97%	96%
Preferred Stocks	2%	1%
Cash Equivalents	1%	3%
	100%	100%

Geographical Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/07**	**12/31/06**
Continental Europe	50%	55%
United Kingdom	21%	18%
Japan	17%	17%
Pacific Basin	6%	4%
Australia	3%	1%
Cananda	2%	—
Latin America	1%	5%
	100%	100%

Sector Diversification (As a % of Common and Preferred Stocks)	**6/30/07**	**12/31/06**
Financials	28%	33%
Consumer Discretionary	17%	16%
Industrials	14%	6%
Materials	8%	8%
Consumer Staples	7%	6%
Health Care	7%	9%
Telecommunication Services	6%	6%
Energy	6%	6%
Information Technology	5%	7%
Utilities	2%	3%
	100%	100%

Asset allocation, geographical diversification and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 46. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS International VIP

	Shares	Value ($)
Common Stocks 96.8%		
Australia 2.6%		
Australia & New Zealand Banking Group Ltd.	435,892	10,687,011
Leighton Holdings Ltd.	256,000	8,901,821
(Cost $15,122,839)		**19,588,832**
Austria 1.3%		
Erste Bank der oesterreichischen Sparkassen AG (a) (Cost $7,653,304)	121,349	**9,473,480**
Belgium 3.8%		
InBev NV	87,600	6,936,669
KBC Groep NV	162,000	21,726,969
(Cost $24,051,475)		**28,663,638**
Canada 1.7%		
Shoppers Drug Mart Corp. (a) (Cost $11,492,910)	270,100	**12,510,429**
Denmark 0.5%		
Novo Nordisk AS "B" (Cost $2,253,801)	36,700	**3,997,004**
Finland 1.5%		
Nokian Renkaat Oyj (a) (Cost $4,839,311)	323,210	**11,308,852**
France 3.1%		
Total SA	227,182	18,441,840
Vallourec SA (a)	14,474	4,625,627
(Cost $9,110,949)		**23,067,467**
Germany 13.1%		
BASF AG (a)	62,330	8,184,232
Bayer AG (a)	181,492	13,749,326
Commerzbank AG (a)	42,788	2,050,916
Continental AG (a)	35,564	5,016,655
E.ON AG (a)	66,468	11,168,581
Fresenius Medical Care AG & Co. (a)	120,282	5,551,868
GEA Group AG*	226,704	7,888,465
Gerresheimer AG*	138,680	7,132,461
Hochtief AG	28,828	3,140,112
Hypo Real Estate Holding AG (a)	171,900	11,134,800
Merck KGaA (a)	42,303	5,818,890
Siemens AG	72,918	10,490,523
Stada Arzneimittel AG (a)	105,806	6,726,034
(Cost $62,213,175)		**98,052,863**
Greece 2.2%		
Hellenic Telecommunications Organization SA*	244,120	7,558,489
National Bank of Greece SA	156,000	8,936,767
(Cost $9,934,298)		**16,495,256**
Hong Kong 3.7%		
Cheung Kong (Holdings) Ltd.	730,000	9,571,183
China Mobile Ltd.	728,000	7,857,605
Esprit Holdings Ltd.	787,500	10,025,590
(Cost $25,649,537)		**27,454,378**
Indonesia 0.5%		
PT Telekomunikasi Indonesia (ADR) (Cost $3,608,114)	83,600	**3,603,160**
Italy 2.4%		
UniCredito Italiano SpA (Cost $15,766,994)	1,986,173	**17,693,981**
Japan 16.4%		
Canon, Inc. (a)	440,450	25,847,132
Daito Trust Construction Co., Ltd.	74,400	3,539,925
Japan Tobacco, Inc.	3,775	18,616,444
Komatsu Ltd.	279,000	8,080,939
Mitsui Fudosan Co., Ltd.	364,000	10,214,654
Mizuho Financial Group, Inc.	1,546	10,674,789
ORIX Corp.	39,800	10,454,041
Sumitomo Corp.	200,000	3,635,857
Suzuki Motor Corp.	369,000	10,481,714
Toyota Motor Corp.	199,600	12,585,521
Yamaha Motor Co., Ltd.	305,000	8,829,425
(Cost $89,421,236)		**122,960,441**
Kazakhstan 0.3%		
KazMunaiGas Exploration Production (GDR) 144A (Cost $1,943,572)	96,800	**2,114,112**
Korea 0.7%		
Samsung Electronics Co., Ltd. (Cost $1,224,655)	8,637	**5,276,572**
Mexico 1.0%		
Grupo Financiero Banorte SAB de CV "O" (Cost $6,759,760)	1,708,900	**7,826,757**
Netherlands 0.8%		
Akzo Nobel NV (Cost $5,399,733)	69,700	**6,013,583**
New Zealand 0.3%		
Fletcher Building Ltd. (Cost $2,035,061)	263,300	**2,505,339**
Norway 1.5%		
Statoil ASA (a) (Cost $9,616,801)	354,800	**10,981,047**
Pakistan 0.2%		
MCB Bank Ltd. (GDR) 144A (Cost $1,088,210)	71,222	**1,709,328**
Philippines 0.5%		
Philippine Long Distance Telephone Co. (ADR) (Cost $3,520,428)	71,400	**4,084,080**
Russia 2.4%		
Gazprom (ADR)	253,350	10,497,535
VTB Bank (GDR) 144A*	674,750	7,408,755
(Cost $17,291,016)		**17,906,290**
Singapore 0.5%		
Singapore Telecommunications Ltd. (Cost $3,496,577)	1,632,000	**3,621,014**
Spain 3.3%		
Industria de Diseno Textil SA	109,500	6,459,075
Obrascon Huarte Lain SA	159,459	7,178,991
Telefonica SA	484,507	10,769,840
(Cost $22,260,784)		**24,407,906**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Sweden 2.6%		
Rezidor Hotel Group AB	796,200	6,948,643
Tele2 AB "B"	280,000	4,569,096
Telefonaktiebolaget LM Ericsson "B"	2,098,800	8,372,238
(Cost $17,538,885)		**19,889,977**
Switzerland 9.5%		
ABB Ltd. (Registered)	179,891	4,048,022
Compagnie Financiere Richemont AG "A" (Unit)	170,016	10,156,532
Lonza Group AG (Registered)	96,734	8,878,221
Nestle SA (Registered)	20,636	7,837,618
Novartis AG (Registered) (a)	207,853	11,699,621
Roche Holding AG (Genusschein)	72,075	12,785,630
UBS AG (Registered) (a)	270,199	16,152,239
(Cost $51,190,073)		**71,557,883**
Turkey 0.0%		
Turkiye Is Bankasi (Isbank) "C" (Cost $3)	1	**5**
United Arab Emirates 0.2%		
Emaar Properties (Cost $1,657,193)	495,734	**1,599,382**
United Kingdom 20.2%		
3i Group PLC	702,902	16,347,951
AMEC PLC	2,190,429	25,701,656
Anglo American PLC	167,677	9,815,360
Aviva PLC	500,071	7,426,290
BAE Systems PLC	669,715	5,426,048
Barclays PLC	416,889	5,785,411
Capita Group PLC	520,438	7,542,739
Croda International PLC	434,808	5,519,604
Greene King PLC	502,019	9,748,489

	Shares	Value ($)
Hammerson PLC	210,747	6,031,904
Informa PLC	452,555	5,030,779
Prudential PLC	552,940	7,874,253
Serco Group PLC	858,045	7,743,219
Standard Chartered PLC	263,082	8,583,775
Tesco PLC	958,750	8,025,978
Vodafone Group PLC	1,185,236	3,988,255
Whitbread PLC	302,479	10,684,999
(Cost $129,281,118)		**151,276,710**
Total Common Stocks (Cost $555,421,812)		**725,639,766**

Preferred Stocks 1.6%

Germany		
Porsche AG (Cost $7,068,426)	6,900	**12,283,916**

Securities Lending Collateral 14.4%

Daily Assets Fund Institutional, 5.36% (b) (c) (Cost $108,113,939)	108,113,939	**108,113,939**

Cash Equivalents 1.0%

Cash Management QP Trust, 5.34% (b) (Cost $7,260,121)	7,260,121	**7,260,121**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $677,864,298)†	113.8	**853,297,742**
Other Assets and Liabilities, Net (a)	(13.8)	**(103,545,816)**
Net Assets	100.0	**749,751,926**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $678,788,612. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $174,509,130. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $178,789,556 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,280,426.*

(a) *All or a portion of these securities were on loan amounting to $99,337,138. In addition, included in other assets and liabilities are pending sales, amounting to $3,584,537 that are also on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $102,921,675 which is 13.7% of net assets.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $562,490,238), including $99,337,138 of securities loaned	$	737,923,682
Investment in Daily Assets Fund Institutional (cost $108,113,939)*		108,113,939
Investment in Cash Management QP Trust (cost $7,260,121)		7,260,121
Total investments in securities, at value (cost $677,864,298)		853,297,742
Foreign currency, at value (cost $2,093,003)		2,107,188
Receivable for investments sold		10,564,970
Dividends receivable		1,568,348
Interest receivable		60,680
Receivable for Portfolio shares sold		187,686
Foreign taxes recoverable		211,564
Other assets		9,615
Total assets		868,007,793
Liabilities		
Cash overdraft		179
Payable for investments purchased		9,093,920
Payable for Portfolio shares redeemed		345,177
Payable upon return of securities loaned		108,113,939
Accrued management fee		441,146
Accrued distribution service fee (Class B)		2,190
Accrued shareholder service fee (Class A)		177
Other accrued expenses and payables		259,139
Total liabilities		118,255,867
Net assets, at value	**$**	**749,751,926**
Net Assets		
Net assets consist of:		
Accumulated distributions in excess of net investment income		(751,312)
Net unrealized appreciation (depreciation) on:		
Investments		175,433,444
Foreign currency related transactions		14,468
Accumulated net realized gain (loss)		25,300,549
Paid-in capital		549,754,777
Net assets, at value	**$**	**749,751,926**
Class A		
Net Asset Value, offering and redemption price per share ($737,497,049 ÷ 51,103,098 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**14.43**
Class B		
Net Asset Value, offering and redemption price per share ($12,254,877 ÷ 849,248 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**14.43**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $1,178,452)	$	10,907,652
Interest		32,415
Interest — Cash Management QP Trust		278,518
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		390,629
Total Income		11,609,214
Expenses:		
Management fee		2,780,529
Administration fee		376,346
Custodian fee		207,704
Distribution service fee (Class B)		48,887
Shareholder service fee (Class A)		544
Shareholder service fee (Class B)		130
Record keeping fee (Class B)		29,091
Auditing		21,726
Legal		21,521
Trustees' fees and expenses		11,952
Reports to shareholders and shareholder meeting		367,433
Other		56,641
Total expenses before expense reductions		3,922,504
Expense reductions		(2,047)
Total expenses after expense reductions		3,920,457
Net investment income (loss)		**7,688,757**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments (net of deferred foreign taxes of $231)		91,555,454
Foreign currency related transactions		(153,354)
		91,402,100
Net unrealized appreciation (depreciation) during the period on:		
Investments		(25,147,259)
Foreign currency related transactions		277
		(25,146,982)
Net gain (loss) on investment transactions		**66,255,118**
Net increase (decrease) in net assets resulting from operations	**$**	**73,943,875**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 7,688,757	$ 15,259,751
Net realized gain (loss) on investment transactions	91,402,100	105,689,498
Net unrealized appreciation (depreciation) during the period on investment transactions	(25,146,982)	32,558,104
Net increase (decrease) in net assets resulting from operations	73,943,875	153,507,353
Distributions to shareholders from:		
Net investment income:		
Class A	(17,645,331)	(11,465,310)
Class B	(1,050,909)	(663,494)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	25,996,697	71,568,481
Net assets acquired in tax-free reorganization	—	14,831,229
Reinvestment of distributions	17,645,331	11,465,310
Cost of shares redeemed	(59,805,485)	(85,718,829)
Net increase (decrease) in net assets from Class A share transactions	(16,163,457)	12,146,191
Class B		
Proceeds from shares sold	806,925	10,863,495
Net assets acquired in tax-free reorganization	—	6,770,201
Reinvestment of distributions	1,050,909	663,494
Cost of shares redeemed	(44,385,076)	(16,697,624)
Net increase (decrease) in net assets from Class B share transactions	(42,527,242)	1,599,566
Increase (decrease) in net assets	(3,443,064)	155,124,306
Net assets at beginning of period	753,194,990	598,070,684
Net assets at end of period (including accumulated distributions in excess of net investment income and undistributed net investment income of $751,312 and $10,256,171, respectively)	**$ 749,751,926**	**$ 753,194,990**

Other Information		
Class A		
Shares outstanding at beginning of period	52,299,023	51,410,562
Shares sold	1,864,230	5,986,549
Shares issued in tax-free reorganization	—	1,133,856
Shares issued to shareholders in reinvestment of distributions	1,243,505	924,622
Shares redeemed	(4,303,660)	(7,156,566)
Net increase (decrease) in Class A shares	(1,195,925)	888,461
Shares outstanding at end of period	**51,103,098**	**52,299,023**
Class B		
Shares outstanding at beginning of period	3,829,429	3,739,529
Shares sold	58,133	862,789
Shares issued in tax-free reorganization	—	519,174
Shares issued to shareholders in reinvestment of distributions	74,060	53,508
Shares redeemed	(3,112,374)	(1,345,571)
Net increase (decrease) in Class B shares	(2,980,181)	89,900
Shares outstanding at end of period	**849,248**	**3,829,429**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$13.42**	**$10.85**	**$ 9.50**	**$ 8.26**	**$ 6.52**	**$ 8.05**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.14	.28[c]	.15	.09	.09	.05
Net realized and unrealized gain (loss) on investment transactions	1.22	2.51	1.36	1.26	1.70	(1.52)
Total from investment operations	1.36	2.79	1.51	1.35	1.79	(1.47)
Less distributions from:						
Net investment income	(.35)	(.22)	(.16)	(.11)	(.05)	(.06)
Net asset value, end of period	**$14.43**	**$13.42**	**$10.85**	**$ 9.50**	**$ 8.26**	**$ 6.52**
Total Return (%)	10.16**	25.91	16.17	16.53	27.75	(18.37)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	737	702	558	533	485	412
Ratio of expenses (%)	.98*	.98	1.02	1.04	1.05	1.03
Ratio of net investment income (loss) (%)	2.10*	2.32[c]	1.59	1.05	1.32	.73
Portfolio turnover rate (%)	47**	105	59	73	119	123

a *For the six months ended June 30, 2007 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.11 per share and 0.92% of average daily net assets, respectively.*

* *Annualized.* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$13.38**	**$10.82**	**$ 9.48**	**$ 8.24**	**$ 6.50**	**$ 8.03**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.11	.24[d]	.12	.06	.07	.04
Net realized and unrealized gain (loss) on investment transactions	1.23	2.50	1.35	1.27	1.71	(1.53)
Total from investment operations	1.34	2.74	1.47	1.33	1.78	(1.49)
Less distributions from:						
Net investment income	(.29)	(.18)	(.13)	(.09)	(.04)	(.04)
Net asset value, end of period	**$14.43**	**$13.38**	**$10.82**	**$ 9.48**	**$ 8.24**	**$ 6.50**
Total Return (%)	10.06[c]**	25.44[c]	15.71[c]	16.24[c]	27.52	(18.62)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	12	51	40	35	24	8
Ratio of expenses before expense reductions (%)	1.40*	1.37	1.41	1.38	1.32	1.28
Ratio of expenses after expense reductions (%)	1.39*	1.36	1.37	1.35	1.32	1.28
Ratio of net investment income (loss) (%)	1.69*	1.94[d]	1.24	.74	1.05	.48
Portfolio turnover rate (%)	47**	105	59	73	119	123

a *For the six months ended June 30, 2007 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *Total return would have been lower had certain expenses not been reduced.*

d *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.11 per share and 0.92% of average daily net assets, respectively.*

* *Annualized.* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Health Care VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,071.90	$1,071.60
Expenses Paid per $1,000*	$ 4.78	$ 6.88
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,020.18	$1,018.15
Expenses Paid per $1,000*	$ 4.66	$ 6.71

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Health Care VIP	.93%	1.34%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

Management Summary

June 30, 2007

DWS Health Care VIP

During a period when a stronger-than-expected US economy led investors to favor economically sensitive stocks, DWS Health Care VIP's Class A shares, unadjusted for contract charges, outperformed the Standard & Poor's 500® (S&P 500) Index, which returned 6.96% and the Goldman Sachs Healthcare Index, which returned 6.58%.

Our stock selections within the specialty pharmaceutical sector performed very well during the six-month period. Top performers included the German firm Schwarz Pharma AG,* which was acquired by UCB of Belgium. Schwarz develops drugs in the areas of central nervous system, cardiovascular and gastrointestinal disorders. New River Pharmaceuticals, Inc.* and Shire PLC (ADR) (Shire acquired New River during the period) also contributed strongly to returns, driven by Food and Drug Administration (FDA) approval of their new drug for attention-deficit/hyperactivity disorder, Vyvanse. The biggest detractor from comparative performance over the period was our decision to underweight the major pharmaceutical company Merck & Co., Inc., which was up strongly.[1] Merck's outlook has improved, as the company won several court cases related to its controversial drug Vioxx, received FDA approval for several new products and exceeded earnings expectations due to additional cost reductions.

We expect continued pressure on health care stocks under the Democratic-controlled Congress, as it focuses on reducing health care costs and increasing access for the uninsured. However, health care stocks tend to outperform in periods of slower economic growth such as we have recently experienced. We continue to believe that health care stocks will be attractive investments over the long term based on positive demographic trends and the emergence of new technologies.

Leefin Lai, CFA, CPA
Portfolio Manager

Thomas E. Bucher, CFA
Managing Director and Consultant to the Portfolio

Risk Considerations

This Portfolio is subject to stock market risk. The Portfolio will focus its investments in the industries of the health care sector, thereby increasing its vulnerability to that sector or regulatory development within such sector. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Standard & Poor's 500® (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Goldman Sachs Healthcare Index is an unmanaged, market-capitalization-weighted index of 114 stocks designed to measure the performance of companies in the health care sector.

Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

* *As of June 30, 2007, the position was sold.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Health Care VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	99%	99%
Cash Equivalents	1%	1%
	100%	100%

Industry Diversification (As a % of Common Stocks)	**6/30/07**	**12/31/06**
Pharmaceuticals	34%	35%
Health Care Services	22%	24%
Medical Supply & Specialty	20%	19%
Biotechnology	19%	18%
Life Sciences Equipment	5%	3%
Hospital Management	—	1%
	100%	100%

Asset allocation and industry diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 54. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-scudder.com on the or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Health Care VIP

	Shares	Value ($)
Common Stocks 97.4%		
Health Care 97.4%		
Biotechnology 18.9%		
Alexion Pharmaceuticals, Inc.*	16,000	720,960
Amgen, Inc.*	29,550	1,633,820
Amylin Pharmaceuticals, Inc.* (a)	12,700	522,732
Arena Pharmaceuticals, Inc.* (a)	23,900	262,661
Biogen Idec, Inc.*	29,520	1,579,320
BioMarin Pharmaceutical, Inc.*	59,100	1,060,254
Celgene Corp.*	35,000	2,006,550
Cepheid, Inc.*	36,900	538,740
Gen-Probe, Inc.*	21,100	1,274,862
Genentech, Inc.*	25,700	1,944,462
Genmab A/S* (a)	12,900	821,816
Genzyme Corp.*	39,600	2,550,240
Gilead Sciences, Inc.*	60,800	2,357,216
Keryx Biopharmaceuticals, Inc.*	27,600	269,652
Medicines Co.*	14,800	260,776
PDL BioPharma, Inc.* (a)	42,000	978,600
Regeneron Pharmaceuticals, Inc.*	20,900	374,528
Vertex Pharmaceuticals, Inc.*	26,500	756,840
		19,914,029
Health Care Services 22.0%		
Aetna, Inc.	34,000	1,679,600
Allscripts Healthcare Solutions, Inc.* (a)	40,800	1,039,584
Cardinal Health, Inc.	20,200	1,426,928
Covance, Inc.*	26,100	1,789,416
CVS/Caremark Corp.	58,031	2,115,230
Express Scripts, Inc.*	23,400	1,170,234
Fresenius Medical Care AG & Co. (a)	29,997	1,384,574
HealthExtras, Inc.*	18,600	550,188
Henry Schein, Inc.*	23,100	1,234,233
Laboratory Corp. of America Holdings*	20,600	1,612,156
McKesson Corp.	36,300	2,164,932
Medco Health Solutions, Inc.*	19,184	1,496,160
Quality Systems, Inc. (a)	26,100	991,017
UnitedHealth Group, Inc.	44,600	2,280,844
WellPoint, Inc.*	29,000	2,315,070
		23,250,166
Life Sciences Equipment 4.6%		
Pharmaceutical Product Development, Inc.	56,500	2,162,255
Thermo Fisher Scientific, Inc.*	52,600	2,720,472
		4,882,727
Medical Supply & Specialty 19.2%		
Alcon, Inc.	10,800	1,457,028
ArthroCare Corp.*	38,000	1,668,580
Baxter International, Inc.	59,900	3,374,766
Beckman Coulter, Inc.	8,400	543,312
Becton, Dickinson & Co.	15,700	1,169,650
C.R. Bard, Inc.	29,700	2,454,111
Cynosure, Inc. "A"*	12,900	469,947
Dade Behring Holdings, Inc.	11,500	610,880
Hologic, Inc.*	18,900	1,045,359
Hospira, Inc.*	13,700	534,848
Medtronic, Inc.	34,700	1,799,542
Mentor Corp.	10,800	439,344
NuVasive, Inc.*	19,000	513,190
Palomar Medical Technologies, Inc.*	13,100	454,701
ResMed, Inc.*	10,200	420,852
Respironics, Inc.*	13,000	553,670
SonoSite, Inc.*	18,500	581,455
Stryker Corp.	17,700	1,116,693
Zimmer Holdings, Inc.*	12,500	1,061,125
		20,269,053
Pharmaceuticals 32.7%		
Abbott Laboratories	46,400	2,484,720
Allergan, Inc.	23,800	1,371,832
Astellas Pharma, Inc.	25,200	1,096,259
AstraZeneca PLC	21,366	1,145,037
Bristol-Myers Squibb Co.	63,100	1,991,436
Cardiome Pharma Corp.*	32,500	299,325
Eli Lilly & Co.	39,000	2,179,320
Forest Laboratories, Inc.*	11,800	538,670
Johnson & Johnson	32,300	1,990,326
Merck & Co., Inc.	20,200	1,005,960
Merck KGaA (a)	14,962	2,058,063
Novartis AG (Registered) (a)	26,696	1,502,663
Pfizer, Inc.	101,240	2,588,707
Roche Holding AG (Genusschein)	18,358	3,256,588
Sanofi-Aventis	19,470	1,572,176
Schering-Plough Corp.	71,200	2,167,328
Shire PLC (ADR)	25,200	1,868,076
Stada Arzneimittel AG (a)	18,897	1,201,273
Vanda Pharmaceuticals, Inc.* (a)	54,400	1,102,144
Wyeth	55,400	3,176,637
		34,596,540
Total Common Stocks (Cost $72,735,998)		**102,912,515**
Securities Lending Collateral 7.8%		
Daily Assets Fund Institutional, 5.36% (b) (c) (Cost $8,226,798)	8,226,798	**8,226,798**
Cash Equivalents 0.6%		
Cash Management QP Trust, 5.34% (b) (Cost $660,310)	660,310	**660,310**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $ 81,623,106)†	105.8	**111,799,623**
Other Assets and Liabilities, Net (a)	(5.8)	**(6,153,143)**
Net Assets	100.0	**105,646,480**

The accompanying notes are an integral part of the financial statements.

* *Non-income producing security.*

† *The cost for federal income tax purposes was $82,116,587. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $29,683,036. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $31,199,550 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,516,514.*

(a) *All or a portion of these securities were on loan amounting to $7,325,230. In addition, included in other assets and liabilities are pending sales, amounting to $628,425 that are also on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $7,953,655 which is 7.5% of net assets.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

ADR: American Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $72,735,998), including $7,325,230 of securities loaned	$	102,912,515
Investment in Daily Assets Fund Institutional (cost $8,226,798)*		8,226,798
Investment in Cash Management QP Trust (cost $660,310)		660,310
Total investments in securities, at value (cost $81,623,106)		111,799,623
Cash		10,000
Foreign currency, at value (cost $895,119)		898,323
Receivable for investments sold		1,835,756
Dividends receivable		63,104
Interest receivable		8,484
Receivable for Portfolio shares sold		29,434
Foreign taxes recoverable		11,490
Other assets		2,062
Total assets		114,658,276
Liabilities		
Payable for investments purchased		607,036
Payable for Portfolio shares redeemed		53,117
Payable upon return of securities loaned		8,226,798
Accrued management fee		58,549
Accrued distribution service fee (Class B)		1,134
Accrued shareholder service fee (Class A)		41
Accrued shareholder service fee (Class B)		20
Other accrued expenses and payables		65,101
Total liabilities		9,011,796
Net assets, at value	**$**	**105,646,480**
Net Assets		
Net assets consist of:		
Undistributed net investment income		259,985
Net unrealized appreciation (depreciation) on:		
Investments		30,176,517
Foreign currency related transactions		3,656
Accumulated net realized gain (loss)		9,921,503
Paid-in capital		65,284,819
Net assets, at value	**$**	**105,646,480**
Class A		
Net Asset Value, offering and redemption price per share ($100,219,380 ÷ 7,208,173 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**13.90**
Class B		
Net Asset Value, offering and redemption price per share ($5,427,100 ÷ 397,063 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**13.67**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $41,103)	$	769,994
Interest		694
Interest — Cash Management QP Trust		57,953
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		30,186
Total Income		858,827
Expenses:		
Management fee		392,252
Administration fee		58,985
Custodian fee		9,820
Distribution service fee (Class B)		20,091
Shareholder service fee (Class A)		136
Shareholder service fee (Class B)		84
Record keeping fee (Class B)		11,521
Auditing		15,816
Legal		9,216
Trustees' fees and expenses		4,512
Reports to shareholders and shareholder meeting		64,142
Other		12,294
Total expenses before expense reductions		598,869
Expense reductions		(27)
Total expenses after expense reductions		598,842
Net investment income (loss)		**259,985**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		10,399,592
Foreign currency related transactions		34,275
		10,433,867
Net unrealized appreciation (depreciation) during the period on:		
Investments		(1,805,468)
Foreign currency related transactions		(24,104)
		(1,829,572)
Net gain (loss) on investment transactions		**8,604,295**
Net increase (decrease) in net assets resulting from operations	**$**	**8,864,280**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 259,985	$ (123,883)
Net realized gain (loss) on investment transactions	10,433,867	7,441,060
Net unrealized appreciation (depreciation) during the period on investment transactions	(1,829,572)	(72,911)
Net increase (decrease) in net assets resulting from operations	8,864,280	7,244,266
Distributions to shareholders from:		
Net realized gains:		
Class A	(6,096,998)	(391,880)
Class B	(1,254,197)	(84,353)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	4,638,414	7,469,837
Reinvestment of distributions	6,096,998	391,880
Cost of shares redeemed	(12,472,805)	(21,696,464)
Net increase (decrease) in net assets from Class A share transactions	(1,737,393)	(13,834,747)
Class B		
Proceeds from shares sold	308,266	2,569,906
Reinvestment of distributions	1,254,197	84,353
Cost of shares redeemed	(17,557,587)	(5,647,967)
Net increase (decrease) in net assets from Class B share transactions	(15,995,124)	(2,993,708)
Increase (decrease) in net assets	(16,219,432)	(10,060,422)
Net assets at beginning of period	121,865,912	131,926,334
Net assets at end of period (including undistributed net investment income of $259,985 and $0, respectively)	**$ 105,646,480**	**$ 121,865,912**

Other Information		
Class A		
Shares outstanding at beginning of period	7,330,897	8,377,800
Shares sold	327,625	565,517
Shares issued to shareholders in reinvestment of distributions	431,188	30,640
Shares redeemed	(881,537)	(1,643,060)
Net increase (decrease) in Class A shares	(122,724)	(1,046,903)
Shares outstanding at end of period	**7,208,173**	**7,330,897**
Class B		
Shares outstanding at beginning of period	1,544,881	1,772,301
Shares sold	22,002	201,649
Shares issued to shareholders in reinvestment of distributions	90,295	6,684
Shares redeemed	(1,260,115)	(435,753)
Net increase (decrease) in Class B shares	(1,147,818)	(227,420)
Shares outstanding at end of period	**397,063**	**1,544,881**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$13.77**	**$13.02**	**$12.00**	**$10.95**	**$ 8.19**	**$10.65**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.03[d]	(.01)[c]	(.02)	(.03)	(.02)	(.03)
Net realized and unrealized gain (loss) on investment transactions	.97	.81	1.04	1.08	2.78	(2.43)
Total from investment operations	1.00	.80	1.02	1.05	2.76	(2.46)
Less distributions from:						
Net realized gain on investment transactions	(.87)	(.05)	—	—	—	—
Net asset value, end of period	**$13.90**	**$13.77**	**$13.02**	**$12.00**	**$10.95**	**$ 8.19**
Total Return (%)	7.19**	6.17[c]	8.50	9.59	33.70	(23.10)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	100	101	109	109	101	69
Ratio of expenses (%)	.93*	.89	.88	.88	.87	.91
Ratio of net investment income (loss) (%)	.40[d]*	(.03)[c]	(.18)	(.29)	(.24)	(.38)
Portfolio turnover rate (%)	19**	47	43	77	64	53

a *For the six months ended June 30, 2007 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note H). The non-recurring income resulted in an increase in net investment income of $0.003 per share and an increase in the ratio of net investment income of 0.02%. Excluding this non-recurring income, total return would have been 0.02% lower.*

d *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.02 per share and 0.12% of average daily net assets, respectively.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$13.55**	**$12.87**	**$11.91**	**$10.91**	**$ 8.19**	**$ 8.09**
Income (loss) from investment operations:						
Net investment income (loss)[c]	(.00)[e,f]	(.06)[d]	(.07)	(.08)	(.07)	(.04)
Net realized and unrealized gain (loss) on investment transactions	.99	.79	1.03	1.08	2.79	.14
Total from investment operations	.99	.73	.96	1.00	2.72	.10
Less distributions from:						
Net realized gain on investment transactions	(.87)	(.05)	—	—	—	—
Net asset value, end of period	**$13.67**	**$13.55**	**$12.87**	**$11.91**	**$10.91**	**$ 8.19**
Total Return (%)	7.16**	5.77[d]	8.06	9.17	33.21	1.24**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	5	21	23	20	11	.3
Ratio of expenses (%)	1.34*	1.28	1.27	1.27	1.26	1.16*
Ratio of net investment income (loss) (%)	(.01)[e]*	(.42)[d]	(.57)	(.68)	(.63)	(.92)*
Portfolio turnover rate (%)	19**	47	43	77	64	53

a *For the six months ended June 30, 2007 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

d *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note H). The non-recurring income resulted in an increase in net investment income of $0.003 per share and an increase in the ratio of net investment income of 0.02%. Excluding this non-recurring income, total return would have been 0.02% lower.*

e *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.02 per share and 0.12% of average daily net assets, respectively.*

f *Amount is less than $.005.*

* *Annualized* ** *Not annualized*

Notes to Financial Statements (Unaudited)

A. Significant Accounting Policies

DWS Variable Series I (the "Series") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end, registered management investment company organized as a Massachusetts business trust. The Series consists of six diversified portfolios: DWS Bond VIP, DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Opportunities VIP, DWS International VIP and DWS Health Care VIP (individually or collectively hereinafter referred to as a "Portfolio" or the "Portfolios"). The Series is intended to be the underlying investment vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies ("Participating Insurance Companies").

Multiple Classes of Shares of Beneficial Interest. The Series offers two classes of shares (Class A shares and Class B shares) for each of the Portfolios. Class B shares are subject to Rule 12b-1 distribution fees under the 1940 Act and record keeping fees equal to an annual rate of 0.25% and up to 0.15%, respectively, of the average daily net assets of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable 12b-1 distribution fees and record keeping fees). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Series' financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Series in the preparation of the financial statements for its Portfolios.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the Series. If the pricing services are unable to provide valuations, securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from a broker-dealer. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees. The Series may use a fair valuation model to value international equity securities in order to adjust for events which may occur between the close of the foreign exchanges and the close of the New York Stock Exchange.

In September 2006, the Financial Accounting Standards Board (FASB) released Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 is effective for fiscal years beginning after November 15, 2007. As of June 30, 2007, management does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements, however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal period.

Securities Lending. Each Portfolio may lend securities to financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the issuer of securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of liquid, unencumbered assets having a value at least equal to the value of the securities loaned. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to an Exemptive Order issued by the SEC. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of borrower rebates and fees paid to a lending agent. Either the Portfolio or the borrower may terminate the loan. The Portfolio is subject to all investment risks associated with the value of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Options. An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices, will require cash settlement by the Portfolio if the option is exercised. Each Portfolio may enter into option contracts in order to hedge against potential adverse price movements in the value of portfolio assets; as a temporary substitute for selling selected investments; to lock in the purchase price of a security or currency which it expects to purchase in the near future; as a temporary substitute for purchasing selected investments; and to enhance potential gain.

The liability representing the Portfolio's obligation under an exchange traded written option or investment in a purchased option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid and asked prices are available. Over-the-counter written or purchased options are valued using dealer supplied quotations. Gain or loss is recognized when the option contract expires or is closed.

If the Portfolio writes a covered call option, the Portfolio foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the Portfolio writes a put option it accepts the risk of a decline in the market value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The Portfolio's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the Portfolio's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities or currencies hedged.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). Each Portfolio enters into futures contracts to keep cash on hand to meet shareholder redemptions or other needs while maintaining exposure to the stock market.

Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary an amount ("initial margin") equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the Portfolio dependent upon the daily fluctuations in the value of the underlying security and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. When entering into a closing transaction, the Portfolio will realize a gain or loss equal to the difference between the value of the futures contract to sell and the futures contract to buy. Futures contracts are valued at the most recent settlement price.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid secondary market will limit the Portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the securities or currencies hedged. When utilizing futures contracts to hedge, the Portfolio gives up the opportunity to profit from favorable price movements in the hedged positions during the term of the contract.

Foreign Currency Translations. The books and records of the Portfolios are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the US dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gain/appreciation and loss/depreciation on investments.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract ("forward currency contract") is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. The Portfolios may enter into forward currency contracts in order to hedge their exposure to changes in foreign currency exchange rates on their foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities. The Portfolio may also engage in forward currency contracts for non-hedging purposes.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Sales and purchases of forward currency contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward currency contract to buy and a forward currency contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward currency contracts to hedge, the Portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

Mortgage Dollar Rolls. DWS Bond VIP may enter into mortgage dollar rolls in which the Portfolio sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase similar, but not identical, securities at an agreed upon price and date. During the period between the sale and repurchase, the Portfolio will not be entitled to earn interest and receive principal payment on securities sold. The Portfolio receives compensation as consideration for entering into the commitment to repurchase. The compensation is paid in the form of a lower price for the security upon its repurchase or, alternatively, a fee. Mortgage dollar rolls may be renewed with a new sale and repurchase price and a cash settlement made at each renewal without physical delivery of the securities subject to the contract.

Certain risks may arise upon entering into mortgage dollar rolls from the potential inability of counterparties to meet the terms of their commitments. Additionally, the value of the securities sold by the Portfolio may decline below the repurchase price of those securities.

When-Issued/Delayed Delivery Securities. Each Portfolio may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time a Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Loan Participations/Assignments. DWS Bond VIP may invest in US dollar-denominated fixed and floating rate loans ("Loans") arranged through private negotiations between a foreign sovereign entity and one or more financial institutions ("Lenders"). The Portfolio invests in such Loans in the form of participations in Loans ("Participations") or assignments of all or a portion of loans from third parties ("Assignments"). Participations typically result in the Portfolio having a contractual relationship only with the Lender, not with the sovereign borrower. The Portfolio has the right to receive payments of principal, interest and any fees to which it is entitled from the Lender selling the Participation and only upon receipt by the Lender of the payments from the borrower. In connection with purchasing Participations, the Portfolio generally has no right to enforce compliance by the borrower with the terms of the loan agreement relating to the Loan, nor any rights of set-off against the borrower, and the Portfolio will not benefit directly from any collateral supporting the Loan in which it has purchased the Participation. As a result, the Portfolio assumes the credit risk of both the borrower and the Lender that is selling the Participation.

Federal Income Taxes. Each Portfolio is treated as a separate taxpayer as provided for in the Internal Revenue Code, as amended. It is each Portfolio's policy to comply with the requirements of the Internal Revenue Code, which are applicable to regulated investment companies, and to distribute all of its taxable income to the separate accounts of the Participating Insurance Companies which hold its shares. Accordingly, the Portfolios paid no federal income taxes and no federal income tax provision was required.

Additionally, based on the Series' understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which each Portfolio invests, the Series will provide for foreign taxes, and where appropriate, deferred foreign taxes.

DWS Global Opportunities VIP and DWS International VIP are subject to a 0.38% Contribuicao sobre Movimentacao Financiera ("CPMF") transaction tax which is applied to Brazilian Real exchange transactions representing capital inflows or outflows to the Brazilian market.

At December 31, 2006, the following Portfolios had an approximate net tax basis capital loss carryforward which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the following expiration dates, whichever occurs first:

Portfolio	Capital Loss Carryforwards ($)	Expiration Date
DWS Bond VIP	1,764,000	12/31/2014
DWS Growth & Income VIP	2,783,000	12/31/2009
	7,546,000	12/31/2010
DWS Capital Growth VIP	82,434,000	12/31/2008
	64,244,000	12/31/2009
	138,234,000	12/31/2010
	69,353,000	12/31/2011
	28,616,000	12/31/2012
DWS International VIP	51,225,000	12/31/2010
	13,952,000	12/31/2011

At December 31, 2006, DWS Growth & Income VIP had a net tax basis capital loss carryforward of approximately $10,329,000 inherited from its merger with SVS Focus Value+Growth Portfolio, which is included in the table above and may be applied against any realized net taxable gains of each succeeding year until fully utilized or until the expiration dates which range from December 31, 2009, to December 31, 2010, whichever occurs first, and which may be subject to certain limitations under Sections 382–384 of the Internal Revenue Code.

At December 31, 2006, DWS Capital Growth VIP had a net tax basis capital loss carryforward of approximately $382,881,000 including approximately $123,517,000 inherited from its mergers with the SVS Eagle Focused Large Cap Growth Portfolio and Scudder Growth Portfolio, which is included in the table above and may be applied against any realized net taxable gains of each succeeding year until fully utilized or until the expiration dates which range from December 31, 2008, to December 31, 2011, whichever occurs first, and which may be subject to certain limitations under Sections 382–384 of the Internal Revenue Code.

In addition, DWS Capital Growth VIP inherited approximately $35,852,000 of its capital loss carryforward from its mergers with DWS Oak Strategic Equity VIP ($1,855,000) and DWS Janus Growth Opportunities VIP ($33,997,000), which is included in the table above and may be applied against any realized net taxable gains. Due to certain limitations under Sections 381–384 of the Internal Revenue Code, approximately $34,939,000 of the losses from DWS Janus Growth Opportunities VIP cannot be used by the Portfolio, and is not included in the capital loss carryforward of $382,881,000 disclosed above.

In July 2006, FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" (the "Interpretation"). The Interpretation establishes for the Portfolio a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns. Management has evaluated the application of FIN 48 and has determined there is no impact on each Portfolio's financial statements.

Distribution of Income and Gains. Each Portfolio will declare and distribute dividends from their net investment income, if any, annually, although additional distributions may be made if necessary. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to each Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to investments in foreign denominated investments, investments in forward foreign currency exchange contracts, passive foreign investment companies, post October loss deferrals and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, each Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

The tax character of current year distributions will be determined at the end of the current fiscal year.

Expenses. Expenses of the Series arising in connection with a specific Portfolio are allocated to that Portfolio. Other Series expenses which cannot be directly attributed to a Portfolio are apportioned among the Portfolios in the Series.

Contingencies. In the normal course of business, each Portfolio may enter into contracts with service providers that contain general indemnification clauses. Each Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against each Portfolio that have not yet been made. However, based on experience, each Portfolio expects the risk of loss to be remote.

Other. For each Portfolio, investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis net of foreign withholding taxes. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes.

B. Purchases and Sales of Securities

During the six months ended June 30, 2007, purchases and sales of investment securities (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Bond VIP		
excluding US Treasury Obligations and mortgage dollar roll transactions	99,196,909	94,968,442
US Treasury Obligations	117,437,517	117,177,250
mortgage dollar roll transactions	15,631,554	12,791,526
DWS Growth & Income VIP	640,412,255	712,581,656
DWS Capital Growth VIP	170,403,683	353,783,993
DWS Global Opportunities VIP	41,546,777	92,767,050
DWS International VIP	351,189,132	406,421,551
DWS Health Care VIP	21,593,368	46,860,532

C. Related Parties

Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of the Portfolios in accordance with their investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by the Portfolios or, for DWS Bond VIP, delegates such responsibility to the Portfolio's subadvisor.

Under the Investment Management Agreement with the Advisor, the Portfolios pay a monthly investment management fee, based on the average daily net assets of each Portfolio, accrued daily and payable monthly, at the annual rates shown below:

Portfolio	Annual Management Fee Rate
DWS Bond VIP	
first $250 million of average daily net assets	.390%
next $750 million of average daily net assets	.365%
over $1 billion of average daily net assets	.340%
DWS Growth & Income VIP	
first $250 million of average daily net assets	.390%
next $750 million of average daily net assets	.365%
over $1 billion of average daily net assets	.340%
DWS Capital Growth VIP	
first $250 million of average daily net assets	.390%
next $750 million of average daily net assets	.365%
over $1 billion of average daily net assets	.340%
DWS Global Opportunities VIP	
first $500 million of average daily net assets	.890%
next $500 million of average daily net assets	.875%
next $1 billion of average daily net assets	.860%
over $2 billion of average daily net assets	.845%
DWS International VIP	
first $500 million of average daily net assets	.790%
over $500 million of average daily net assets	.640%

Portfolio	Annual Management Fee Rate
DWS Health Care VIP	
first $250 million of average daily net assets	.665%
next $750 million of average daily net assets	.640%
next $1.5 billion of average daily net assets	.615%
next $2.5 billion of average daily net assets	.595%
next $2.5 billion of average daily net assets	.565%
next $2.5 billion of average daily net assets	.555%
next $2.5 billion of average daily net assets	.545%
over $12.5 billion of average daily net assets	.535%

DWS Bond VIP's subadvisor and sub-subadvisor is Aberdeen Asset Management, Inc ('AAMI') and Aberdeen Asset Management Investment Services Limited ('AAMISL'), respectively. AAMI is responsible for the day to day operation of the high-yield and core bond, active fixed-income and high-yield portions of DWS Bond VIP. AAMISL is responsible for the day-to-day management of the foreign securities, foreign currencies and related investments for DWS Bond VIP.

The Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class for the period from January 1, 2007 through September 30, 2007 (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest, proxy and organizational and offering costs) as follows:

Portfolio	Annual Rate
DWS Bond VIP Class A	.60%
DWS Bond VIP Class B	1.00%
DWS Global Opportunities VIP Class B	1.52%

In addition, the Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class for the period from October 1, 2007 through April 30, 2008 (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest, proxy and organizational and offering costs) as follows:

Portfolio	Annual Rate
DWS Bond VIP Class A	.63%
DWS Bond VIP Class B	1.03%

In addition, the Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class for the period from January 1, 2007 through April 30, 2010 (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest, proxy and organizational and offering costs) as follows:

Portfolio	Annual Rate
DWS Growth & Income VIP Class A	.54%
DWS Growth & Income VIP Class B	.87%
DWS Capital Growth VIP Class A	.49%
DWS International VIP Class A	.96%

In addition, the Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class for the period from January 1, 2007 through May 6, 2007 (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest, proxy and organizational and offering costs) as follows:

Portfolio	Annual Rate
DWS Capital Growth VIP Class B	.86%
DWS International VIP Class B	1.34%

Effective May 7, 2007 through April 30, 2010, the Advisor, the underwriter and accounting agent contractually agreed to waive a portion of their fee to the extent necessary to maintain the operating expenses of each class (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest, proxy and organizational and offering costs) as follows:

Portfolio	Annual Rate
DWS Capital Growth VIP Class B	.82%
DWS International VIP Class B	1.29%

In addition, for the period from January 1, 2007 through April 27, 2010, the Advisor has contractually agreed to waive 0.01% of the management fee for DWS Growth & Income VIP.

Accordingly, for the six months ended June 30, 2007, the Portfolios waived a portion of their management fees as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Bond VIP	452,662	—	.39%
DWS Growth & Income VIP	595,459	15,465	.38%
DWS Capital Growth VIP	2,168,617	46,248	.36%
DWS Global Opportunities VIP	1,652,362	—	.89%
DWS International VIP	2,780,529	—	.74%
DWS Health Care VIP	392,252	—	.67%

In addition, for the six months ended June 30, 2007, the Portfolios waived other expenses as follows:

Portfolio	Other Expenses Waived ($)
DWS Growth & Income VIP Class B	7,314
DWS Capital Growth VIP Class A	455
DWS Capital Growth VIP Class B	7,569
DWS International VIP Class B	2,047

Administration Fee. Pursuant to an Administrative Services Agreement with DIMA, the Advisor provides most administrative services to the Series. For all services provided under the Administrative Services Agreement, each Portfolio pays the Advisor an annual fee ("Administration Fee") of 0.10% of each Portfolio's average daily net assets, computed and accrued daily and payable monthly. For the six months ended June 30, 2007, the Advisor received an Administration Fee as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2007 ($)
DWS Bond VIP	109,144	17,940
DWS Growth & Income VIP	154,648	23,218
DWS Capital Growth VIP	592,250	93,380
DWS Global Opportunities VIP	185,659	29,388
DWS International VIP	376,346	61,663
DWS Health Care VIP	58,985	8,863

Service Provider Fees. DWS Scudder Investments Service Company ("DWS-SISC"), an affiliate of the Advisor, is the Series' transfer agent, dividend-paying agent and shareholder service agent. Pursuant to a sub-transfer agency agreement between DWS-SISC and DST Systems, Inc. ("DST"), DWS-SISC has delegated certain transfer agent and dividend paying agent functions to DST. DWS-SISC compensates DST out of the shareholder servicing fee it receives from each Portfolio. These fees are detailed in each Portfolio's Statement of Operations.

DWS Scudder Distributors, Inc. ("DWS-SDI"), also an affiliate of the Advisor, is the Series' Distributor. In accordance with the Master Distribution Plan, DWS-SDI receives 12b-1 fees of 0.25% of average daily net assets of Class B shares. Pursuant to the Master Distribution Plan, DWS-SDI remits these fees to the Participating Insurance Companies for various costs incurred or paid by these companies in connection with marketing and distribution of Class B shares. These fees are detailed in each Portfolio's Statement of Operations.

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to the Portfolios. For the six months ended June 30, 2007, the amount charged to the Portfolios by DIMA included in the Statement of Operations under "reports to shareholders and shareholder meeting" was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2007 ($)
DWS Bond VIP	3,551	2,977
DWS Growth & Income VIP	3,997	3,608
DWS Capital Growth VIP	5,672	5,672
DWS Global Opportunities VIP	3,628	3,430
DWS International VIP	3,906	3,754
DWS Health Care VIP	4,593	3,608

Trustees' Fees and Expenses. As compensation for his or her services, each Independent Trustee receives an aggregated annual fee, plus a fee for each meeting attended (plus reimbursement for reasonable out-of-pocket expenses incurred in connection with his or her attendance at board and committee meetings) from each Portfolio in the Series for which he or she serves. In addition, the Chairperson of the Board and the Chairperson of each committee of the Board receive additional compensation for their services. Payment of such fees and expenses is allocated among all such Portfolios described above in direct proportion to their relative net assets.

Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, the Series may invest in the Cash Management QP Trust (the "QP Trust"), and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds' investments in the QP Trust.

D. Investing in Emerging Markets

The DWS Bond VIP, DWS Global Opportunities VIP, DWS International VIP and DWS Health Care VIP may invest in emerging markets. Investing in emerging markets may involve special risks and considerations not typically associated with investing in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions of income and capital, and future adverse political, social and economical developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls or delayed settlements and may have prices more volatile than those of comparable securities of issuers in the United States of America.

E. Fee Reductions

DWS Bond VIP, DWS Growth & Income VIP, DWS Capital Growth VIP and DWS Health Care VIP have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the custodian expenses. During the six months ended June 30, 2007, the custodian fees were reduced as follows:

Portfolio	Custody Credits ($)
DWS Bond VIP	127
DWS Growth & Income VIP	17
DWS Capital Growth VIP	269
DWS Health Care VIP	27

F. Ownership of the Portfolios

At the end of the period, the beneficial ownership in the Portfolios was as follows:

DWS Bond VIP: One participating insurance company was an owner of record of 10% or more of the total outstanding Class A shares of the Portfolio, owning 64%. One participating insurance company was an owner of record owning 100% of the total outstanding Class B shares of the Portfolio.

DWS Growth & Income VIP: Four participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 11%, 17%, 27% and 27%. Two participating insurance companies were owners of record, each owning 22% and 75% of the total outstanding Class B shares of the Portfolio.

DWS Capital Growth VIP: Three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 12%, 28% and 35%. One participating insurance company was an owner of record, owning 95% of the total outstanding Class B shares of the Portfolio.

DWS Global Opportunities VIP: Three participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 10%, 17% and 59%. Two participating insurance companies were owners of record, each owning 40% and 58% of the total outstanding Class B shares of the Portfolio.

DWS International VIP: Two participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 20% and 31%. One participating insurance company was an owner of record, owning 93% of the total outstanding Class B shares of the Portfolio.

DWS Health Care VIP: Two participating insurance companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 19% and 76%. One participating insurance company was an owner of record, owning 100% of the total outstanding Class B shares of the Portfolio.

G. Line of Credit

The Series and other affiliated funds (the "Participants") share in a $750 million revolving credit facility administered by JPMorgan Chase Bank N.A. for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.35 percent. Each Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

H. Regulatory Matters and Litigation

Regulatory Settlements. On December 21, 2006, Deutsche Asset Management ("DeAM") settled proceedings with the Securities and Exchange Commission ("SEC") and the New York Attorney General on behalf of Deutsche Asset Management, Inc. ("DAMI") and Deutsche Investment Management Americas Inc. ("DIMA"), the investment advisors to many of the DWS Scudder funds, regarding allegations of improper trading at DeAM and at the legacy Scudder and Kemper organizations prior to their acquisition by DeAM in April 2002. These regulators alleged that although the prospectuses for certain open-end funds ("funds") in the regulators' view indicated that the funds did not permit market timing, DAMI and DIMA breached their fiduciary duty to those funds in that their efforts to limit trading activity in the funds were not effective at certain times. The regulators also alleged that DAMI and DIMA breached their fiduciary duty to certain funds by entering into certain market timing arrangements with investors. These trading arrangements originated in businesses that existed prior to the currently constituted DeAM organization, which came together as a result of various mergers of the legacy Scudder, Kemper and Deutsche fund groups, and all of the arrangements were terminated prior to the start of the regulatory investigations that began in the summer of 2003. No current DeAM employee approved these trading arrangements. Under the terms of the settlements, DAMI and DIMA neither admit nor deny any wrongdoing.

The terms of the SEC settlement, which identified improper trading in the legacy Deutsche and Kemper mutual funds only, provide for payment of disgorgement in the amount of $17.2 million. The terms of the settlement with the New York Attorney General provide for payment of disgorgement in the amount of $102.3 million, which is inclusive of the amount payable under the SEC settlement, plus a civil penalty in the amount of $20 million. The total amount payable by DeAM, approximately $122.3 million, would be distributed to funds in accordance with a distribution plan to be developed by a distribution consultant. The funds' investment advisors do not believe these amounts will have a material adverse financial impact on them or materially affect their ability to perform under their investment management agreements with the DWS funds. The above-described amounts are not material to Deutsche Bank, and have already been reserved.

Among the terms of the settled orders, DeAM is subject to certain undertakings regarding the conduct of its business in the future, including: formation of a Code of Ethics Oversight Committee to oversee all matters relating to issues arising under the advisors' Code of Ethics; establishment of an Internal Compliance Controls Committee having overall compliance oversight responsibility of the advisors; engagement of an Independent Compliance Consultant to conduct a comprehensive review of the advisors' supervisory compliance and other policies and procedures designed to prevent and detect breaches of fiduciary duty, breaches of the Code of Ethics and federal securities law violations by the advisors and their employees; and commencing in 2008, the advisors shall undergo a compliance review by an independent third party.

In addition, DeAM is subject to certain further undertakings relating to the governance of the mutual funds, including that: at least 75% of the members of the Boards of Trustees/Directors overseeing the DWS Funds continue to be independent of DeAM; the Chairmen of the DWS Funds' Boards of Trustees/Directors continue to be independent of DeAM; DeAM maintain existing management fee reductions for certain funds for a period of five years and not increase management fees for these certain funds during this period; the funds retain a senior officer (or independent consultants, as applicable) responsible for assisting in the review of fee arrangements and monitoring compliance by the funds and the investment advisors with securities laws, fiduciary duties, codes of ethics and other compliance policies, the expense of which shall be borne by DeAM; and periodic account statements, fund prospectuses and the mutual funds' web site contain additional disclosure and/or tools that assist investors in understanding the fees and costs associated with an investment in the funds and the impact of fees and expenses on fund returns.

DeAM has also settled proceedings with the Illinois Secretary of State regarding market timing matters. The terms of the Illinois settlement provide for investor education contributions totaling approximately $4 million and a payment in the amount of $2 million to the Securities Audit and Enforcement Fund.

On September 28, 2006, the SEC and the National Association of Securities Dealers ("NASD") announced final agreements in which Deutsche Investment Management Americas Inc. ("DIMA"), Deutsche Asset Management, Inc. ("DAMI") and Scudder Distributors, Inc. ("SDI") (now known as DWS Scudder Distributors, Inc.) settled administrative proceedings regarding disclosure of brokerage allocation practices in connection with sales of the Scudder Funds' (now known as the DWS Scudder Funds) shares during 2001–2003. The agreements with the SEC and NASD are reflected in orders which state, among other things, that DIMA and DAMI failed to disclose potential conflicts of interest to the fund Boards and to shareholders relating to SDI's use of certain funds' brokerage commissions to reduce revenue sharing costs to broker-dealer firms with whom it had arrangements to market and distribute Scudder Fund shares. These directed brokerage practices were discontinued in October 2003.

Under the terms of the settlements, in which DIMA, DAMI and SDI neither admitted nor denied any of the regulators' findings, DIMA, DAMI and SDI agreed to pay disgorgement, prejudgment interest and civil penalties in the total amount of $19.3 million. The portion of the settlements distributed to the funds was approximately $17.8 million and was paid to the funds as prescribed by the settlement orders based upon the amount of brokerage commissions from each fund used to satisfy revenue sharing agreements with broker-dealers who sold fund shares. Accordingly, in October 2006, the Portfolios received from the Advisor for their settlement portion as follows:

Portfolio	Total Settlement ($)	Per Share ($)
DWS Growth & Income VIP	210,334	.007
DWS Capital Growth VIP	399,942	.007
DWS Global Opportunities VIP	40,401	.002
DWS Health Care VIP	27,245	.003

Based on the prescribed settlement order, DWS Bond VIP and DWS International VIP were not entitled to a portion of the settlement.

As part of the settlements, DIMA, DAMI and SDI also agreed to implement certain measures and undertakings relating to revenue sharing payments including making additional disclosures in the fund Prospectuses or Statements of Additional Information, adopting or modifying relevant policies and procedures and providing regular reporting to the fund Boards.

Private Litigation Matters. The matters alleged in the regulatory settlements described above also serve as the general basis of a number of private class action lawsuits involving the DWS funds. These lawsuits name as defendants various persons, including certain DWS funds, the funds' investment advisors and their affiliates, and certain individuals, including in some cases fund Trustees/Directors, officers, and other parties. Each DWS fund's investment advisor has agreed to indemnify the applicable DWS funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making similar allegations.

Based on currently available information, the funds' investment advisors believe the likelihood that the pending lawsuits will have a material adverse financial impact on a DWS fund is remote and such actions are not likely to materially affect their ability to perform under their investment management agreements with the DWS funds.

I. Acquisition of Assets

On December 8, 2006, the DWS Growth & Income VIP acquired all of the net assets of DWS Large Cap Core VIP (formerly DWS Mercury Large Cap Core VIP) pursuant to a plan of reorganization approved by shareholders on October 31, 2006. The acquisition was accomplished by a tax-free exchange of 508,928 Class B shares of the DWS Large Cap Core VIP, for 509,730 Class B shares of DWS Growth & Income VIP outstanding on December 8, 2006. DWS Large Cap Core VIP's net assets at that date of $5,500,068, including $177,549 of net unrealized appreciation, were combined with those of the DWS Growth & Income VIP. The aggregate net assets of the DWS

Growth & Income VIP immediately before the acquisition were $325,496,689. The combined net assets of the DWS Growth & Income VIP immediately following the acquisition were $330,996,757.

On December 8, 2006, the DWS Capital Growth VIP acquired all of the net assets of DWS All Cap Growth VIP (formerly DWS Legg Mason Aggressive Growth VIP), DWS Oak Strategic Equity VIP and DWS Janus Growth Opportunities VIP, pursuant to a plan of reorganization approved by shareholders on October 31, 2006. The acquisition was accomplished by a tax-free exchange of 5,327,555 Class A shares and 1,045,108 Class B shares of the DWS All Cap Growth VIP, 6,755,871 Class A shares and 2,803,513 Class B shares of the DWS Oak Strategic Equity VIP and 14,026,288 Class A shares and 1,103,968 Class B shares of the DWS Janus Growth Opportunities VIP, respectively, for 2,512,311 Class A shares and 485,020 Class B shares, 2,559,770 Class A shares and 1,051,664 Class B shares and 6,451,019 Class A shares and 503,788 of Class B shares of the DWS Capital Growth VIP, respectively, outstanding on December 8, 2006. DWS All Cap Growth VIP, DWS Oak Strategic Equity VIP and DWS Janus Growth Opportunities VIP's net assets at that date of $54,782,162, $65,971,466 and $127,170,308, respectively, including $1,437,117, $1,710,783 and $12,337,292, respectively, of net unrealized appreciation, were combined with those of the DWS Capital Growth VIP. The aggregate net assets of the DWS Capital Growth VIP immediately before the acquisition were $1,004,374,949. The combined net assets of the DWS Capital Growth VIP immediately following the acquisition were $1,252,298,885.

On December 8, 2006, the DWS International VIP acquired all of the net assets of DWS Templeton Foreign Value VIP pursuant to a plan of reorganization approved by shareholders on October 31, 2006. The acquisition was accomplished by a tax-free exchange of 1,450,307 Class A shares and 662,235 Class B shares of the DWS Templeton Foreign Value VIP, respectively, for 1,133,856 Class A shares and 519,174 Class B shares of DWS International VIP, respectively, outstanding on December 8, 2006. DWS Templeton Foreign Value VIP's net assets at that date of $21,601,430, including $761,119 of net unrealized appreciation, were combined with those of the DWS International VIP. The aggregate net assets of the DWS International VIP immediately before the acquisition were $717,923,854. The combined net assets of the DWS International VIP immediately following the acquisition were $739,525,284.

Proxy Voting

A description of the Series' policies and procedures for voting proxies for portfolio securities and information about how the Series voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — www.dws-scudder.com (click on "proxy voting"at the bottom of the page) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the Series' policies and procedures without charge, upon request, call us toll free at (800) 621-1048.

About the Portfolios' Advisor

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Investment Management Americas Inc. and DWS Trust Company.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

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DWS SCUDDER
Deutsche Bank Group

JUNE 30, 2007

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Balanced VIP

DWS Blue Chip VIP

DWS Core Fixed Income VIP

DWS Davis Venture Value VIP

DWS Dreman High Return Equity VIP

DWS Dreman Small Mid Cap Value VIP

DWS Global Thematic VIP

DWS Government & Agency Securities VIP

DWS High Income VIP

DWS International Select Equity VIP

DWS Janus Growth & Income VIP

DWS Large Cap Value VIP

DWS Mid Cap Growth VIP

DWS Money Market VIP

DWS Small Cap Growth VIP

DWS Strategic Income VIP

DWS Technology VIP

DWS Turner Mid Cap Growth VIP

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DWS SCUDDER
Deutsche Bank Group

Contents

Information About Your Portfolio's Expenses, Management Summary, Portfolio Summary, Investment Portfolio, Financial Statements and Financial Highlights for:

3 DWS Balanced VIP
24 DWS Blue Chip VIP
33 DWS Core Fixed Income VIP
44 DWS Davis Venture Value VIP
52 DWS Dreman High Return Equity VIP
60 DWS Dreman Small Mid Cap Value VIP
68 DWS Global Thematic VIP
77 DWS Government & Agency Securities VIP
85 DWS High Income VIP
98 DWS International Select Equity VIP
106 DWS Janus Growth & Income VIP
115 DWS Large Cap Value VIP
123 DWS Mid Cap Growth VIP
131 DWS Money Market VIP
139 DWS Small Cap Growth VIP
147 DWS Strategic Income VIP
162 DWS Technology VIP
169 DWS Turner Mid Cap Growth VIP

177 Notes to Financial Statements
196 Proxy Voting
196 Shareholder Meeting Results
197 Investment Management Agreement Approval

Information About Your Portfolio's Expenses

DWS Balanced VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses, had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,044.60	$1,042.60
Expenses Paid per $1,000*	$ 2.59	$ 4.51
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,022.27	$1,020.38
Expenses Paid per $1,000*	$ 2.56	$ 4.46

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Balanced VIP	.51%	.89%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Balanced VIP

Except for a period of weakness in late February and early March, US equity markets were quite strong during the first six months of 2007. By the end of May, most indices were at or near their all-time highs; markets were volatile with no pronounced trend in June. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, returned 7.11% for the six-month period ending June 30, 2007.

Since this Portfolio invests in stocks and bonds in several different categories, performance is analyzed by comparing the Portfolio's return with indices that represent each asset class. In order to create a benchmark that is representative of the Portfolio's standard asset mix, we calculate a blended benchmark return that is 60% return of the Russell 1000® Index and 40% return of the Lehman Brothers US Aggregate Index. Prior to February 2007, the equity benchmark was the Standard & Poor's 500® (S&P 500 Index). During the first half of 2007, the Portfolio's Class A shares, unadjusted for contract charges, underperformed this blended benchmark, which had a return of 4.74%.

The Portfolio's allocation between stocks and bonds remained close to the neutral position of 60% equity and 40% fixed income during the first half of 2007, but with a modest overweight in equities throughout the period.[1] This was positive for performance, since stocks outperformed bonds. Tactical asset allocation also added value over the last six months. In the fixed-income portion of the Portfolio, a position in high-yield bonds was positive for performance, as high yield performed better than investment grade. The net contribution of the underlying fixed-income sleeves, the term we use for each of the asset classes, detracted from performance. Although all had positive returns, only core fixed income (investment-grade bonds) performed better than its benchmark.

Julie Abbett	Jin Chen,CFA	William Chepolis, CFA
Matthew F. MacDonald	Inna Okounkova	Thomas Picciochi
Gary Sullivan, CFA	Robert Wang	Julie M.VanCleave, CFA

Portfolio Managers, Deutsche Investment Management Americas Inc.

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio also 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 such that when interest rates rise, the prices of the bonds, and thus the value of the bond portfolio, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 3000 Index measures the performance of the 3,000 largest US companies based on total market capitalization, which represents approximately 98% of the investable US equity market.

The Russell 1000 Index is an unmanaged index that measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

The Lehman Brothers US Aggregate Index is an unmanaged market-value-weighted measure of treasury issues, agency issues, corporate and issues and mortgage securities.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not include fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Balanced VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	58%	60%
Corporate Bonds	15%	17%
Commercial and Non-Agency Mortgage Backed Securities	9%	12%
Government & Agency Obligations	6%	3%
Cash Equivalents	5%	3%
Mortgage Backed Securities Pass-Throughs	4%	1%
Collateralized Mortgage Obligations	2%	3%
Asset Backed	1%	1%
	100%	100%

Sector Diversification (Excludes Cash Equivalents and Securities Lending)	**6/30/07**	**12/31/06**
Financials	21%	23%
Consumer Discretionary	14%	13%
Energy	12%	13%
Health Care	11%	10%
Industrials	11%	9%
Information Technology	11%	13%
Consumer Staples	7%	7%
Materials	5%	5%
Telecommunication Services	4%	4%
Utilities	4%	3%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 6. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Balanced VIP

	Shares	Value ($)
Common Stocks 58.5%		
Consumer Discretionary 7.7%		
Auto Components 0.2%		
Aftermarket Technology Corp.*	5,100	151,368
Cooper Tire & Rubber Co.	10,400	287,248
GenTek, Inc.*	3,300	116,226
Sauer-Danfoss, Inc.	5,400	160,704
Standard Motor Products, Inc.	5,200	78,156
TRW Automotive Holdings Corp.*	12,300	453,009
		1,246,711
Automobiles 0.2%		
Harley-Davidson, Inc.	21,960	1,309,036
Monaco Coach Corp.	800	11,480
		1,320,516
Distributors 0.0%		
Source Interlink Companies, Inc.*	20,300	**101,094**
Diversified Consumer Services 0.1%		
DeVry, Inc.	6,800	231,336
Regis Corp.	6,100	233,325
		464,661
Hotels Restaurants & Leisure 1.1%		
Applebee's International, Inc.	5,800	139,780
California Pizza Kitchen, Inc.*	3,600	77,328
CBRL Group, Inc.	7,400	314,352
Domino's Pizza, Inc.	7,000	127,890
Landry's Restaurants, Inc.	6,000	181,560
McCormick & Schmick's Seafood Restaurants, Inc.*	1,600	41,504
McDonald's Corp.	90,400	4,588,704
O'Charley's, Inc.	2,200	44,352
Starbucks Corp.*	32,170	844,141
Triarc Companies, Inc. "B"	6,100	95,770
		6,455,381
Household Durables 0.9%		
American Greetings Corp. "A"	2,500	70,825
Blyth, Inc.	8,100	215,298
Centex Corp.	36,800	1,475,680
CSS Industries, Inc.	900	35,649
Fortune Brands, Inc.	17,110	1,409,351
Hooker Furniture Corp.	7,500	168,300
Newell Rubbermaid, Inc.	13,300	391,419
Snap-on, Inc.	24,300	1,227,393
Standard Pacific Corp.	13,900	243,667
WCI Communities, Inc.*	2,800	46,704
		5,284,286
Internet & Catalog Retail 0.0%		
GSI Commerce, Inc.*	4,600	**104,466**
Leisure Equipment & Products 0.1%		
Hasbro, Inc.	6,400	201,024
Oakley, Inc.	2,900	82,360
Polaris Industries, Inc.	1,000	54,160
		337,544
Media 1.9%		
Citadel Broadcasting Corp.	55,707	359,310
Comcast Corp. "A"*	75,400	2,120,248
Liberty Global, Inc. "A"*	36,300	1,489,752

	Shares	Value ($)
McGraw-Hill Companies, Inc.	37,570	2,557,766
Mediacom Communications Corp. "A"*	9,000	87,210
Omnicom Group, Inc.	41,620	2,202,530
Walt Disney Co.	62,400	2,130,336
Westwood One, Inc.	15,700	112,883
		11,060,035
Multiline Retail 1.5%		
Big Lots, Inc.*	4,900	144,158
Dollar Tree Stores, Inc.*	33,800	1,471,990
Kohl's Corp.*	24,580	1,745,917
Macy's, Inc.	46,000	1,829,880
Nordstrom, Inc.	13,500	690,120
Target Corp.	47,400	3,014,640
		8,896,705
Specialty Retail 1.2%		
Aeropostale, Inc.*	6,500	270,920
Best Buy Co., Inc.	15,820	738,320
Borders Group, Inc.	15,400	293,524
Brown Shoe Co., Inc.	9,950	241,984
Guess?, Inc.	3,000	144,120
Gymboree Corp.*	7,000	275,870
Hot Topic, Inc.*	2,700	29,349
Jo-Ann Stores, Inc.*	8,200	233,126
Jos. A. Bank Clothiers, Inc.*	5,400	223,938
Lowe's Companies, Inc.	37,200	1,141,668
New York & Co., Inc.*	17,900	196,184
Payless ShoeSource, Inc.*	700	22,085
Staples, Inc.	84,210	1,998,303
The Finish Line, Inc. "A"	23,700	215,907
Tiffany & Co.	14,600	774,676
West Marine, Inc.*	7,900	108,704
		6,908,678
Textiles, Apparel & Luxury Goods 0.5%		
Coach, Inc.*	35,500	1,682,345
Movado Group, Inc.	3,500	118,090
Perry Ellis International, Inc.*	8,500	273,445
Phillips-Van Heusen Corp.	2,100	127,197
Steven Madden Ltd.	500	16,380
Wolverine World Wide, Inc.	11,700	324,207
		2,541,664
Consumer Staples 4.7%		
Beverages 1.2%		
Coca-Cola Bottling Co.	500	25,150
Coca-Cola Enterprises, Inc.	46,600	1,118,400
Diageo PLC	84,183	1,753,027
PepsiCo, Inc.	60,760	3,940,286
		6,836,863
Food & Staples Retailing 0.9%		
Nash Finch Co.	4,500	222,750
Ruddick Corp.	700	21,084
Safeway, Inc.	43,900	1,493,917
Shoppers Drug Mart Corp.	17,800	824,456
Spartan Stores, Inc.	8,100	266,571
Walgreen Co.	58,610	2,551,880
		5,380,658

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Food Products 1.1%		
Dean Foods Co.	46,160	1,471,119
Flowers Foods, Inc.	3,500	116,760
General Mills, Inc.	26,200	1,530,604
Groupe Danone	18,219	1,480,003
Imperial Sugar Co.	5,100	157,029
Kellogg Co.	28,310	1,466,175
Royal Numico NV	8,546	445,660
The J.M. Smucker Co.	1,100	70,026
		6,737,376
Household Products 1.1%		
Colgate-Palmolive Co.	45,070	2,922,789
Kimberly-Clark Corp.	3,000	200,670
Procter & Gamble Co.	50,790	3,107,840
		6,231,299
Personal Products 0.0%		
Elizabeth Arden, Inc.*	3,400	**82,484**
Tobacco 0.4%		
Alliance One International, Inc.*	27,500	276,375
Altria Group, Inc.	4,000	280,560
Loews Corp. — Carolina Group	12,400	958,148
Universal Corp.	3,900	237,588
UST, Inc.	9,900	531,729
		2,284,400
Energy 7.7%		
Energy Equipment & Services 2.3%		
Baker Hughes, Inc.	34,650	2,915,105
Bronco Drilling Co., Inc.*	10,900	178,869
Grey Wolf, Inc.*	42,400	349,376
Halliburton Co.	70	2,415
Noble Corp.	16,030	1,563,246
Parker Drilling Co.*	13,400	141,236
Pioneer Drilling Co.*	11,500	171,465
Schlumberger Ltd.	47,560	4,039,746
Tidewater, Inc.	20,200	1,431,776
Transocean, Inc.*	23,140	2,452,377
Trico Marine Services, Inc.*	3,800	155,344
Unit Corp.*	500	31,455
		13,432,410
Oil, Gas & Consumable Fuels 5.4%		
Alpha Natural Resources, Inc.*	10,600	220,374
Arena Resources, Inc.*	1,800	104,598
Berry Petroleum Co. "A"	3,500	131,880
Bois d'Arc Energy, Inc.*	6,400	108,992
Brigham Exploration Co.*	15,900	93,333
Callon Petroleum Co.*	10,700	151,619
Chesapeake Energy Corp.	39,600	1,370,160
Chevron Corp.	57,300	4,826,952
Clayton Williams Energy, Inc.*	1,700	44,999
Comstock Resources, Inc.*	10,300	308,691
ConocoPhillips	31,880	2,502,580
Devon Energy Corp.	59,770	4,679,393
EOG Resources, Inc.	22,720	1,659,923
ExxonMobil Corp.	88,500	7,423,380
Marathon Oil Corp.	34,500	2,068,620
NGP Capital Resources Co.	1,300	21,736
Noble Energy, Inc.	14,000	873,460
PetroQuest Energy, Inc.*	13,400	194,836
Rosetta Resources, Inc.*	12,800	275,712
Swift Energy Co.*	7,000	299,320
USEC, Inc.*	11,800	259,364
Valero Energy Corp.	22,070	1,630,090
XTO Energy, Inc.	41,436	2,490,304
		31,740,316
Financials 11.2%		
Capital Markets 2.6%		
Apollo Investment Corp.	18,457	397,195
Cohen & Steers, Inc.	3,300	143,385
GAMCO Investors, Inc. "A"	400	22,420
Lehman Brothers Holdings, Inc.	35,190	2,622,359
MCG Capital Corp.	8,300	132,966
Merrill Lynch & Co., Inc.	33,570	2,805,780
Morgan Stanley	41,800	3,506,184
The Goldman Sachs Group, Inc.	19,400	4,204,950
UBS AG (Registered)	19,603	1,181,155
Waddell & Reed Financial, Inc. "A"	1,500	39,015
		15,055,409
Commercial Banks 2.0%		
AmericanWest Bancorp.	800	14,584
BancFirst Corp.	500	21,410
Banner Corp.	2,000	68,120
Center Financial Corp.	3,900	65,988
City Holding Co.	1,600	61,328
CVB Financial Corp.	6,029	67,042
Hanmi Financial Corp.	4,400	75,064
Irwin Financial Corp.	5,700	85,329
National City Corp.	19,500	649,740
Pacific Capital Bancorp.	13,000	350,740
PNC Financial Services Group, Inc.	9,000	644,220
Preferred Bank	600	24,000
Sterling Bancshares, Inc.	30,650	346,652
Sterling Financial Corp.	5,900	170,746
SunTrust Banks, Inc.	8,300	711,642
Susquehanna Bancshares, Inc.	4,800	107,376
Taylor Capital Group, Inc.	2,500	68,825
Trustmark Corp.	600	15,516
US Bancorp.	46,000	1,515,700
Wachovia Corp.	37,900	1,942,375
Wells Fargo & Co.	125,700	4,420,869
West Coast Bancorp.	800	24,312
		11,451,578
Consumer Finance 0.3%		
American Express Co.	23,310	1,426,106
Cash America International, Inc.	6,900	273,585
EZCORP, Inc. "A"*	12,000	158,880
First Cash Financial Services, Inc.*	900	21,096
		1,879,667
Diversified Financial Services 2.7%		
Asset Acceptance Capital Corp.*	4,700	83,190
ASTA Funding, Inc.	5,600	215,208
Bank of America Corp.	136,500	6,673,485
Chicago Mercantile Exchange Holdings, Inc. "A"	2,055	1,098,110
Citigroup, Inc.	47,200	2,420,888
JPMorgan Chase & Co.	110,800	5,368,260
		15,859,141
Insurance 2.2%		
ACE Ltd.	39,800	2,488,296
Aflac, Inc.	26,180	1,345,652
American International Group, Inc.	7,900	553,237
Assurant, Inc.	400	23,568
Commerce Group, Inc.	2,200	76,384

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
First American Corp.	6,100	301,950
Genworth Financial, Inc. "A"	43,100	1,482,640
Hartford Financial Services Group, Inc.	4,600	453,146
HCC Insurance Holdings, Inc.	33,700	1,125,917
IPC Holdings Ltd.	1,800	58,122
Lincoln National Corp.	2,000	141,900
MetLife, Inc.	14,700	947,856
NYMAGIC, Inc.	4,200	168,840
Phoenix Companies, Inc.	3,100	46,531
Principal Financial Group, Inc.	600	34,974
Safety Insurance Group, Inc.	7,300	302,220
Seabright Insurance Holdings*	14,000	244,720
Travelers Companies, Inc.	14,100	754,350
W.R. Berkley Corp.	61,500	2,001,210
		12,551,513
Real Estate Investment Trusts 1.1%		
Alexandria Real Estate Equities, Inc. (REIT)	1,700	164,594
American Home Mortgage Investment Corp. (REIT)	4,500	82,710
Apartment Investment & Management Co. "A" (REIT)	4,300	216,806
AvalonBay Communities, Inc. (REIT)	3,100	368,528
BioMed Realty Trust, Inc. (REIT)	5,800	145,696
Corporate Office Properties Trust (REIT)	1,500	61,515
Cousins Properties, Inc. (REIT)	3,500	101,535
EastGroup Properties, Inc. (REIT)	500	21,910
Equity Lifestyle Properties, Inc. (REIT)	1,700	88,723
Equity Residential (REIT)	9,200	419,796
First Industrial Realty Trust, Inc. (REIT)	4,300	166,668
Glimcher Realty Trust (REIT)	3,500	87,500
Health Care Property Investors, Inc. (REIT)	6,900	199,617
Healthcare Realty Trust, Inc. (REIT)	2,600	72,228
Home Properties, Inc. (REIT)	2,900	150,597
Hospitality Properties Trust (REIT)	7,600	315,324
Host Hotels & Resorts, Inc. (REIT)	13,100	302,872
Kimco Realty Corp. (REIT)	5,100	194,157
LaSalle Hotel Properties (REIT)	600	26,052
Lexington Realty Trust (REIT)	7,300	151,840
LTC Properties, Inc. (REIT)	600	13,650
Mid-America Apartment Communities, Inc. (REIT)	1,600	83,968
National Retail Properties, Inc. (REIT)	5,600	122,416
Nationwide Health Properties, Inc. (REIT)	3,400	92,480
Newcastle Investment Corp. (REIT)	5,100	127,857
OMEGA Healthcare Investors, Inc. (REIT)	2,800	44,324
Parkway Properties, Inc. (REIT)	2,700	129,681
Pennsylvania Real Estate Investment Trust (REIT)	2,000	88,660
Potlatch Corp. (REIT)	4,000	172,200
ProLogis (REIT)	4,300	244,670
Public Storage, Inc. (REIT)	3,400	261,188
RAIT Investment Trust (REIT)	2,900	75,458
Realty Income Corp. (REIT)	7,000	176,330
Senior Housing Properties Trust (REIT)	7,700	156,695
Simon Property Group, Inc. (REIT)	4,300	400,072
Sovran Self Storage, Inc. (REIT)	1,600	77,056
Strategic Hotels & Resorts, Inc. (REIT)	4,900	110,201
Sun Communities, Inc. (REIT)	400	11,908
Sunstone Hotel Investors, Inc. (REIT)	5,300	150,467
Thornburg Mortgage, Inc. (REIT)	4,900	128,282
Urstadt Biddle Properties "A" (REIT)	600	10,206
Vornado Realty Trust (REIT)	5,000	549,200
Washington Real Estate Investment Trust (REIT)	4,200	142,800
		6,708,437
Thrifts & Mortgage Finance 0.3%		
BankUnited Financial Corp. "A"	14,300	287,001
Corus Bankshares, Inc.	19,000	327,940
First Niagara Financial Group, Inc.	4,400	57,640
Franklin Bank Corp.*	2,700	40,230
ITLA Capital Corp.	400	20,848
NewAlliance Bancshares, Inc.	11,800	173,696
Ocwen Financial Corp.*	21,700	289,261
PFF Bancorp., Inc.	7,350	205,285
Triad Guaranty, Inc.*	800	31,944
WSFS Financial Corp.	1,900	124,317
		1,558,162
Health Care 7.4%		
Biotechnology 1.4%		
Alkermes, Inc.*	14,900	217,540
Celgene Corp.*	19,900	1,140,867
Cubist Pharmaceuticals, Inc.*	1,700	33,507
Genentech, Inc.*	40,590	3,071,039
Gilead Sciences, Inc.*	88,380	3,426,493
LifeCell Corp.*	8,000	244,320
OSI Pharmaceuticals, Inc.*	4,500	162,945
Trimeris, Inc.*	9,400	64,296
		8,361,007
Health Care Equipment & Supplies 1.7%		
Baxter International, Inc.	50,920	2,868,833
C.R. Bard, Inc.	16,650	1,375,789
Hologic, Inc.*	3,000	165,930
Integra LifeSciences Holdings*	5,700	281,694
Inverness Medical Innovations, Inc.*	2,000	102,040
Medtronic, Inc.	45,300	2,349,258
Quidel Corp.*	10,800	189,648
West Pharmaceutical Services, Inc.	6,200	292,330
Zimmer Holdings, Inc.*	23,690	2,011,044
		9,636,566
Health Care Providers & Services 1.5%		
Aetna, Inc.	12,700	627,380
Alliance Imaging, Inc.*	23,100	216,909
Amedisys, Inc.*	6,600	239,778
American Dental Partners, Inc.*	1,400	36,358
Apria Healthcare Group, Inc.*	10,900	313,593
Centene Corp.*	10,400	222,768
CorVel Corp.*	7,700	201,278
Coventry Health Care, Inc.*	11,400	657,210
Gentiva Health Services, Inc.*	3,000	60,180
Healthspring, Inc.*	15,100	287,806
Laboratory Corp. of America Holdings*	15,600	1,220,856
Magellan Health Services, Inc.*	8,600	399,642

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
MedCath Corp.*	6,700	213,060
UnitedHealth Group, Inc.	37,330	1,909,056
WellPoint, Inc.*	27,600	2,203,308
		8,809,182
Health Care Technology 0.1%		
Omnicell, Inc.*	9,800	203,644
Phase Forward, Inc.*	4,600	77,418
TriZetto Group, Inc.*	6,800	131,648
		412,710
Life Sciences Tools & Services 0.2%		
Albany Molecular Research, Inc.*	3,800	56,430
Cambrex Corp.	20,700	274,689
Kendle International, Inc.*	4,200	154,434
PRA International*	2,900	73,370
Thermo Fisher Scientific, Inc.*	14,800	765,456
		1,324,379
Pharmaceuticals 2.5%		
Abbott Laboratories	38,340	2,053,107
Caraco Pharmaceutical Laboratories Ltd.*	3,500	53,130
Eli Lilly & Co.	62,520	3,493,618
Johnson & Johnson	62,682	3,862,465
Merck & Co., Inc.	4,100	204,180
MGI Pharma, Inc.*	3,200	71,584
Noven Pharmaceuticals, Inc.*	8,300	194,635
Pfizer, Inc.	141,800	3,625,826
Salix Pharmaceuticals Ltd.*	11,700	143,910
Sciele Pharma, Inc.*	9,600	226,176
Valeant Pharmaceuticals International	18,200	303,758
ViroPharma, Inc.*	10,400	143,520
		14,375,909
Industrials 6.2%		
Aerospace & Defense 1.3%		
General Dynamics Corp.	6,500	508,430
Honeywell International, Inc.	47,900	2,695,812
Raytheon Co.	32,100	1,729,869
United Technologies Corp.	34,940	2,478,294
		7,412,405
Air Freight & Logistics 0.3%		
Atlas Air Worldwide Holdings, Inc.*	900	53,046
FedEx Corp.	16,880	1,873,174
		1,926,220
Airlines 0.2%		
Alaska Air Group, Inc.*	9,900	275,814
AMR Corp.*	36,300	956,505
ExpressJet Holdings, Inc.*	4,000	23,920
SkyWest, Inc.	11,400	271,662
		1,527,901
Building Products 0.1%		
American Woodmark Corp.	7,600	262,960
Apogee Enterprises, Inc.	1,100	30,602
Builders FirstSource, Inc.*	7,800	125,268
		418,830
Commercial Services & Supplies 0.4%		
Administaff, Inc.	5,600	187,544
Bowne & Co., Inc.	1,200	23,412
COMSYS IT Partners, Inc.*	1,600	36,496
Consolidated Graphics, Inc.*	200	13,856
Deluxe Corp.	7,800	316,758
Diamond Management & Technology Consultants, Inc.	16,200	213,840
Heidrick & Struggles International, Inc.*	5,700	292,068
Hudson Highland Group, Inc.*	4,700	100,533
Huron Consulting Group, Inc.*	4,100	299,341
IHS, Inc. "A"*	1,300	59,800
Kforce, Inc.*	12,900	206,142
Layne Christensen Co.*	5,900	241,605
McGrath Rentcorp.	4,900	165,081
Schawk, Inc.	1,500	30,030
Waste Industries USA, Inc.	800	27,312
Watson Wyatt Worldwide, Inc. "A"	3,400	171,632
		2,385,450
Construction & Engineering 0.1%		
EMCOR Group, Inc.*	5,400	393,660
Granite Construction, Inc.	300	19,254
Perini Corp.*	4,700	289,191
		702,105
Electrical Equipment 0.7%		
Acuity Brands, Inc.	6,000	361,680
Belden, Inc.	5,400	298,890
Emerson Electric Co.	65,340	3,057,912
GrafTech International Ltd.*	12,500	210,500
II-VI, Inc.*	8,000	217,360
Lamson & Sessions Co.*	2,300	61,111
		4,207,453
Industrial Conglomerates 1.3%		
General Electric Co.	197,840	7,573,315
Teleflex, Inc.	700	57,246
Tredegar Corp.	10,600	225,780
		7,856,341
Machinery 1.1%		
Accuride Corp.*	19,000	292,790
AGCO Corp.*	31,500	1,367,415
Badger Meter, Inc.	500	14,130
Cascade Corp.	800	62,752
Caterpillar, Inc.	19,770	1,547,991
Columbus McKinnon Corp.*	4,900	157,780
Eaton Corp.	12,000	1,116,000
Freightcar America, Inc.	6,500	310,960
Parker Hannifin Corp.	8,300	812,653
RBC Bearings, Inc.*	2,500	103,125
Sun Hydraulics Corp.	3,800	187,150
Wabtec Corp.	7,700	281,281
Xerium Technologies, Inc.	7,200	54,864
		6,308,891
Marine 0.1%		
TBS Intrenational Ltd. "A"*	10,300	**292,520**
Road & Rail 0.4%		
Dollar Thrifty Automotive Group, Inc.*	7,200	294,048
Marten Transport Ltd.*	5,500	99,055
Ryder System, Inc.	35,400	1,904,520
USA Truck, Inc.*	5,800	96,280
		2,393,903
Trading Companies & Distributors 0.2%		
Electro Rent Corp.*	7,700	111,958
United Rentals, Inc.*	26,900	875,326
		987,284

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	Shares	Value ($)
Information Technology 7.5%		
Communications Equipment 1.0%		
Andrew Corp.*	14,000	202,160
C-COR, Inc.*	14,500	203,870
Cisco Systems, Inc.*	97,570	2,717,324
Comtech Telecommunications Corp.*	5,100	236,742
Dycom Industries, Inc.*	11,400	341,772
MasTec, Inc.*	15,600	246,792
QUALCOMM, Inc.	35,130	1,524,291
Tekelec*	4,700	67,774
		5,540,725
Computers & Peripherals 2.3%		
Apple, Inc.*	32,200	3,929,688
EMC Corp.*	116,030	2,100,143
Hewlett-Packard Co.	30,800	1,374,296
International Business Machines Corp.	41,940	4,414,185
Intevac, Inc.*	7,400	157,324
Komag, Inc.*	7,500	239,175
Lexmark International, Inc. "A"*	3,100	152,861
NCR Corp.*	13,800	725,052
Novatel Wireless, Inc.*	8,000	208,160
Stratasys, Inc.*	2,900	136,242
Western Digital Corp.*	7,600	147,060
		13,584,186
Electronic Equipment & Instruments 0.2%		
Agilysys, Inc.	8,900	200,250
Littelfuse, Inc.*	6,600	222,882
LoJack Corp.*	1,400	31,206
Mettler-Toledo International, Inc.*	10,000	955,100
Rofin-Sinar Technologies, Inc.*	300	20,700
		1,430,138
Internet Software & Services 0.7%		
DealerTrack Holdings, Inc.*	1,100	40,524
EarthLink, Inc.*	4,100	30,627
Google, Inc. "A"*	3,115	1,630,328
InfoSpace, Inc.	4,700	109,087
Internap Network Services Corp.*	11,500	165,830
j2 Global Communications, Inc.*	6,200	216,380
RealNetworks, Inc.*	4,100	33,497
SAVVIS, Inc.*	3,800	188,138
Sohu.com, Inc.*	5,400	172,746
United Online, Inc.	8,100	133,569
ValueClick, Inc.*	6,500	191,490
Websense, Inc.*	6,300	133,875
Yahoo!, Inc.*	46,360	1,257,747
		4,303,838
IT Services 0.7%		
Accenture Ltd. "A"	56,510	2,423,714
Convergys Corp.*	2,200	53,328
Gartner, Inc.*	2,500	61,475
Global Cash Access Holdings, Inc.*	800	12,816
Infocrossing, Inc.*	1,300	24,011
ManTech International Corp. "A"*	5,000	154,150
Paychex, Inc.	33,200	1,298,784
		4,028,278
Semiconductors & Semiconductor Equipment 1.4%		
Advanced Energy Industries, Inc.*	9,200	208,472
AMIS Holdings, Inc.*	18,900	236,628
Asyst Technologies, Inc.*	25,800	186,534
Broadcom Corp. "A"*	27,340	799,695
Brooks Automation, Inc.*	1,000	18,150
DSP Group, Inc.*	1,700	34,799
FormFactor, Inc.*	5,800	222,140
Intel Corp.	100,700	2,392,632
Kulicke & Soffa Industries, Inc.*	4,800	50,256
Micrel, Inc.	6,600	83,952
Monolithic Power Systems, Inc.*	2,200	38,390
Photronics, Inc.*	14,000	208,320
RF Micro Devices, Inc.*	35,200	219,648
Teradyne, Inc.*	41,200	724,296
Tessera Technologies, Inc.*	5,800	235,190
Texas Instruments, Inc.	59,630	2,243,877
		7,902,979
Software 1.2%		
Adobe Systems, Inc.*	37,150	1,491,573
Ansoft Corp.*	5,000	147,450
Aspen Technology, Inc.*	16,300	228,200
Blackboard, Inc.*	2,400	101,088
Electronic Arts, Inc.*	25,600	1,211,392
Epicor Software Corp.*	3,000	44,610
FalconStor Software, Inc.*	18,200	192,010
Microsoft Corp.	102,050	3,007,413
MicroStrategy, Inc. "A"*	22	2,079
Smith Micro Software, Inc.*	11,400	171,684
SPSS, Inc.*	6,700	295,738
Taleo Corp. "A"*	4,600	103,638
Ultimate Software Group, Inc.*	9,500	274,835
		7,271,710
Materials 2.5%		
Chemicals 1.3%		
Cabot Corp.	1,800	85,824
CF Industries Holdings, Inc.	5,900	353,351
Chemtura Corp.	32,200	357,742
Ecolab, Inc.	34,650	1,479,555
Ferro Corp.	3,600	89,748
FMC Corp.	4,400	393,316
Georgia Gulf Corp.	14,500	262,595
Lyondell Chemical Co.	34,700	1,288,064
Monsanto Co.	19,800	1,337,292
Praxair, Inc.	23,300	1,677,367
Spartech Corp.	12,200	323,910
		7,648,764
Containers & Packaging 0.5%		
Greif, Inc. "A"	2,500	149,025
Rock-Tenn Co. "A"	2,100	66,612
Silgan Holdings, Inc.	5,800	320,624
Sonoco Products Co.	50,400	2,157,624
		2,693,885
Metals & Mining 0.7%		
Century Aluminum Co.*	4,300	234,909
Cleveland-Cliffs, Inc.	2,400	186,408
Freeport-McMoRan Copper & Gold, Inc.	7,800	645,996
Hecla Mining Co.*	11,600	99,064
Nucor Corp.	24,200	1,419,330
Quanex Corp.	5,900	287,330
United States Steel Corp.	9,200	1,000,500
		3,873,537
Paper & Forest Products 0.0%		
Buckeye Technologies, Inc.*	14,500	**224,315**

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	Shares	Value ($)
Telecommunication Services 2.1%		
Diversified Telecommunication Services 1.9%		
Alaska Communications Systems Group, Inc.	18,100	286,704
AT&T, Inc.	86,600	3,593,900
Cincinnati Bell, Inc.*	61,800	357,204
Citizens Communications Co.	64,300	981,861
Embarq Corp.	26,100	1,653,957
Golden Telecom, Inc.	1,600	88,016
NTELOS Holdings Corp.	2,200	60,808
Premiere Global Services, Inc.*	8,700	113,274
Verizon Communications, Inc.	94,700	3,898,799
		11,034,523
Wireless Telecommunication Services 0.2%		
American Tower Corp. "A"*	19,300	810,600
Centennial Communications Corp.*	24,300	230,607
USA Mobility, Inc.*	10,400	278,304
		1,319,511
Utilities 1.5%		
Electric Utilities 0.9%		
Duke Energy Corp.	77,000	1,409,100
Entergy Corp.	13,800	1,481,430
FirstEnergy Corp.	28,200	1,825,386
Portland General Electric Co.	2,200	60,368
Southern Co.	17,200	589,788
Westar Energy, Inc.	1,200	29,136
		5,395,208
Gas Utilities 0.1%		
South Jersey Industries, Inc.	3,900	137,982
Southwest Gas Corp.	10,900	368,529
WGL Holdings, Inc.	2,000	65,280
		571,791
Multi-Utilities 0.5%		
Consolidated Edison, Inc.	5,700	257,184
PNM Resources, Inc.	8,600	238,994
Sempra Energy	36,800	2,179,664
		2,675,842
Total Common Stocks (Cost $263,996,028)		**341,349,740**

Preferred Stocks 0.0%

Financials

	Shares	Value ($)
Farm Credit Bank of Texas, Series 1, 7.561% (Cost $232,630)	218,000	**233,323**

Convertible Preferred Stocks 0.0%

Consumer Discretionary

	Shares	Value ($)
ION Media Networks, Inc. 144A, 9.75%, (PIK) (Cost $83,525)	12	**70,800**

		Principal Amount ($)(a)	Value ($)
Corporate Bonds 15.1%			
Consumer Discretionary 3.0%			
AAC Group Holding Corp., 14.75%, 10/1/2012 (PIK)		77,486	85,041
Affinia Group, Inc., 9.0%, 11/30/2014		150,000	147,000
AMC Entertainment, Inc., 8.0%, 3/1/2014		225,000	220,500
American Achievement Corp., 8.25%, 4/1/2012		45,000	45,338
American Media Operations, Inc., Series B, 10.25%, 5/1/2009		60,000	57,000
Asbury Automotive Group, Inc.:			
144A, 7.625%, 3/15/2017		100,000	98,500
8.0%, 3/15/2014		45,000	45,450
Ashtead Holdings PLC, 144A, 8.625%, 8/1/2015		75,000	76,500
Buffets, Inc., 12.5%, 11/1/2014		60,000	57,450
Burlington Coat Factory Warehouse Corp., 11.125%, 4/15/2014		90,000	87,750
Cablevision Systems Corp., Series B, 9.82%**, 4/1/2009		60,000	62,700
Caesars Entertainment, Inc., 8.875%, 9/15/2008		105,000	107,887
Canwest Mediaworks LP, 144A, 9.25%, 8/1/2015		75,000	75,000
Charter Communications Holdings LLC:			
Series B, 10.25%, 9/15/2010		145,000	151,344
10.25%, 9/15/2010		490,000	512,050
11.0%, 10/1/2015		416,000	434,200
Cirsa Capital Luxembourg, 144A, 7.875%, 7/15/2012	EUR	50,000	67,334
Claire's Stores, Inc., 144A, 9.25%, 6/1/2015		100,000	95,000
Comcast Cable Communications Holdings, Inc., 9.455%, 11/15/2022		220,000	279,213
Cooper-Standard Automotive, Inc., 8.375%, 12/15/2014		110,000	102,575
CSC Holdings, Inc.:			
7.25%, 7/15/2008		80,000	80,600
7.875%, 12/15/2007		240,000	241,500
Series B, 8.125%, 7/15/2009		35,000	35,700
Series B, 8.125%, 8/15/2009		35,000	35,700
DaimlerChrysler NA Holding Corp., Series E, 5.89%**, 10/31/2008		389,000	391,137
Denny's Corp. Holdings, Inc., 10.0%, 10/1/2012		30,000	31,650
Dex Media East LLC/Financial, 12.125%, 11/15/2012		638,000	686,647
Dollarama Group LP, 144A, 11.16%**, 8/15/2012		69,000	68,310
EchoStar DBS Corp.:			
6.625%, 10/1/2014		130,000	124,150
7.125%, 2/1/2016		100,000	97,750
Fontainebleau Las Vegas Holdings LCC, 144A, 10.25%, 6/15/2015		125,000	123,125
Foot Locker, Inc., 8.5%, 1/15/2022		30,000	30,450
Ford Motor Co., 7.45%, 7/16/2031		90,000	71,888
French Lick Resorts & Casinos, 144A, 10.75%, 4/15/2014		320,000	273,600
General Motors Corp.:			
7.2%, 1/15/2011		220,000	211,475
7.4%, 9/1/2025		85,000	71,613
8.375%, 7/15/2033 (b)		215,000	196,187
Golden Nugget, 7.36%, 6/16/2014		25,000	25,000
Goodyear Tire & Rubber Co., 11.25%, 3/1/2011		525,000	570,281
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015		85,000	84,575
Gregg Appliances, Inc., 9.0%, 2/1/2013		55,000	58,575

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	Principal Amount ($)(a)	Value ($)
Group 1 Automotive, Inc., 8.25%, 8/15/2013	45,000	46,463
Hanesbrands, Inc., Series B, 8.784%**, 12/15/2014	130,000	131,950
Harrah's Operating Co., Inc., 5.625%, 6/1/2015	450,000	366,750
Hertz Corp.:		
8.875%, 1/1/2014	210,000	218,925
10.5%, 1/1/2016	50,000	55,250
ION Media Networks, Inc., 144A, 11.61%**, 1/15/2013	85,000	87,975
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014	300,000	283,875
Jacobs Entertainment, Inc., 9.75%, 6/15/2014	160,000	166,200
Jarden Corp., 7.5%, 5/1/2017	75,000	74,062
JC Penney Corp., Inc., 8.0%, 3/1/2010	500,000	527,955
Liberty Media LLC:		
5.7%, 5/15/2013	20,000	18,798
8.25%, 2/1/2030	125,000	121,227
8.5%, 7/15/2029	135,000	134,820
Majestic Star Casino LLC, 9.5%, 10/15/2010	15,000	15,600
Mediacom Broadband LLC, 8.5%, 10/15/2015	5,000	5,025
MediMedia USA, Inc., 144A, 11.375%, 11/15/2014	45,000	48,263
Metaldyne Corp.:		
10.0%, 11/1/2013	75,000	79,500
11.0%, 6/15/2012	25,000	25,500
MGM MIRAGE:		
6.75%, 9/1/2012	35,000	33,425
8.375%, 2/1/2011	80,000	81,800
Michaels Stores, Inc., 144A, 10.0%, 11/1/2014	135,000	138,375
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010	155,000	161,200
NCL Corp., 10.625%, 7/15/2014	30,000	28,950
News America, Inc., 144A, 6.15%, 3/1/2037	750,000	691,372
Norcraft Holdings/Capital, Step-up Coupon, 0% to 9/1/2008, 9.75% to 9/1/2012	240,000	219,600
OSI Restaurant Partners, Inc., 144A, 10.0%, 6/15/2015	100,000	95,500
Penske Automotive Group, Inc., 7.75%, 12/15/2016	220,000	218,900
Pinnacle Entertainment, Inc., 8.75%, 10/1/2013	90,000	94,050
Premier Entertainment Biloxi LLC/Finance, 10.75%, 2/1/2012	575,000	598,000
PRIMEDIA, Inc., 8.875%, 5/15/2011	95,000	97,850
Quebecor World, Inc., 144A, 9.75%, 1/15/2015	75,000	75,937
Quiksilver, Inc., 6.875%, 4/15/2015	100,000	94,000
Reader's Digest Association, Inc., 144A, 9.0%, 2/15/2017	60,000	56,100
Royal Caribbean Cruises Ltd., 8.75%, 2/2/2011	422,000	455,902
Sabre Holdings Corp., 8.35%, 3/15/2016	80,000	72,000
Sbarro, Inc., 10.375%, 2/1/2015	50,000	48,688
Seminole Hard Rock Entertainment, Inc., 144A, 7.86%**, 3/15/2014	100,000	100,750
Shingle Springs Tribal Gaming, 144A, 9.375%, 6/15/2015	75,000	75,656
Simmons Co.:		
Step-up Coupon, 0% to 12/15/2009, 10.0% to 12/15/2014	285,000	239,400
7.875%, 1/15/2014	30,000	29,850
Sinclair Broadcast Group, Inc., 8.0%, 3/15/2012	46,000	47,380
Sirius Satellite Radio, Inc., 9.625%, 8/1/2013	130,000	127,400
Six Flags, Inc., 9.75%, 4/15/2013	40,000	37,650
Sonic Automotive, Inc., Series B, 8.625%, 8/15/2013	90,000	92,700
Station Casinos, Inc., 6.5%, 2/1/2014	115,000	101,775
TCI Communications, Inc., 8.75%, 8/1/2015	135,000	156,114
Telenet Group Holding NV, 144A, Step-up Coupon, 0% to 12/15/2008, 11.5% to 6/15/2014	439,000	414,855
The Bon-Ton Department Stores, Inc., 10.25%, 3/15/2014	90,000	91,125
Time Warner Cable, Inc., 144A, 5.4%, 7/2/2012	810,000	795,439
Time Warner, Inc., 5.875%, 11/15/2016	765,000	744,040
Toys "R" Us, Inc., 7.375%, 10/15/2018	75,000	63,188
Travelport LLC:		
9.875%, 9/1/2014	35,000	37,100
9.985%**, 9/1/2014	65,000	66,625
11.875%, 9/1/2016	35,000	38,631
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015	190,000	188,575
TRW Automotive, Inc., 144A, 7.0%, 3/15/2014	50,000	47,625
United Components, Inc., 9.375%, 6/15/2013	15,000	15,488
Univision Communications, Inc., 144A, 9.75%, 3/15/2015 (PIK)	350,000	345,625
Vitro, SA de CV:		
144A, 8.625%, 2/1/2012	55,000	55,825
144A, 9.125%, 2/1/2017	115,000	117,875
Series A, 11.75%, 11/1/2013	35,000	38,675
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009	65,000	65,813
Wyndham Worldwide Corp., 6.0%, 12/1/2016	830,000	800,511
XM Satellite Radio, Inc., 9.75%, 5/1/2014 (b)	175,000	171,500
Young Broadcasting, Inc., 8.75%, 1/15/2014	420,000	396,900
		17,491,622

Consumer Staples 0.5%

	Principal Amount ($)(a)	Value ($)
Alliance One International, Inc., 144A, 8.5%, 5/15/2012	40,000	40,900
Cerveceria Nacional Dominicana, 144A, 8.0%, 3/27/2014	140,000	144,200
Constellation Brands, Inc., 144A, 7.25%, 5/15/2017	75,000	73,125
CVS Caremark Corp., 6.25%, 6/1/2027	793,000	768,378
Del Laboratories, Inc., 8.0%, 2/1/2012	80,000	76,800
Delhaize America, Inc.:		
8.05%, 4/15/2027	30,000	31,324
9.0%, 4/15/2031	201,000	242,838

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	Principal Amount ($)(a)	Value ($)
General Nutrition Centers, Inc., 144A, 9.796%**, 3/15/2014 (PIK)	100,000	96,500
Harry & David Holdings, Inc., 10.36%**, 3/1/2012	95,000	95,950
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012	348,750	348,750
Pilgrim's Pride Corp., 7.625%, 5/1/2015	35,000	34,912
Rite Aid Corp.:		
7.5%, 3/1/2017	145,000	139,925
144A, 9.5%, 6/15/2017	70,000	67,200
Smithfield Foods, Inc., 7.75%, 7/1/2017	105,000	105,000
Tereos Europe SA, 144A, 6.375%, 4/15/2014	75,000	99,986
Viskase Co., Inc., 11.5%, 6/15/2011	480,000	480,000
		2,845,788

Energy 1.5%

	Principal Amount ($)(a)	Value ($)
Belden & Blake Corp., 8.75%, 7/15/2012	395,000	404,875
Chaparral Energy, Inc., 8.5%, 12/1/2015	105,000	102,638
Chesapeake Energy Corp.:		
6.25%, 1/15/2018	55,000	51,356
6.875%, 1/15/2016	280,000	273,700
7.75%, 1/15/2015	40,000	40,700
Cimarex Energy Co., 7.125%, 5/1/2017	75,000	73,125
Complete Production Services, Inc., 144A, 8.0%, 12/15/2016	130,000	131,300
Delta Petroleum Corp., 7.0%, 4/1/2015	205,000	177,837
Denbury Resources, Inc., 7.5%, 12/15/2015	30,000	29,925
Dynegy Holdings, Inc.:		
6.875%, 4/1/2011	25,000	24,563
144A, 7.75%, 6/1/2019	150,000	139,500
8.375%, 5/1/2016	160,000	156,400
Energy Partners Ltd., 144A, 9.75%, 4/15/2014	55,000	54,588
Frontier Oil Corp., 6.625%, 10/1/2011	65,000	63,375
GAZ Capital (Gazprom), 144A, 6.212%, 11/22/2016	1,065,000	1,037,310
Kinder Morgan Energy Partners LP, 6.0%, 2/1/2017	381,000	372,854
Mariner Energy, Inc., 8.0%, 5/15/2017	60,000	59,550
OPTI Canada, Inc.:		
144A, 7.875%, 12/15/2014	115,000	115,000
144A, 8.25%, 12/15/2014	85,000	86,275
Peabody Energy Corp., 7.375%, 11/1/2016	60,000	61,200
Plains Exploration & Production Co., 7.0%, 3/15/2017	45,000	42,638
Quicksilver Resources, Inc., 7.125%, 4/1/2016	55,000	53,075
Reliant Energy, Inc., 7.875%, 6/15/2017	145,000	141,012
Sabine Pass LNG LP:		
144A, 7.25%, 11/30/2013	100,000	99,250
144A, 7.5%, 11/30/2016	300,000	298,500
Secunda International Ltd., 13.356%**, 9/1/2012	125,000	129,687
Seitel, Inc., 144A, 9.75%, 2/15/2014	145,000	143,550
Southern Natural Gas Co., 144A, 5.9%, 4/1/2017	895,000	865,660
Spectra Energy Capital LLC, 6.25%, 2/15/2013	1,625,000	1,648,465
Stone Energy Corp.:		
6.75%, 12/15/2014	250,000	230,000
144A, 8.106%**, 7/15/2010	135,000	135,000
Tennessee Gas Pipeline Co., 7.625%, 4/1/2037	75,000	82,298
Tesoro Corp., 144A, 6.5%, 6/1/2017	115,000	112,412
VeraSun Energy Corp., 144A, 9.375%, 6/1/2017	55,000	51,150
Whiting Petroleum Corp.:		
7.0%, 2/1/2014	85,000	79,900
7.25%, 5/1/2012	55,000	52,250
7.25%, 5/1/2013	30,000	28,500
Williams Companies, Inc.:		
8.125%, 3/15/2012	275,000	291,844
8.75%, 3/15/2032	430,000	497,725
Williams Partners LP, 7.25%, 2/1/2017	75,000	75,375
		8,514,362

Financials 4.2%

		Principal Amount ($)(a)	Value ($)
Alamosa Delaware, Inc., 11.0%, 7/31/2010		95,000	100,650
Algoma Acquistion Corp., 144A, 9.875%, 6/15/2015		220,000	218,900
Allied World Assurance Holdings, Ltd., 7.5%, 8/1/2016		1,000,000	1,051,129
Ashton Woods USA LLC, 9.5%, 10/1/2015		230,000	212,750
Buffalo Thunder Development Authority, 144A, 9.375%, 12/15/2014		45,000	45,000
Capital One III, 7.686%, 8/15/2036		1,000,000	1,029,891
CEVA Group PLC:			
144A, 8.5%, 12/1/2014	EUR	75,000	97,956
144A, 10.0%, 12/1/2016	EUR	50,000	66,319
CIT Group, Inc., 6.1%, 3/15/2067		1,250,000	1,138,402
CNA Financial Corp., 6.5%, 8/15/2016		370,000	373,021
Conproca SA de CV, Series REG S, 12.0%, 6/16/2010		405,000	449,550
Countrywide Financial Corp., 5.78%**, 5/7/2012		1,625,000	1,625,837
Duke Realty LP, 5.95%, 2/15/2017		1,250,000	1,245,166
E*TRADE Financial Corp.:			
7.375%, 9/15/2013		80,000	81,200
7.875%, 12/1/2015		65,000	67,681
8.0%, 6/15/2011		130,000	133,250
Ford Motor Credit Co. LLC:			
7.25%, 10/25/2011		435,000	418,658
7.375%, 10/28/2009		1,055,000	1,047,252
7.8%, 6/1/2012		75,000	73,165
7.875%, 6/15/2010		295,000	294,943
8.0%, 12/15/2016		100,000	95,785
8.105%**, 1/13/2012		100,000	99,746
GMAC LLC:			
4.375%, 12/10/2007		134,000	133,034
6.125%, 8/28/2007		622,000	622,424
6.875%, 9/15/2011		1,240,000	1,219,731
8.0%, 11/1/2031		534,000	546,058

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Goldman Sachs Capital II, 5.793%, 12/29/2049	1,060,000	1,034,502
Hawker Beechcraft Acquisition Co. LLC, 144A, 9.75%, 4/1/2017	110,000	114,950
Hexion US Financial, 9.75%, 11/15/2014	60,000	62,100
Hub International Holdings, Inc., 144A, 9.0%, 12/15/2014	60,000	58,800
Idearc, Inc., 8.0%, 11/15/2016	435,000	439,350
Inmarsat Finance II PLC, Step-up Coupon, 0% to 11/15/2008, 10.375% to 11/15/2012	85,000	81,069
iPayment, Inc., 9.75%, 5/15/2014	80,000	80,000
JPMorgan Chase Capital XV, 5.875%, 3/15/2035	585,000	533,864
K&F Acquisition, Inc., 7.75%, 11/15/2014	30,000	31,800
KAR Holdings, Inc.:		
144A, 8.75%, 5/1/2014	80,000	78,400
144A, 10.0%, 5/1/2015	105,000	102,375
Local TV Finance LLC, 144A, 9.25%, 6/15/2015 (PIK)	75,000	74,250
Manufacturers & Traders Trust Co., 5.629%, 12/1/2021	1,250,000	1,203,495
Morgan Stanley, Series F, 5.55%, 4/27/2017	1,875,000	1,798,901
New ASAT (Finance) Ltd., 9.25%, 2/1/2011	95,000	81,225
Petroplus Finance Ltd., 144A, 7.0%, 5/1/2017	75,000	72,187
Pinnacle Foods Finance LLC:		
144A, 9.25%, 4/1/2015	65,000	62,725
144A, 10.625%, 4/1/2017	30,000	28,875
PNC Preferred Funding Trust, 144A, 6.113%, 3/15/2049	1,000,000	975,345
Popular North America, Inc., Series E, 3.875%, 10/1/2008	1,000,000	980,160
R.H. Donnelly, Inc., 10.875%, 12/15/2012	320,000	341,200
Realogy Corp., 144A, 12.375%, 4/15/2015	60,000	54,750
Residential Capital LLC, 6.375%, 6/30/2010	1,630,000	1,608,960
Sally Holdings LLC, 144A, 9.25%, 11/15/2014	90,000	90,225
Triad Acquisition Corp., Series B, 11.125%, 5/1/2013	125,000	119,375
U.S.I. Holdings Corp.:		
144A, 9.23%**, 11/15/2014	45,000	44,775
144A, 9.75%, 5/15/2015	60,000	59,700
UCI Holding co., Inc., 144A, 12.359%**, 12/15/2013 (PIK)	90,484	91,841
Universal City Development Partners, 11.75%, 4/1/2010	370,000	392,200
Verizon Global Funding Corp., 7.75%, 12/1/2030	170,000	190,428
Washington Mutual Preferred Funding II, 144A, 6.665%, 12/31/2049	700,000	668,244
Wimar Opco LLC, 144A, 9.625%, 12/15/2014	340,000	327,250
Yankee Acquisition Corp.:		
Series B, 8.5%, 2/15/2015	55,000	53,350
Series B, 9.75%, 2/15/2017	45,000	43,538
		24,467,707

	Principal Amount ($)(a)	Value ($)
Health Care 0.6%		
Advanced Medical, 7.11%, 4/2/2014	40,000	39,875
Advanced Medical Optics, Inc., 144A, 7.5%, 5/1/2017	45,000	42,525
Amgen, Inc., 144A, 5.85%, 6/1/2017	1,000,000	984,459
Community Health Systems, Inc., 144A, 8.875%, 7/15/2015	555,000	562,631
HCA, Inc.:		
6.5%, 2/15/2016	150,000	126,937
144A, 9.125%, 11/15/2014	120,000	126,150
144A, 9.25%, 11/15/2016	250,000	266,250
HEALTHSOUTH Corp.:		
10.75%, 6/15/2016	140,000	151,900
11.409%**, 6/15/2014	30,000	32,400
Iasis Healthcare LLC:		
1.0%, 6/15/2014	70,000	71,400
8.75%, 6/15/2014	30,000	30,000
Omnicare, Inc., 6.125%, 6/1/2013	30,000	27,938
Psychiatric Solutions, Inc., 144A, 7.75%, 7/15/2015	70,000	69,212
PTS Acquisition Corp., 144A, 9.5%, 4/15/2015 (PIK)	55,000	54,038
Sun Healthcare Group, Inc., 144A, 9.125%, 4/15/2015	75,000	78,000
Surgical Care Affiliates, Inc., 144A, 8.875%, 7/15/2015 (PIK)	90,000	89,550
Tenet Healthcare Corp., 9.25%, 2/1/2015	275,000	261,250
The Cooper Companies, Inc., 144A, 7.125%, 2/15/2015	145,000	143,550
Universal Hospital Services, Inc., 144A, 8.5%, 6/1/2015 (PIK)	50,000	49,500
Vanguard Health Holding Co. II, LLC, 9.0%, 10/1/2014	235,000	232,650
		3,440,215
Industrials 1.5%		
Actuant Corp., 144A, 6.875%, 6/15/2017	55,000	54,450
Aleris International, Inc., 144A, 9.0%, 12/15/2014 (PIK)	100,000	100,875
Alion Science and Technology, 10.25%, 2/1/2015	60,000	61,950
Allied Security Escrow Corp., 11.375%, 7/15/2011	130,000	130,650
Allied Waste North America, Inc., Series B, 9.25%, 9/1/2012	295,000	309,381
American Color Graphics, Inc., 10.0%, 6/15/2010	140,000	112,000
ARAMARK Corp.:		
144A, 8.5%, 2/1/2015	120,000	122,100
144A, 8.856%**, 2/1/2015	100,000	101,500
Baldor Electric Co., 8.625%, 2/15/2017	75,000	79,313
Belden, Inc., 144A, 7.0%, 3/15/2017	75,000	73,875
Bombardier, Inc., 144A, 6.75%, 5/1/2012	100,000	98,500
Bristow Group, Inc., 144A, 7.5%, 9/15/2017	85,000	85,212
Browning-Ferris Industries, Inc., 7.4%, 9/15/2035	250,000	235,000
Building Materials Corp. of America, 7.75%, 8/1/2014	100,000	97,000
Cenveo Corp., 7.875%, 12/1/2013	185,000	181,300

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	Principal Amount ($)(a)	Value ($)
Congoleum Corp., 8.625%, 8/1/2008*	190,000	173,850
DRS Technologies, Inc.:		
6.625%, 2/1/2016	35,000	33,775
6.875%, 11/1/2013	210,000	203,700
7.625%, 2/1/2018	250,000	252,500
Education Management LLC, 8.75%, 6/1/2014	75,000	76,875
Esco Corp., 144A, 8.625%, 12/15/2013	155,000	162,750
General Cable Corp., 144A, 7.125%, 4/1/2017	45,000	44,550
Great Lakes Dredge & Dock Co., 7.75%, 12/15/2013	60,000	59,100
Harland Clarke Holdings Corp., 144A, 9.5%, 5/15/2015	70,000	67,200
Iron Mountain, Inc., 8.75%, 7/15/2018	55,000	56,650
K. Hovnanian Enterprises, Inc.:		
6.25%, 1/15/2016	270,000	229,500
8.875%, 4/1/2012	265,000	243,800
Kansas City Southern de Mexico:		
144A, 7.375%, 6/1/2014	60,000	59,550
144A, 7.625%, 12/1/2013	205,000	204,487
9.375%, 5/1/2012	190,000	203,300
Kansas City Southern Railway Co.:		
7.5%, 6/15/2009	55,000	54,588
9.5%, 10/1/2008	485,000	501,975
Mobile Services Group, Inc., 144A, 9.75%, 8/1/2014	135,000	143,775
Navios Maritime Holdings, Inc., 144A, 9.5%, 12/15/2014	115,000	121,900
Owens Corning Inc, 7.0%, 12/1/2036	742,000	720,972
Panolam Industries International, Inc., 144A, 10.75%, 10/1/2013	45,000	47,025
R. R. Donnelley & Sons Co., 6.125%, 1/15/2017	583,000	567,634
Rail America, Inc., 7.6%, 10/2/2008	120,000	120,376
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014	30,000	32,925
RBS Global & Rexnord Corp., 9.5%, 8/1/2014	65,000	66,625
Riverdeep Bank, 12.06%**, 12/15/2007	93,602	93,953
Saint Acquisition Corp., 144A, 12.5%, 5/15/2017	55,000	51,975
Ship Finance International Ltd., 8.5%, 12/15/2013	70,000	72,100
Steel Dynamics, Inc., 144A, 6.75%, 4/1/2015	110,000	107,800
Terex Corp., 7.375%, 1/15/2014	40,000	40,000
The Manitowoc Co., Inc., 7.125%, 11/1/2013	20,000	20,050
Titan International, Inc., 8.0%, 1/15/2012	220,000	226,050
TransDigm, Inc., 144A, 7.75%, 7/15/2014	45,000	45,450
Tribune Co., 7.86%, 5/24/2014	140,000	136,734
U.S. Concrete, Inc., 8.375%, 4/1/2014	80,000	79,800
United Rentals North America, Inc., 7.0%, 2/15/2014	145,000	141,375
Vangent, Inc., 144A, 9.625%, 2/15/2015	60,000	60,669
Xerox Capital Trust I, 8.0%, 2/1/2027	55,000	56,464
Xerox Corp., 5.5%, 5/15/2012	1,631,000	1,602,979
		9,027,887
Information Technology 0.3%		
Freescale Semiconductor, Inc., 144A, 8.875%, 12/15/2014	75,000	71,625
L-3 Communications Corp.:		
5.875%, 1/15/2015	245,000	227,238
Series B, 6.375%, 10/15/2015	115,000	108,675
Lucent Technologies, Inc., 6.45%, 3/15/2029	480,000	417,600
MasTec, Inc., 144A, 7.625%, 2/1/2017	100,000	100,250
Sanmina-SCI Corp.:		
144A, 8.11%**, 6/15/2010	60,000	60,150
8.125%, 3/1/2016	105,000	97,650
Seagate Technology HDD Holdings, 6.8%, 10/1/2016	140,000	134,400
SunGard Data Systems, Inc., 10.25%, 8/15/2015	265,000	280,237
Unisys Corp., 7.875%, 4/1/2008	440,000	440,000
		1,937,825
Materials 1.1%		
Appleton Papers, Inc., Series B, 8.125%, 6/15/2011	35,000	36,050
ARCO Chemical Co., 9.8%, 2/1/2020	720,000	781,200
Associated Materials, Inc., Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014	145,000	108,025
Cascades, Inc., 7.25%, 2/15/2013	217,000	211,032
Chemtura Corp., 6.875%, 6/1/2016	140,000	132,300
Clondalkin Acquisition BV:		
144A, 6.147%**, 12/15/2013	50,000	70,243
144A, 7.359%**, 12/15/2013	75,000	74,997
CPG International I, Inc.:		
10.5%, 7/1/2013	210,000	215,250
12.117%**, 7/1/2012	35,000	35,875
Equistar Chemical Funding, 10.625%, 5/1/2011	100,000	105,250
Exopack Holding Corp., 11.25%, 2/1/2014	245,000	258,475
Freeport-McMoRan Copper & Gold, Inc., 8.375%, 4/1/2017	115,000	122,762
GEO Specialty Chemicals, Inc., 144A, 13.349%**, 12/31/2009 (g)	491,000	403,234
Georgia-Pacific Corp., 144A, 7.125%, 1/15/2017	50,000	48,000
Gibraltar Industries, Inc., Series B, 8.0%, 12/1/2015	75,000	73,500
Hexcel Corp., 6.75%, 2/1/2015	300,000	291,000
Huntsman LLC, 11.625%, 10/15/2010	382,000	410,650
Ineos Group Holdings PLC, 144A, 7.875%, 2/15/2016 EUR	60,000	76,132
International Coal Group, Inc., 10.25%, 7/15/2014	100,000	103,375
Jefferson Smurfit Corp., 8.25%, 10/1/2012	35,000	34,738
Koppers Holdings, Inc., Step-up Coupon, 0% to 11/15/2009, 9.875% to 11/15/2014	200,000	171,000
Lyondell Chemical Co.:		
6.875%, 6/15/2017	360,000	347,400
10.5%, 6/1/2013	50,000	54,000

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		Principal Amount ($)(a)	Value ($)
MacDermid, Inc., 144A, 9.5%, 4/15/2017		75,000	75,375
Massey Energy Co.:			
6.625%, 11/15/2010		100,000	98,500
6.875%, 12/15/2013		175,000	160,344
Metals USA Holding Corp.:			
144A, 11.356%**, 1/15/2012 (PIK)		90,000	90,000
144A, 11.36%**, 7/1/2012 (PIK)		105,000	96,600
Millar Western Forest Products Ltd., 7.75%, 11/15/2013		70,000	60,287
Momentive Performance Materials, Inc.:			
144A, 9.75%, 12/1/2014		115,000	116,150
144A, 11.5%, 12/1/2016		40,000	40,400
Mueller Water Products, Inc., 144A, 7.375%, 6/1/2017		70,000	69,413
Neenah Foundry Co., 9.5%, 1/1/2017		75,000	72,000
NewMarket Corp., 7.125%, 12/15/2016		175,000	169,312
OI European Group BV, 144A, 6.875%, 3/31/2017	EUR	95,000	129,221
Oxford Automotive, Inc., 144A, 12.0%, 10/15/2010*		252,982	3,795
Radnor Holdings Corp., 11.0%, 3/15/2010*		40,000	150
Smurfit-Stone Container Enterprises, Inc.:			
8.0%, 3/15/2017		140,000	135,800
8.375%, 7/1/2012		75,000	75,094
Terra Capital, Inc., Series B, 7.0%, 2/1/2017		220,000	212,300
The Mosaic Co., 144A, 7.375%, 12/1/2014		130,000	131,300
TriMas Corp., 9.875%, 6/15/2012		154,000	158,235
Witco Corp., 6.875%, 2/1/2026		60,000	49,800
Wolverine Tube, Inc., 10.5%, 4/1/2009		130,000	129,675
			6,238,239

Telecommunication Services 1.2%

		Principal Amount ($)(a)	Value ($)
American Cellular Corp., Series B, 10.0%, 8/1/2011		19,000	19,903
AT&T, Inc., 6.15%, 9/15/2034		500,000	479,404
BCM Ireland, (Preferred), 144A, 11.061%**, 2/15/2017 (PIK)	EUR	77,005	103,499
Cell C Property Ltd., 144A, 11.0%, 7/1/2015		285,000	267,187
Centennial Communications Corp.:			
10.0%, 1/1/2013		175,000	187,687
10.125%, 6/15/2013		60,000	64,350
CenturyTel, Inc., 6.0%, 4/1/2017		386,000	375,572
Cincinnati Bell, Inc.:			
7.25%, 7/15/2013		295,000	302,375
8.375%, 1/15/2014		85,000	85,850
Citizens Communications Co., 6.625%, 3/15/2015		100,000	95,000
Cricket Communications, Inc., 144A, 9.375%, 11/1/2014		220,000	227,150
Dobson Cellular Systems, 9.875%, 11/1/2012		115,000	123,912
Dobson Communications Corp., 8.875%, 10/1/2013		110,000	114,950
Embratel, Series B, 11.0%, 12/15/2008		34,000	36,125
Insight Midwest LP, 9.75%, 10/1/2009		23,000	23,173
Intelsat Bermuda Ltd.:			
8.872%**, 1/15/2015		15,000	15,319
9.25%, 6/15/2016		45,000	47,813
11.25%, 6/15/2016		145,000	162,400
Intelsat Corp., 9.0%, 6/15/2016		55,000	57,612
Intelsat Ltd., 5.25%, 11/1/2008		60,000	59,100
Intelsat Subsidiary Holding Co., Ltd., 8.25%, 1/15/2013		135,000	137,025
iPCS, Inc., 144A, 7.48%**, 5/1/2013		35,000	35,044
MetroPCS Wireless, Inc., 144A, 9.25%, 11/1/2014		225,000	232,312
Millicom International Cellular SA, 10.0%, 12/1/2013		120,000	129,900
Mobifon Holdings BV, 12.5%, 7/31/2010		314,000	335,195
Nextel Communications, Inc., Series D, 7.375%, 8/1/2015		420,000	419,820
Nortel Networks Ltd.:			
144A, 9.606%**, 7/15/2011		145,000	154,244
144A, 10.125%, 7/15/2013		135,000	144,787
144A, 10.75%, 7/15/2016		90,000	99,450
Qwest Corp.:			
7.25%, 9/15/2025		25,000	24,938
7.5%, 10/1/2014		1,250,000	1,281,250
Rural Cellular Corp., 9.875%, 2/1/2010		135,000	141,075
Stratos Global Corp., 9.875%, 2/15/2013		45,000	47,813
SunCom Wireless Holdings, Inc., 8.5%, 6/1/2013		160,000	163,600
US Unwired, Inc., Series B, 10.0%, 6/15/2012		170,000	184,086
Virgin Media Finance PLC, 8.75%, 4/15/2014		250,000	257,500
West Corp., 9.5%, 10/15/2014		85,000	87,125
			6,723,545

Utilities 1.2%

	Principal Amount ($)(a)	Value ($)
AES Corp., 144A, 8.75%, 5/15/2013	725,000	764,875
Allegheny Energy Supply Co. LLC, 144A, 8.25%, 4/15/2012	575,000	612,375
American Electric Power Co., Inc., Series C, 5.375%, 3/15/2010	1,000,000	996,748
CenterPoint Energy, Inc., 5.95%, 2/1/2017	1,490,000	1,456,506
CMS Energy Corp., 8.5%, 4/15/2011	340,000	361,630
Dominion Resources, Inc., Series E, 7.195%, 9/15/2014	750,000	819,261
DPL, Inc., 6.875%, 9/1/2011	500,000	519,172
Edison Mission Energy, 144A, 7.0%, 5/15/2017	125,000	117,813
Mirant Americas Generation LLC, 8.3%, 5/1/2011	60,000	61,950
Mirant North America LLC, 7.375%, 12/31/2013	50,000	51,125
NRG Energy, Inc.:		
7.25%, 2/1/2014	250,000	250,625
7.375%, 2/1/2016	485,000	486,213
PSE&G Energy Holdings LLC, 10.0%, 10/1/2009	285,000	306,414

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	Principal Amount ($)(a)	Value ($)
Regency Energy Partners LP, 144A, 8.375%, 12/15/2013	155,000	159,650
Sierra Pacific Resources:		
6.75%, 8/15/2017	170,000	167,120
8.625%, 3/15/2014	33,000	35,419
		7,166,896
Total Corporate Bonds (Cost $88,468,977)		**87,854,086**

Asset Backed 0.9%

Automobile Receivables 0.3%

	Principal Amount ($)(a)	Value ($)
Capital Auto Receivables Asset Trust, "B", Series 2006-1, 5.26%, 10/15/2010	566,000	563,929
Hertz Vehicle Financing LLC, "A6", Series 2005-2A, 144A, 5.08%, 11/25/2011	1,347,000	1,328,291
		1,892,220

Home Equity Loans 0.6%

	Principal Amount ($)(a)	Value ($)
Countrywide Asset-Backed Certificates, "1AF2", Series 2005-17, 5.363%, 5/25/2036	689,000	685,302
Credit-Based Asset Servicing and Securitization, "AF2", Series 2006-CB2, 5.501%, 12/25/2036	1,613,000	1,606,070
DB Master Finance LLC, "A2", Series 2006-1, 144A, 5.779%, 6/20/2031	1,280,000	1,283,119
		3,574,491
Total Asset Backed (Cost $5,494,619)		**5,466,711**

Mortgage-Backed Securities Pass-Throughs 4.1%

	Principal Amount ($)(a)	Value ($)
Federal Home Loan Mortgage Corp.:		
5.729%, 4/1/2037	2,999,757	2,990,386
5.78%, 10/1/2036	2,064,167	2,063,012
5.884%, 11/1/2036	2,576,441	2,579,497
5.891%, 9/1/2036	1,991,530	1,993,491
6.0%, 8/1/2035	646,005	637,778
Federal National Mortgage Association:		
4.5%, with various maturities from 11/1/2028 until 9/1/2035	2,511,510	2,291,848
5.0%, 2/1/2034 (f)	1,600,000	1,496,000
5.971%, 12/1/2036	6,493,740	6,535,502
6.0%, 1/1/2024	147,629	146,880
6.5%, 5/1/2017	102,096	103,995
8.0%, 9/1/2015	167,676	175,330
Government National Mortgage Association, 5.5%, 1/1/2034 (f)	3,200,000	3,103,500
Total Mortgage-Backed Securities Pass-Throughs (Cost $24,337,835)		**24,117,219**

Commercial and Non-Agency Mortgage-Backed Securities 9.0%

	Principal Amount ($)(a)	Value ($)
Adjustable Rate Mortgage Trust, "3A31", Series 2005-10, 5.421%**, 1/25/2036	1,000,000	974,441
Banc of America Mortgage Securities, "2A6", Series 2004-G, 4.657%**, 8/25/2034	2,275,000	2,241,781
Bear Stearns Commercial Mortgage Securities, "A3", Series 2006-T24, 5.531%, 10/12/2041	1,800,000	1,778,346
Citicorp Mortgage Securities, Inc., "2A1", Series 2006-5, 5.5%, 10/25/2021	7,869,187	7,796,317
Citigroup Commercial Mortgage Trust, "A5", Series 2004-C2, 4.733%, 10/15/2041	2,000,000	1,878,775
Citigroup Mortgage Loan Trust, Inc., "1CB2", Series 2004-NCM2, 6.75%, 8/25/2034	305,242	308,151
Countrywide Alternative Loan Trust:		
"A1", Series 2004-1T1, 5.0%, 2/25/2034	543,440	537,010
"1A5", Series 2003-J1, 5.25%, 10/25/2033	533,392	529,680
"4A3", Series 2005-43, 5.724%**, 10/25/2035	711,300	701,703
"A1", Series 2004-35T2, 6.0%, 2/25/2035	574,311	574,980
"3A5", Series 2005-28CB, 6.0%, 8/25/2035	2,376,409	2,382,037
"1A4", Series 2006-43CB, 6.0%, 2/25/2037	1,304,695	1,305,929
Countrywide Home Loans, "A6", Series 2003-57, 5.5%, 1/25/2034	182,645	182,072
CS First Boston Mortgage Securities Corp., "A3", Series 2005-C5**, 5.1%, 8/15/2038	2,000,000	1,942,013
First Horizon Alternative Mortgage Securities Trust, "1A7", Series 2006-FA8, 6.0%, 2/25/2037	2,275,000	2,274,902
Greenwich Capital Commercial Funding Corp., "A4", Series 2005-GG3, 4.799%, 8/10/2042	2,000,000	1,881,529
GS Mortgage Securities Corp. II:		
"AAB", Series 2006-GG8, 5.535%, 11/10/2039	1,800,000	1,776,087
"A4", Series 2006-GG6, 5.553%, 4/10/2038	1,950,000	1,913,063
GSR Mortgage Loan Trust, "4A5", Series 2005-AR6, 4.551%**, 9/25/2035	1,025,000	992,500
JPMorgan Alternative Loan Trust, "2A4", Series 2006-S1, 5.5%, 2/25/2021	2,881,144	2,865,498
JPMorgan Chase Commercial Mortgage Securities Corp., "A4", Series 2005-LDP2, 4.738%, 7/15/2042	2,000,000	1,864,389
LB-UBS Commercial Mortgage Trust:		
"A2", Series 2005-C2, 4.821%, 4/15/2030	135,140	133,098
"A2", Series 2006-C7, 5.3%, 11/15/2038	880,000	868,768
Master Alternative Loans Trust, "5A1", Series 2005-1, 5.5%, 1/25/2020	932,274	920,450
Merrill Lynch/Countrywide Commercial Mortgage Trust, "A2", Series 2006-4, 5.112%, 12/12/2049	795,000	778,356

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Structured Adjustable Rate Mortgage Loan Trust:		
"6A3", Series 2005-21, 5.4%, 11/25/2035	900,000	868,568
"1A1", Series 2005-17, 5.724%**, 8/25/2035	1,260,382	1,255,961
Structured Asset Securities Corp., "4A1", Series 2005-6, 5.0%, 5/25/2035	150,627	140,059
Wachovia Bank Commercial Mortgage Trust, "APB", Series 2006-C23, 5.446%, 1/15/2045	2,100,000	2,062,853
Washington Mutual Mortgage Pass-Through Certificates Trust:		
"A6", Series 2004-AR4, 3.799%**, 6/25/2034	190,000	183,908
"A6", Series 2003-AR10, 4.058%**, 10/25/2033	1,620,000	1,595,838
"1A6", Series 2005-AR12, 4.836%**, 10/25/2035	1,880,000	1,841,871
"1A3", Series 2005-AR16, 5.109%**, 12/25/2035	1,005,000	985,525
Wells Fargo Mortgage Backed Securities Trust:		
"A3", Series 2006-1, 5.0%, 3/25/2021	1,713,987	1,645,963
"1A1", Series 2006-AR12, 6.031%**, 9/25/2036	2,290,361	2,294,335
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $52,957,835)		**52,276,756**

Collateralized Mortgage Obligations 1.7%

Fannie Mae Whole Loan, "1A1", Series 2004-W15, 6.0%, 8/25/2044	754,680	752,665
Federal Home Loan Mortgage Corp.:		
"DE", Series 3027, 5.0%, 9/15/2025	2,500,000	2,297,060
"GZ", Series 2906, 5.0%, 9/15/2034	2,843,936	2,409,051
"H", Series 2278, 6.5%, 1/15/2031	27,450	27,957
Federal National Mortgage Association, "HM", Series 2002-36, 6.5%, 12/25/2029	2,234	2,228
Government National Mortgage Association:		
"CK", Series 2007-31, 5.0%, 5/16/2037	3,000,000	2,784,408
"Z" Series, 2007- 72, 5.5%, 9/20/2035	1,669,678	1,455,379
Total Collateralized Mortgage Obligations (Cost $9,888,923)		**9,728,748**

Loan Participations 0.0%

Consumer Discretionary

Sabre, Inc., LIBOR plus 2.25%, 7.681%**, 9/30/2014	70,000	**69,271**

	Principal Amount ($)(a)	Value ($)
Energy		
Longview Power LLC:		
Demand Draw, 7.55%**, 4/1/2014	15,000	15,037
Letter of Credit, 7.61%**, 4/1/2014	10,000	10,025
Term Loan B, 7.625%**, 4/1/2014	15,000	15,038
		40,100
Total Loan Participations (Cost $110,175)		**109,371**

Government & Agency Obligations 6.1%

Sovereign Bonds 0.0%

Republic of Argentina, 7.82%, 12/31/2033 (PIK)	EUR	112,848	**140,190**

US Treasury Obligations 6.1%

US Treasury Bills:		
4.36%***, 7/19/2007 (c)	80,000	79,825
4.85%***, 7/19/2007 (c)	930,000	922,687
US Treasury Bonds:		
4.5%, 5/15/2017 (b)	10,905,000	10,455,169
4.75%, 2/15/2037 (b)	3,150,000	2,970,107
US Treasury Notes:		
4.75%, 5/31/2012 (b)	18,025,000	17,884,189
4.5%, 3/31/2009 (b)	3,350,000	3,325,659
		35,637,636
Total Government & Agency Obligations (Cost $36,016,288)		**35,777,826**

	Units	Value ($)
Other Investments 0.1%		
Hercules, Inc., (Bond Unit), 6.5%, 6/30/2029	170,000	149,600
IdleAire Technologies Corp. (Bond Unit), 144A, Step-up Coupon, 0% to 6/15/2008, 13.0% to 12/15/2012	270,000	183,600
Total Other Investments (Cost $330,077)		**333,200**

	Contracts	Value ($)
Options Purchased 0.0%		
Call Options		
3 Month LIBOR, 6.08% fixed rate, Expiring 6/22/2012, Strike Rate, 6.08%	2,900,000	**60,094**
Put Options		
3 Month LIBOR, 6.08% fixed rate, Expiring 6/22/2012, Strike Rate, 6.08%	2,900,000	**77,032**
Total Options Purchased (Cost $137,460)		**137,126**

	Shares	Value ($)
Securities Lending Collateral 6.0%		
Daily Assets Fund Institutional, 5.36% (d) (e) (Cost $34,810,925)	34,810,925	**34,810,925**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Cash Equivalents 5.4%		
Cash Management QP Trust, 5.34% (d) (Cost $31,589,858)	31,589,858	**31,589,858**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $548,455,155)[†]	106.9	**623,855,689**
Other Assets and Liabilities, Net	(6.9)	**(40,531,042)**
Net Assets	100.0	**583,324,647**

* *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or the interest or has filed for bankruptcy. The following table represents bonds that are in default:*

Securities	Coupon	Maturity Date	Principal Amount		Acquisition Cost ($)	Value ($)
Congoleum Corp.	8.625%	8/1/2008	190,000	USD	190,156	173,850
Oxford Automotive, Inc.	12.0%	10/15/2010	252,982	USD	22,402	3,795
Radnor Holdings Corp.	11.0%	3/15/2010	40,000	USD	27,743	150
					240,301	**177,795**

** *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2007.*

*** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $554,375,192. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $69,480,497. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $82,986,768 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $13,506,271.*

(a) *Principal amount is stated in US dollars unless otherwise noted.*

(b) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $34,213,374 which is 5.9% of net assets.*

(c) *At June 30, 2007, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(d) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

(f) *Mortgage dollar rolls.*

(g) *Security has a deferred interest payment of $15,343 from April 1, 2006.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

LIBOR: Represents the London InterBank Offered Rate.

PIK: Denotes that all or a portion of the income is paid in-kind.

REIT: Real Estate Investment Trust

At June 30, 2007, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10-Year Japan Government Bond	9/10/2007	5	5,368,886	5,360,812	(8,074)
10-Year US Treasury Note	9/19/2007	52	5,538,658	5,496,563	(42,095)
S&P 500 Index	9/20/2007	11	4,197,725	4,167,350	(30,375)
Russell 2000 Index Futures	9/21/2007	5	2,103,406	2,105,250	1,844
Russell E Mini 2000 Index Futures	9/21/2007	5	421,892	421,050	(842)
United Kingdom Treasury Bond	9/26/2007	13	2,758,721	2,707,904	(50,817)
Total net unrealized depreciation					**(130,359)**

At June 30, 2007, the open futures contracts sold were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Appreciation ($)
10-Year Federal Republic of Germany Bond	9/6/2007	37	5,597,858	5,546,096	51,762
10-Year Australia Bond	9/17/2007	33	2,752,304	2,745,292	7,012
10-Year Canada Government Bond	9/19/2007	12	1,260,045	1,248,383	11,662
Total net unrealized appreciation					**70,436**

The accompanying notes are an integral part of the financial statements.

At June 30, 2007, open written options contracts were as follows:

Written Options	Number of Contracts	Expiration Date	Strike Rate (%)	Value ($)
Call Swaptions				
3 Month LIBOR, 6.3% fixed rate	580,000	9/22/2007	6.3	(295)
Put Swaptions				
3 Month LIBOR, 5.3% fixed rate	580,000	9/22/2007	5.3	(1,666)
Total open written options (Premium received $1,740)				**(1,961)**

At June 30, 2007, the open interest rate swaps were as follows:

Effective/Expiration Date	Notional Amount ($)	Cash Flows Received by the Portfolio	Cash Flows Receivable by Fund	Unrealized Appreciation/ (Depreciation) ($)
11/29/2007 6/20/2012	1,625,000†	Fixed — 0.36%	Floating — BMA	1,267
11/21/2007 6/20/2012	1,625,000††	Fixed — 0.47%	Floating — BMA	(808)
Total net unrealized appreciation				**459**

Counterparties:

† *JP Morgan Chase*

†† *Morgan Stanley*

BMA: Bond Market Association

At June 30, 2007, open credit default swap contracts sold were as fallows:

Effective/Expiration Date	Notional Amount ($)	Cash Flows Received by the Portfolio	Underlying Debt Obligation	Unrealized Appreciation/ (Depreciation) ($)
7/2/2007 6/20/2012	1,625,000†	Fixed — 1.0%	Dow Jones CDX High Yield	318
5/14/2007 6/20/2012	2,500,000††	Fixed — 0.35%	Dow Jones CDX High Yield	(6,460)
Total net unrealized depreciation				**(6,142)**

Counterparties:

† *JP Morgan Chase*

†† *Morgan Stanley*

As of June 30, 2007, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)
USD	755,910	AUD	908,000	9/19/2007	12,165
USD	3,569,493	EUR	2,678,000	9/19/2007	64,721
USD	1,846,004	GBP	939,000	9/19/2007	37,396
JPY	662,427,000	USD	5,443,002	9/19/2007	6,749
SGD	4,159,000	USD	2,715,895	9/19/2007	18,369
Total unrealized appreciation					**139,400**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)
EUR	612,000	USD	828,374	7/11/2007	(255)
CAD	993,000	USD	932,285	9/19/2007	(1,595)
CHF	3,278,000	USD	2,650,602	9/19/2007	(49,059)
NOK	1,735,000	USD	285,010	9/19/2007	(9,604)
SEK	1,681,000	USD	238,416	9/19/2007	(8,320)
Total unrealized depreciation					**(68,833)**

Currency Abbreviations

AUD	Australian Dollar	EUR	Euro	NOK	Norwegian Krona	SGD	Singapore Dollar
CAD	Canadian Dollar	GBP	British Pound	SEK	Swedish Krona	USD	United States Dollar
CHF	Swiss Franc	JPY	Japanese Yen				

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in this investment portfolio.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $482,054,372) — including $34,213,374 of securities loaned	$	557,454,906
Investment in Daily Assets Fund Institutional (cost $34,810,925)*		34,810,925
Investment in Cash Management QP Trust (cost $31,589,858)		31,589,858
Total investments in securities, at value (cost $548,455,155)		623,855,689
Cash		90,745
Foreign currency, at value (cost $399,203)		400,776
Receivable for investments sold		12,479,556
Dividends receivable		280,577
Interest receivable		2,490,452
Open credit default swap contract receivable		18,978
Unrealized appreciation on forward foreign currency exchange contracts		139,400
Foreign taxes recoverable		7,552
Receivable for Portfolio shares sold		55,468
Receivable for daily variation margin on open futures contracts		24,749
Other assets		11,822
Total assets		639,855,764
Liabilities		
Payable upon return of securities loaned		34,810,925
Payable for investments purchased		4,876,463
Payable for investments purchased — mortgage dollar rolls		15,588,442
Payable for Portfolio shares redeemed		632,525
Unrealized depreciation on forward foreign currency exchange contracts		68,833
Net unrealized depreciation on swap contracts		5,683
Options written, at value (premium received $1,740)		1,961
Accrued management fee		211,770
Other accrued expenses and payables		334,515
Total liabilities		56,531,117
Net assets, at value	**$**	**583,324,647**
Net Assets		
Net assets consist of:		
Undistributed net investment income		9,231,580
Net unrealized appreciation (depreciation) on:		
Investments		75,400,534
Futures		(59,923)
Written options		(221)
Swaps		(5,683)
Foreign currency related transactions		82,974
Accumulated net realized gain (loss)		(23,694,328)
Paid-in capital		522,369,714
Net assets, at value	**$**	**583,324,647**
Class A		
Net Asset Value, offering and redemption price per share ($575,781,698 ÷ 23,296,798 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**24.72**
Class B		
Net Asset Value, offering and redemption price per share ($7,542,949 ÷ 304,940 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**24.74**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Interest (net of foreign taxes withheld of $984)	$	6,830,003
Dividends (net of foreign taxes withheld of $10,659)		3,658,416
Interest — Cash Management QP Trust		716,922
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		47,569
Total Income		11,252,910
Expenses:		
Management fee		1,382,831
Custodian fee		28,384
Distribution service fee (Class B)		28,783
Record keeping fees (Class B)		15,280
Auditing		24,210
Legal		16,379
Trustees' fees and expenses		41,285
Reports to shareholders		73,913
Other		56,498
Total expenses before expense reductions		1,667,563
Expense reductions		(74,764)
Total expenses after expense reductions		1,592,799
Net investment income (loss)		**9,660,111**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		31,322,433
Futures		505,361
Swaps		18,161
Foreign currency related transactions		478,977
Net increase from payments by affiliates and net losses realized on trades executed incorrectly		—
		32,324,932
Net unrealized appreciation (depreciation) during the period on:		
Investments		(14,842,627)
Futures		(79,376)
Written options		(221)
Swaps		(28,758)
Foreign currency related transactions		(53,486)
		(15,004,468)
Net gain (loss) on investment transactions		**17,320,464**
Net increase (decrease) in net assets resulting from operations	**$**	**26,980,575**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 9,660,111	$ 19,398,498
Net realized gain (loss) on investment transactions	32,324,932	27,673,450
Net unrealized appreciation (depreciation) during the period on investment and foreign currency transactions	(15,004,468)	16,069,946
Net increase (decrease) in net assets resulting from operations	26,980,575	63,141,894
Distributions to shareholders from:		
Net investment income:		
Class A	(18,973,533)	(15,934,054)
Class B	(849,365)	(705,320)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	9,038,483	7,544,406
Reinvestment of distributions	18,973,533	15,934,054
Cost of shares redeemed	(59,301,039)	(120,785,402)
Net increase (decrease) in net assets from Class A share transactions	(31,289,023)	(97,306,942)
Class B		
Proceeds from shares sold	415,584	1,059,376
Reinvestment of distributions	849,365	705,320
Cost of shares redeemed	(24,606,043)	(7,245,826)
Net increase (decrease) in net assets from Class B share transactions	(23,341,094)	(5,481,130)
Increase (decrease) in net assets	(47,472,440)	(56,285,552)
Net assets at beginning of period	630,797,087	687,082,639
Net assets at end of period (including undistributed net investment income of $9,231,580 and $19,394,367, respectively)	**$ 583,324,647**	**$ 630,797,087**

Other Information		
Class A		
Shares outstanding at beginning of period	24,544,133	28,729,438
Shares sold	367,773	324,532
Shares issued to shareholders in reinvestment of distributions	792,545	696,418
Shares redeemed	(2,407,653)	(5,206,255)
Net increase (decrease) in Class A shares	(1,247,335)	(4,185,305)
Shares outstanding at end of period	**23,296,798**	**24,544,133**
Class B		
Shares outstanding at beginning of period	1,244,941	1,479,683
Shares sold	16,904	45,760
Shares issued to shareholders in reinvestment of distributions	35,405	30,773
Shares redeemed	(992,310)	(311,275)
Net increase (decrease) in Class B shares	(940,001)	(234,742)
Shares outstanding at end of period	**304,940**	**1,244,941**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$24.46**	**$22.75**	**$22.37**	**$21.32**	**$18.66**	**$22.57**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.39	.69[e]	.59	.47	.37	.47
Net realized and unrealized gain (loss) on investment transactions	.68	1.60	.34	.93	2.90	(3.81)
Total from investment operations	1.07	2.29	.93	1.40	3.27	(3.34)
Less distributions from:						
Net investment income	(.81)	(.58)	(.55)	(.35)	(.61)	(.57)
Net asset value, end of period	**$24.72**	**$24.46**	**$22.75**	**$22.37**	**$21.32**	**$18.66**
Total Return (%)	4.46[c]**	10.24[c,e]	4.30[c]	6.64	18.10	(15.17)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	576	600	653	622	667	640
Ratio of expenses before expense reductions (%)	.53*	.55	.55	.59	.59	.58
Ratio of expenses after expense reductions (%)	.51*	.51	.53	.59	.59	.58
Ratio of net investment income (%)	3.20*	2.99[e]	2.66	2.18	1.88	2.32
Portfolio turnover rate (%)	87[d]**	108	121[d]	131[d]	102[d]	140

a For the six months ended June 30, 2007 (Unaudited).

b Based on average shares outstanding during the period.

c Total return would have been lower had certain expenses not been reduced.

d The portfolio turnover rate including mortgage dollar roll transactions was 94%, 122%, 140% and 108% for the periods ended June 30, 2007, December 31, 2005, December 31, 2004 and December 31, 2003, respectively.

e Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.024 per share and an increase in the ratio of net investment income of 0.10%. Excluding this non-recurring income, total return would have been 0.10% lower.

* Annualized ** Not annualized

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$24.43**	**$22.72**	**$22.33**	**$21.28**	**$18.64**	**$19.46**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.34	.60[f]	.51	.39	.28	.18
Net realized and unrealized gain (loss) on investment transactions	.68	1.60	.35	.92	2.92	(1.00)
Total from investment operations	1.02	2.20	.86	1.31	3.20	(.82)
Less distributions from:						
Net investment income	(.71)	(.49)	(.47)	(.26)	(.56)	—
Net asset value, end of period	**$24.74**	**$24.43**	**$22.72**	**$22.33**	**$21.28**	**$18.64**
Total Return (%)	4.26[d]**	9.82[d,f]	3.90[d]	6.26	17.66	(4.21)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	8	30	34	33	21	.8
Ratio of expenses before expense reductions (%)	.92*	.93	.95	.97	.99	.86*
Ratio of expenses after expense reductions (%)	.89*	.89	.91	.97	.99	.86*
Ratio of net investment income (%)	2.82*	2.61[f]	2.28	1.80	1.48	1.96*
Portfolio turnover rate (%)	87[e]**	108	121[e]	131[e]	102[e]	140

a For the six months ended June 30, 2007 (Unaudited).

b For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

c Based on average shares outstanding during the period.

d Total return would have been lower had certain expenses not been reduced.

e The portfolio turnover rate including mortgage dollar roll transactions was 94%, 122%, 140% and 108% for the periods ended June 30, 2007, December 31, 2005, December 31, 2004 and December 31, 2003, respectively.

f Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.024 per share and an increase in the ratio of net investment income of 0.10%. Excluding this non-recurring income, total return would have been 0.10% lower.

* Annualized ** Not annualized

Information About Your Portfolio's Expenses

DWS Blue Chip VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,057.60	$1,056.20
Expenses Paid per $1,000*	$ 3.57	$ 5.51

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,021.32	$1,019.44
Expenses Paid per $1,000*	$ 3.51	$ 5.41

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Blue Chip VIP	.70%	1.08%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Blue Chip VIP

Except for a period of weakness in late February and early March, equity markets were quite strong during the first six months of 2007. By the end of May, most indices were at or near their all-time highs. Markets were volatile with no pronounced trend in June. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, returned 7.11% for the six-month period. Growth stocks, as measured by the Russell 1000® Growth Index, performed better than value stocks, as measured by the Russell 1000® Value Index. The Portfolio's Class A shares, unadjusted for contract charges, underperformed the benchmark, the Russell 1000® Index, which posted a return of 7.18%.

For the first half of 2007, stock selection in the industrials, materials and energy sectors contributed to performance relative to the Russell 1000 Index. Positions in the information technology and consumer discretionary sectors detracted from performance.

In the industrials sector, holdings that contributed to performance include Honeywell International, Inc., which reported stronger-than-expected earnings, and aircraft manufacturers Boeing Co. and Lockheed Martin Corp., both of which received important new orders. In materials, which posted the highest return of the 10 sectors in the Russell 1000 Index, holdings that were especially strong were Lyondell Chemical Co., which has significant involvement in energy; Southern Copper Co.*; and Celanese Corp. In energy, performance benefited from significant positions in Devon Energy Corp., Tidewater Inc., Marathon Oil Corp. and Tesoro Corp.*

In information technology, performance was hurt by overweights in Lexmark International Inc., which reported sales and earnings below expectations, and Novellus Systems, Inc.*, which announced that 2007 earnings would likely be lower than previously expected.[1] Also, not owning some of the strongest stocks in the Russell 1000 Index detracted from relative performance. Consumer discretionary holdings that hurt performance include The DIRECTV Group, Inc., Office Depot, Inc.* and Starbucks Corp.*

Robert Wang, Jin Chen, *CFA* and Julie Abbett
Portfolio Managers, Deutsche Investment Management Americas Inc.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. It may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Derivatives may be more volatile and less liquid than traditional securities, and the Portfolio could suffer losses on its derivative positions. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 3000 Index measures the performance of the 3,000 largest US companies based on total market capitalization, which represents approximately 98% of the investable US equity market.

The Russell 1000 Growth Index is an unmanaged, capitalization-weighted index consisting of those stocks in the Russell 1000 Index that have greater-than-average growth orientation.

The Russell 1000 Value Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values.

The Russell 1000 Index is an unmanaged index that measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

Index returns assume the reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

* *As of June 30, 2007, the positions were sold.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Blue Chip VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	96%	99%
Cash Equivalents	4%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/07**	**12/31/06**
Financials	19%	20%
Information Technology	14%	13%
Consumer Discretionary	13%	14%
Industrials	12%	11%
Energy	12%	10%
Health Care	12%	13%
Consumer Staples	6%	7%
Materials	5%	4%
Telecommunication Services	4%	5%
Utilities	3%	3%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 27. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Blue Chip VIP

	Shares	Value ($)
Common Stocks 96.3%		
Consumer Discretionary 12.0%		
Auto Components 0.3%		
TRW Automotive Holdings Corp.*	20,100	**740,283**
Hotels Restaurants & Leisure 2.3%		
Brinker International, Inc.	24,000	702,480
Darden Restaurants, Inc.	42,900	1,887,171
McDonald's Corp.	38,200	1,939,032
Yum! Brands, Inc.	75,400	2,467,088
		6,995,771
Household Durables 1.1%		
Centex Corp.	25,000	1,002,500
NVR, Inc.*	3,700	2,515,075
		3,517,575
Media 2.7%		
McGraw-Hill Companies, Inc.	58,800	4,003,104
Regal Entertainment Group "A"	15,200	333,336
The DIRECTV Group, Inc.*	171,900	3,972,609
		8,309,049
Multiline Retail 2.4%		
Big Lots, Inc.*	15,800	464,836
Dollar Tree Stores, Inc.*	26,600	1,158,430
Family Dollar Stores, Inc.	66,700	2,289,144
Macy's Inc.	75,600	3,007,368
Target Corp.	9,700	616,920
		7,536,698
Specialty Retail 2.3%		
American Eagle Outfitters, Inc.	60,700	1,557,562
AutoZone, Inc.*	19,300	2,636,766
Dick's Sporting Goods, Inc.*	43,700	2,542,029
GameStop Corp. "A"*	10,400	406,640
		7,142,997
Textiles, Apparel & Luxury Goods 0.9%		
Polo Ralph Lauren Corp.	29,100	**2,855,001**
Consumer Staples 5.7%		
Beverages 0.8%		
Coca-Cola Enterprises, Inc.	63,200	1,516,800
PepsiCo, Inc.	16,600	1,076,510
		2,593,310
Food & Staples Retailing 0.7%		
Kroger Co.	19,100	537,283
Safeway, Inc.	52,900	1,800,187
		2,337,470
Food Products 1.9%		
Dean Foods Co.	31,000	987,970
General Mills, Inc.	56,400	3,294,888
Kellogg Co.	18,400	952,936
Smithfield Foods, Inc.*	5,000	153,950
The J.M. Smucker Co.	6,700	426,522
		5,816,266
Household Products 1.2%		
Colgate-Palmolive Co.	55,800	**3,618,630**
Personal Products 0.1%		
Estee Lauder Companies, Inc. "A"	7,600	**345,876**
Tobacco 1.0%		
Altria Group, Inc.	37,500	2,630,250
Loews Corp. — Carolina Group	4,900	378,623
		3,008,873
Energy 11.9%		
Energy Equipment & Services 2.4%		
Global Industries Ltd.*	60,200	1,614,564
Patterson-UTI Energy, Inc.	12,200	319,762
Tidewater, Inc. (a)	40,100	2,842,288
Transocean, Inc.*	10,700	1,133,986
Unit Corp.*	22,600	1,421,766
		7,332,366
Oil, Gas & Consumable Fuels 9.5%		
Chesapeake Energy Corp.	85,600	2,961,760
Chevron Corp.	86,300	7,269,912
ConocoPhillips	7,100	557,350
Devon Energy Corp.	50,500	3,953,645
ExxonMobil Corp.	150,440	12,618,907
Marathon Oil Corp.	31,900	1,912,724
		29,274,298
Financials 18.2%		
Capital Markets 5.7%		
Lehman Brothers Holdings, Inc.	11,800	879,336
Merrill Lynch & Co., Inc.	63,200	5,282,256
Morgan Stanley	67,300	5,645,124
The Goldman Sachs Group, Inc.	27,100	5,873,925
		17,680,641
Commercial Banks 2.1%		
US Bancorp.	33,600	1,107,120
Wachovia Corp.	41,900	2,147,375
Wells Fargo & Co.	88,700	3,119,579
		6,374,074
Diversified Financial Services 5.4%		
Bank of America Corp.	176,600	8,633,974
Citigroup, Inc.	8,900	456,481
JPMorgan Chase & Co.	157,200	7,616,340
		16,706,795
Insurance 3.5%		
ACE Ltd.	5,300	331,356
Arch Capital Group Ltd.*	2,900	210,366
Genworth Financial, Inc. "A"	80,600	2,772,640
Hartford Financial Services Group, Inc.	6,000	591,060
MetLife, Inc.	62,000	3,997,760
Partnerre Ltd.	2,000	155,000
Renaissancere Holdings Ltd.	4,300	266,557
The Travelers Companies, Inc.	16,000	856,000
W.R. Berkley Corp.	19,100	621,514
XL Capital Ltd. "A"	10,900	918,761
		10,721,014

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Real Estate Investment Trusts 1.5%		
AMB Property Corp. (REIT)	2,800	149,016
AvalonBay Communities, Inc. (REIT)	2,200	261,536
Equity Residential (REIT)	15,500	707,265
Essex Property Trust, Inc. (REIT)	500	58,150
Hospitality Properties Trust (REIT)	3,000	124,470
Host Hotels & Resorts, Inc. (REIT)	22,400	517,888
ProLogis (REIT)	13,200	751,080
Public Storage, Inc. (REIT)	7,600	583,832
Simon Property Group, Inc. (REIT)	7,800	725,712
The Macerich Co. (REIT)	1,700	140,114
Vornado Realty Trust (REIT)	7,000	768,880
		4,787,943
Health Care 11.6%		
Biotechnology 2.4%		
Cephalon, Inc.*	2,800	225,092
Genzyme Corp.*	52,800	3,400,320
Gilead Sciences, Inc.*	93,700	3,632,749
		7,258,161
Health Care Equipment & Supplies 2.0%		
Advanced Medical Optics, Inc.*	47,700	1,663,776
Becton, Dickinson & Co.	39,500	2,942,750
Dade Behring Holdings, Inc.	17,000	903,040
Zimmer Holdings, Inc.*	8,000	679,120
		6,188,686
Health Care Providers & Services 2.6%		
Aetna, Inc.	14,500	716,300
Coventry Health Care, Inc.*	40,100	2,311,765
Health Net, Inc.*	15,100	797,280
Humana, Inc.*	41,900	2,552,129
WellPoint, Inc.*	19,200	1,532,736
		7,910,210
Life Sciences Tools & Services 0.4%		
Invitrogen Corp.*	18,300	**1,349,625**
Pharmaceuticals 4.2%		
Abbott Laboratories	103,600	5,547,780
Eli Lilly & Co.	86,700	4,844,796
Merck & Co., Inc.	19,400	966,120
Pfizer, Inc.	2,050	52,419
Sepracor, Inc.*	39,700	1,628,494
		13,039,609
Industrials 11.9%		
Aerospace & Defense 6.3%		
Boeing Co.	61,900	5,952,304
General Dynamics Corp.	13,000	1,016,860
Honeywell International, Inc.	81,900	4,609,332
Lockheed Martin Corp.	53,900	5,073,607
Precision Castparts Corp.	8,600	1,043,696
Raytheon Co.	33,500	1,805,315
		19,501,114
Airlines 1.3%		
AMR Corp.*	76,800	2,023,680
Continental Airlines, Inc. "B"*	56,500	1,913,655
		3,937,335
Commercial Services & Supplies 0.6%		
Brink's Co.	9,500	587,955
Dun & Bradstreet Corp.	6,600	679,668
Equifax, Inc.	14,200	630,764
		1,898,387
Construction & Engineering 0.1%		
Fluor Corp.	3,200	**356,384**
Industrial Conglomerates 1.0%		
General Electric Co.	82,200	**3,146,616**
Machinery 1.8%		
AGCO Corp.*	13,700	594,717
Caterpillar, Inc.	55,100	4,314,330
PACCAR, Inc.	7,000	609,280
		5,518,327
Road & Rail 0.8%		
Hertz Global Holdings, Inc.*	13,600	361,352
Ryder System, Inc.	36,600	1,969,080
		2,330,432
Information Technology 13.5%		
Communications Equipment 0.1%		
Cisco Systems, Inc.*	7,700	**214,445**
Computers & Peripherals 4.9%		
Hewlett-Packard Co.	123,000	5,488,260
International Business Machines Corp.	62,700	6,599,175
Lexmark International, Inc. "A"*	30,100	1,484,231
NCR Corp.*	5,900	309,986
Western Digital Corp.*	62,400	1,207,440
		15,089,092
Electronic Equipment & Instruments 0.2%		
Vishay Intertechnology, Inc.*	47,200	**746,704**
Internet Software & Services 1.2%		
eBay, Inc.*	38,000	1,222,840
Google, Inc. "A"*	4,700	2,459,886
Yahoo!, Inc.*	6,800	184,484
		3,867,210
IT Services 0.9%		
Accenture Ltd. "A"	11,800	506,102
Computer Sciences Corp.*	27,700	1,638,455
Convergys Corp.*	25,200	610,848
		2,755,405
Semiconductors & Semiconductor Equipment 3.0%		
Atmel Corp.*	26,900	149,564
MEMC Electronic Materials, Inc.*	36,900	2,255,328
National Semiconductor Corp.	96,800	2,736,536
NVIDIA Corp.*	51,800	2,139,858
Teradyne, Inc.*	100,400	1,765,032
Xilinx, Inc.	9,100	243,607
		9,289,925
Software 3.2%		
BMC Software, Inc.*	10,700	324,210
Microsoft Corp.	296,400	8,734,908
Symantec Corp.*	35,100	709,020
		9,768,138
Materials 4.3%		
Chemicals 2.7%		
Albemarle Corp.	29,000	1,117,370
Celanese Corp. "A"	62,800	2,435,384
Chemtura Corp.	56,900	632,159
Huntsman Corp.	42,100	1,023,451

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Lyondell Chemical Co.	84,500	3,136,640
		8,345,004
Containers & Packaging 0.4%		
Packaging Corp. of America	24,200	612,502
Sonoco Products Co.	12,900	552,249
		1,164,751
Metals & Mining 1.2%		
Cleveland-Cliffs, Inc.	8,900	691,263
Nucor Corp.	46,600	2,733,090
United States Steel Corp.	2,600	282,750
		3,707,103

Telecommunication Services 4.2%

	Shares	Value ($)
Diversified Telecommunication Services 4.1%		
AT&T, Inc.	28,700	1,191,050
CenturyTel, Inc.	20,700	1,015,335
Citizens Communications Co.	129,300	1,974,411
Embarq Corp.	36,100	2,287,657
Verizon Communications, Inc.	148,000	6,093,160
Windstream Corp.	20,300	299,628
		12,861,241
Wireless Telecommunication Services 0.1%		
United States Cellular Corp.*	2,500	**226,500**

Utilities 3.0%

	Shares	Value ($)
Electric Utilities 1.9%		
Exelon Corp.	34,600	2,511,960
Southern Co.	102,700	3,521,583
		6,033,543
Multi-Utilities 1.1%		
PG&E Corp.	5,600	253,680
Sempra Energy	52,300	3,097,729
		3,351,409
Total Common Stocks (Cost $276,612,880)		**297,550,286**

	Principal Amount ($)	Value ($)

Government & Agency Obligations 0.2%

	Principal Amount ($)	Value ($)
US Treasury Bill, 4.845%**, 7/19/2007 (b) (Cost $768,135)	770,000	**768,135**

Securities Lending Collateral 0.0%

	Shares	Value ($)
Daily Assets Fund Institutional, 5.36% (c) (d) (Cost $64,260)	64,260	**64,260**

Cash Equivalents 3.4%

	Shares	Value ($)
Cash Management QP Trust, 5.34% (c) (Cost $10,438,883)	10,438,883	**10,438,883**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $287,884,158)†	99.9	**308,821,564**
Other Assets and Liabilities, Net	0.1	**196,946**
Net Assets	100.0	**309,018,510**

* *Non-income producing security.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $288,565,891. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $20,255,673. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $26,318,187 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $6,062,514.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $62,937 which is 0.02% of net assets.*

(b) *At June 30, 2007, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(c) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

REIT: Real Estate Investment Trust

At June 30, 2007, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation ($)
S&P 500 Index	9/20/2007	29	10,964,692	10,986,650	21,958

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $277,381,015 — including $62,937 of securities loaned)	$	298,318,421
Investment in Daily Assets Fund Institutional (cost $64,260)*		64,260
Investment in Cash Management QP Trust (cost $10,438,883)		10,438,883
Total investments in securities, at value (cost $287,884,158)		308,821,564
Cash		10,000
Dividends receivable		228,135
Interest receivable		40,254
Receivable for investments sold		25,725,005
Other assets		5,324
Total assets		334,830,282
Liabilities		
Payable for investments purchased		25,322,623
Payable for Portfolio shares redeemed		176,768
Payable upon return of securities loaned		64,260
Payable for daily variation margin on open futures contracts		13,050
Accrued management fee		161,322
Other accrued expenses and payables		73,749
Total liabilities		25,811,772
Net assets, at value	**$**	**309,018,510**
Net Assets		
Net assets consist of:		
Undistributed net investment income		1,889,121
Net unrealized appreciation (depreciation) on:		
Investments		20,937,406
Futures		21,958
Accumulated net realized gain (loss)		32,845,969
Paid-in capital		253,324,056
Net assets, at value	**$**	**309,018,510**
Class A		
Net Asset Value, offering and redemption price per share ($297,298,423 ÷ 19,862,935 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.97**
Class B		
Net Asset Value, offering and redemption price per share ($11,720,087 ÷ 783,656 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.96**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends	$	2,910,220
Interest		18,838
Interest — Cash Management QP Trust		232,366
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		26,475
Total Income		3,187,899
Expenses:		
Management fee		1,101,844
Custodian fee		14,964
Distribution service fee (Class B)		44,317
Record keeping fees (Class B)		23,711
Auditing		23,366
Legal		6,431
Trustees' fees and expenses		15,967
Reports to shareholders		20,734
Other		9,879
Total expenses before expense reductions		1,261,213
Expense reductions		(2,859)
Total expenses after expense reductions		1,258,354
Net investment income (loss)		**1,929,545**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		33,485,722
Futures		360,874
		33,846,596
Net unrealized appreciation (depreciation) during the period on:		
Investments		(15,192,336)
Futures		4,877
		(15,187,459)
Net gain (loss) on investment transactions		**18,659,137**
Net increase (decrease) in net assets resulting from operations	**$**	**20,588,682**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 1,929,545	$ 3,670,062
Net realized gain (loss) on investment transactions	33,846,596	40,582,255
Net unrealized appreciation (depreciation) during the period on investment transactions	(15,187,459)	5,884,664
Net increase (decrease) in net assets resulting from operations	20,588,682	50,136,981
Distributions to shareholders from:		
Net investment income:		
Class A	(3,290,254)	(2,723,182)
Class B	(315,334)	(213,761)
Net realized gain:		
Class A	(34,899,466)	(15,496,612)
Class B	(5,204,548)	(2,298,427)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	10,895,785	28,436,502
Reinvestment of distributions	38,189,720	18,219,794
Cost of shares redeemed	(45,293,961)	(52,068,358)
Net increase (decrease) in net assets from Class A share transactions	3,791,544	(5,412,062)
Class B		
Proceeds from shares sold	1,182,748	8,559,228
Reinvestment of distributions	5,519,882	2,512,188
Cost of shares redeemed	(37,789,158)	(13,802,899)
Net increase (decrease) in net assets from Class B share transactions	(31,086,528)	(2,731,483)
Increase (decrease) in net assets	(50,415,904)	21,261,454
Net assets at beginning of period	359,434,414	338,172,960
Net assets at end of period (including undistributed net investment income of $1,889,121 and $3,565,164, respectively)	**$ 309,018,510**	**$ 359,434,414**

Other Information		
Class A		
Shares outstanding at beginning of period	19,412,716	19,752,422
Shares sold	701,113	1,871,977
Shares issued to shareholders in reinvestment of distributions	2,657,600	1,231,899
Shares redeemed	(2,908,494)	(3,443,582)
Net increase (decrease) in Class A shares	450,219	(339,706)
Shares outstanding at end of period	**19,862,935**	**19,412,716**
Class B		
Shares outstanding at beginning of period	2,824,828	2,986,497
Shares sold	73,405	566,366
Shares issued to shareholders in reinvestment of distributions	384,393	169,857
Shares redeemed	(2,498,970)	(897,892)
Net increase (decrease) in Class B shares	(2,041,172)	(161,669)
Shares outstanding at end of period	**783,656**	**2,824,828**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$16.17**	**$14.88**	**$13.65**	**$11.84**	**$ 9.37**	**$12.07**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.09	.17[c]	.14	.13	.08	.07
Net realized and unrealized gain (loss) on investment transactions	.76	2.07	1.22	1.76	2.45	(2.73)
Total from investment operations	.85	2.24	1.36	1.89	2.53	(2.66)
Less distributions from:						
Net investment income	(.18)	(.14)	(.13)	(.08)	(.06)	(.04)
Net realized gain on investment transactions	(1.87)	(.81)	—	—	—	—
Total distributions	(2.05)	(.95)	(.13)	(.08)	(.06)	(.04)
Net asset value, end of period	**$14.97**	**$16.17**	**$14.88**	**$13.65**	**$11.84**	**$ 9.37**
Total Return (%)	5.76**	15.65[c]	10.06	16.04	27.25	(22.11)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	297	314	294	283	242	174
Ratio of expenses (%)	.70*	.71	.70	.70	.71	.69
Ratio of net investment income (%)	1.16*	1.12[c]	1.00	1.08	.82	.65
Portfolio turnover rate (%)	179**	226	288	249	182	195

a For the six months ended June 30, 2007 (Unaudited).

b Based on average shares outstanding during the period.

c Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.003 per share and an increase in the ratio of net investment income of 0.02%. Excluding this non-recurring income, total return would have been 0.02% lower.

* Annualized ** Not annualized

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$16.12**	**$14.83**	**$13.60**	**$11.80**	**$ 9.35**	**$10.28**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.06	.11[d]	.09	.09	.04	.03
Net realized and unrealized gain (loss) on investment transactions	.76	2.07	1.22	1.74	2.45	(.96)
Total from investment operations	.82	2.18	1.31	1.83	2.49	(.93)
Less distributions from:						
Net investment income	(.11)	(.08)	(.08)	(.03)	(.04)	—
Net realized gain on investment transactions	(1.87)	(.81)	—	—	—	—
Total distributions	(1.98)	(.89)	(.08)	(.03)	(.04)	—
Net asset value, end of period	**$14.96**	**$16.12**	**$14.83**	**$13.60**	**$11.80**	**$ 9.35**
Total Return (%)	5.62**	15.19[d]	9.68	15.55	26.76	(9.05)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	12	46	44	37	17	.4
Ratio of expenses (%)	1.08*	1.09	1.09	1.08	1.10	.94*
Ratio of net investment income (%)	.78*	.74[d]	.61	.70	.43	.61*
Portfolio turnover rate (%)	179**	226	288	249	182	195

a For the six months ended June 30, 2007 (Unaudited).

b For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

c Based on average shares outstanding during the period.

d Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.003 per share and an increase in the ratio of net investment income of 0.02%. Excluding this non-recurring income, total return would have been 0.02% lower.

* Annualized ** Not annualized

Information About Your Portfolio's Expenses

DWS Core Fixed Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,009.10	$1,006.70
Expenses Paid per $1,000*	$ 3.34	$ 5.27
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,021.47	$1,019.54
Expenses Paid per $1,000*	$ 3.36	$ 5.31

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Core Fixed Income VIP	.67%	1.06%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Core Fixed Income VIP

The market entered 2007 anticipating US Federal Reserve Board (the Fed) easing, as reflected in lower yields early in the period. However, the resurgence of volatility and risk — resulting principally from the subprime mortgage meltdown and fear of possible contagion — led to wider credit spreads and higher rates overall as Fed easing was priced out of the market.[1] The yield on the benchmark 10-year US Treasury, after initially declining, ended the period at 5.03%, up 33 basis points (one basis point equals .01%) from where it began the year. Despite positive absolute returns, this combination of wider spreads and higher yields led all spread sectors except for corporate bonds to underperform relative to comparable duration Treasuries.

During the six-month period ended June 30, 2007, the Portfolio's Class A shares, unadjusted for contract charges, underperformed the 0.98% return of its benchmark, the Lehman Brothers US Aggregate Index.

Within the corporate sector, performance relative to US Treasuries was mixed. Financials underperformed, while industrials and utilities outperformed on the basis of their yield advantage versus comparable Treasuries. Our overweight to financials detracted from performance.[2] Our mortgage-backed holdings were structured to minimize volatility, and this position contributed positively to performance during the period. We held collateralized mortgage obligations structured to experience low prepayment rates on the underlying loans, and these added to performance as well. Additionally, our exposure to prime quality hybrid adjustable rate mortgages helped performance, as this sector continued to experience strengthening prices. Commercial mortgage backed securities (CMBS) underperformed Treasuries during the period. As spreads widened for this sector late in the period, the increasingly attractive relative valuation led us to purchase a number of the highest quality CMBS, and finish the period significantly overweight the sector. Asset-backed securities (ABS) underperformed Treasuries, with those backed by home equity loans lagging the most due to subprime mortgage exposure. Nearly all of our home equity-related ABS holdings are in very short term, AAA-rated bonds that have experienced minimal impact from the worsening performance of lower-quality subprime mortgages.[3] Nonetheless, our holdings in this area detracted from performance, as any exposure to subprime was a negative.

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Daniel R. Taylor, CFA
Warren S. Davis, III
William T. Lissenden
Timothy C. Vile, CFA
Thomas J. Flaherty

Portfolio Managers, Aberdeen Asset Management Inc., Subadvisor to the Portfolio

Risk Considerations

Investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. This Portfolio 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 such that when interest rates rise, the prices of the bonds, and thus the value of the Portfolio, can decline and the investor can lose principal value. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and changes in political/economic conditions and market risks. All of these factors may result in greater share price volatility. Please see this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Lehman Brothers US Aggregate Index is an unmanaged index representing domestic taxable investment-grade bonds, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities with average maturities of one year or more.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *Credit spread is the additional yield provided by non-Treasury fixed income securities versus Treasury securities of comparable duration.*

2 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

3 *The credit quality of a bond is an assessment of the likelihood that the issuer will default on scheduled payments of principal and interest.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Core Fixed Income VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Commercial and Non-Agency Mortgage Backed Securities	36%	29%
Corporate Bonds	18%	19%
Mortgage-Backed Securities Pass-Throughs	12%	12%
Government & Agency Obligations	11%	10%
Collateralized Mortgage Obligations	11%	13%
Municipal Bonds and Notes	5%	5%
Asset Backed	4%	10%
Cash Equivalents	3%	2%
	100%	100%

Bond Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/07**	**12/31/06**
Financials	51%	48%
Utilities	24%	20%
Consumer Discretionary	5%	12%
Energy	5%	9%
Telecommunication Services	4%	8%
Consumer Staples	4%	—
Materials	3%	1%
Information Technology	2%	—
Industrials	1%	2%
Health Care	1%	—
	100%	100%

Quality (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
US Government and Agencies	22%	35%
AAA*	59%	45%
AA	2%	—
A	5%	7%
BBB	12%	11%
BB	—	2%
	100%	100%

* *Includes cash equivalents*

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/07**	**12/31/06**
Under 1 year	4%	9%
1–4.99 years	44%	37%
5–9.99 years	40%	39%
10–14.99 years	3%	5%
15 years or greater	9%	10%
	100%	100%

Asset allocation, corporate and foreign bonds diversification, quality and effective maturity are subject to change.

Weighted average effective maturity: 6.8 years and 6.9 years, respectively.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 36. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Core Fixed Income VIP

	Principal Amount ($)	Value ($)
Corporate Bonds 18.4%		
Consumer Discretionary 1.0%		
Comcast Cable Holdings LLC:		
9.875%, 6/15/2022	250,000	320,860
10.125%, 4/15/2022	363,000	471,928
TCI Communications, Inc., 8.75%, 8/1/2015	848,000	980,627
Time Warner, Inc., 7.625%, 4/15/2031	665,000	712,462
Viacom, Inc.:		
5.75%, 4/30/2011	830,000	828,798
6.875%, 4/30/2036	387,000	373,890
		3,688,565
Consumer Staples 0.7%		
CVS Caremark Corp.:		
6.25%, 6/1/2027	637,000	617,222
6.302%, 6/1/2037 (a)	1,949,000	1,918,457
		2,535,679
Energy 0.9%		
Canadian Natural Resources Ltd., 5.7%, 5/15/2017	1,150,000	1,112,471
Enterprise Products Operating LP, 7.5%, 2/1/2011	160,000	168,666
GAZ Capital (Gazprom), 144A, 6.212%, 11/22/2016	1,425,000	1,387,950
TransCanada Pipelines Ltd., 6.35%, 5/15/2067 (a)	825,000	793,120
		3,462,207
Financials 9.1%		
Allstate Corp., 6.5%, 5/15/2057 (a)	935,000	884,130
Axa, 144A, 6.379%, 12/14/2049	625,000	563,795
Banco Mercantil del Norte SA, Series A, 144A, 6.862%, 10/13/2021	610,000	609,375
Corp. Andina de Fomento, 5.75%, 1/12/2017 (a)	690,000	677,371
Dresdner Funding Trust I, 144A, 8.151%, 6/30/2031	985,000	1,134,487
Erac USA Finance Co., 144A, 8.0%, 1/15/2011	1,346,000	1,436,469
Farmers Insurance Exchange, 144A, 8.625%, 5/1/2024	940,000	1,086,101
FPL Group Capital, Inc., 6.65%, 6/15/2067	1,359,000	1,347,745
Glen Meadow Pass-Through, 144A, 6.505%, 2/12/2067	935,000	953,046
Goldman Sachs Capital II, 5.793%, 12/29/2049	1,120,000	1,093,058
ICICI Bank Ltd., 144A, 5.75%, 1/12/2012	925,000	908,439
Lehman Brothers Capital Trust VII, 5.857%, 11/29/2049	1,800,000	1,763,204
Mangrove Bay Pass-Through Trust, 144A, 6.102%, 7/15/2033	1,310,000	1,267,242
Morgan Stanley, 5.45%, 1/9/2017	1,805,000	1,709,048
MUFG Capital Finance 1 Ltd., 6.346%, 7/29/2049 (a)	1,525,000	1,498,428
Oil Insurance Ltd., 144A, 7.558%, 12/29/2049	2,890,000	2,987,711
PartnerRe Finance II, 6.44%, 12/1/2066	697,000	661,875
StanCorp. Financial Group, Inc., 6.9%, 5/29/2067	940,000	922,458
Standard Chartered PLC, 144A, 7.014%, 7/30/2049	900,000	863,229
Sumitomo Mitsui Banking Corp., 144A, 5.625%, 7/29/2049	2,715,000	2,587,395
Suntrust Preferred Capital I, 5.853%, 12/15/2011	2,735,000	2,718,494
The Travelers Companies, Inc., 6.25%, 3/15/2037 (a)	480,000	461,256
TNK-BP Finance SA, 144A, 6.625%, 3/20/2017	151,000	146,289
UDR, Inc., Series E (REIT), 3.9%, 3/15/2010	345,000	329,711
Wachovia Bank NA, 5.85%, 2/1/2037 (a)	1,505,000	1,424,201
Wachovia Capital Trust III, 5.8%, 3/15/2042	2,290,000	2,280,020
Woori Bank, 144A, 6.208%, 5/2/2037	765,000	732,582
XL Capital Ltd., Series E, 6.5%, 12/31/2049	590,000	554,120
ZFS Finance USA Trust V, 144A, 6.5%, 5/9/2037	1,000,000	967,145
		34,568,424
Health Care 0.1%		
Quest Diagnostics, Inc., 6.95%, 7/1/2037	444,000	**449,024**
Industrials 0.2%		
United States Steel Corp., 5.65%, 6/1/2013	600,000	**590,750**
Information Technology 0.3%		
Broadridge Financial Solutions, Inc., 6.125%, 6/1/2017	823,000	804,971
Seagate Technology HDD Holdings:		
6.375%, 10/1/2011	440,000	429,000
6.8%, 10/1/2016	105,000	100,800
		1,334,771
Materials 0.6%		
Celulosa Arauco y Constitucion SA, 5.625%, 4/20/2015	1,295,000	1,251,334
Vale Overseas Ltd., 6.875%, 11/21/2036	940,000	944,875
		2,196,209
Telecommunication Services 0.7%		
Nextel Communications, Inc., Series D, 7.375%, 8/1/2015	492,000	491,789
Qwest Corp., 7.625%, 6/15/2015	1,160,000	1,197,700
Telecom Italia Capital:		
4.95%, 9/30/2014	484,000	448,438
6.2%, 7/18/2011 (a)	466,000	471,775
		2,609,702
Utilities 4.8%		
Arizona Public Service Co., 6.875%, 8/1/2036	1,045,000	1,082,845
Baltimore Gas & Electric Co., 144A, 6.35%, 10/1/2036	425,000	420,877
Centerior Energy Corp., Series B, 7.13%, 7/1/2007	1,490,000	1,490,000

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Commonwealth Edison Co.:		
Series 99, 3.7%, 2/1/2008	455,000	449,707
Series 98, 6.15%, 3/15/2012	980,000	984,640
Constellation Energy Group, 7.6%, 4/1/2032	415,000	457,990
Consumers Energy Co., Series F, 4.0%, 5/15/2010	1,655,000	1,587,352
Dominion Resources, Inc.:		
Series 06-B, 6.3%, 9/30/2066	560,000	563,232
7.5%, 6/30/2066	1,640,000	1,723,533
Energy East Corp., 6.75%, 7/15/2036 (a)	1,145,000	1,186,256
Entergy Mississippi, Inc., 5.92%, 2/1/2016	400,000	393,757
Integrys Energy Group, Inc., 6.11%, 12/1/2066	1,305,000	1,251,372
Nevada Power Co., Series N, 6.65%, 4/1/2036	1,470,000	1,474,873
Pedernales Electric Cooperative, Series 2002-A, 144A, 6.202%, 11/15/2032	1,715,000	1,735,580
PPL Capital Funding, Inc., Series A, 6.7%, 3/30/2067	1,580,000	1,521,417
Wisconsin Energy Corp., Series A, 6.25%, 5/15/2067	1,795,000	1,726,578
		18,050,009
Total Corporate Bonds (Cost $70,624,651)		**69,485,340**

Asset Backed 4.3%

Home Equity Loans

	Principal Amount ($)	Value ($)
Ameriquest Mortgage Securities, Inc., "A5", Series 2004-FR1, 4.455%, 5/25/2034	2,450,000	2,411,629
Citigroup Mortgage Loan Trust, Inc., "A1", Series 2006-WFH4, 5.37%*, 11/25/2036	1,602,175	1,602,257
Countrywide Asset-Backed Certificates:		
"A6", Series 2006-S6, 5.657%, 3/25/2034	1,840,000	1,800,937
"A6", Series 2006-15, 5.826%, 10/25/2046	640,000	625,904
"A1B", Series 2007-S1, 5.888%, 11/25/2036	1,239,582	1,237,561
"1AF6", Series 2006-11, 6.15%, 9/25/2046	1,830,000	1,820,836
Credit-Based Asset Servicing and Securitization, "A2A", Series 2007-CB2, 5.891%, 2/25/2037	2,016,781	2,013,136
New Century Home Equity Loan Trust, "A2", Series 2005-A, 4.461%, 8/25/2035	693,830	688,375
Option One Mortgage Loan Trust, "2A1", Series 2006-3, 5.36%*, 2/25/2037	1,945,360	1,945,355
Popular ABS Mortgage Pass-Through Trust, "AF2", Series 2005-2, 4.415%, 4/25/2035	1,047,686	1,043,377
Residential Asset Securities Corp., "AI1", Series 2006-KS3, 5.39%*, 4/25/2036	634,498	634,613
Securitized Asset Backed NIM Trust, "NIM", Series 2005-FR4, 144A, 6.0%, 1/25/2036	501,257	499,720
Total Asset Backed (Cost $16,374,494)		**16,323,700**

Mortgage-Backed Securities Pass-Throughs 11.7%

	Principal Amount ($)	Value ($)
Federal Home Loan Mortgage Corp.:		
4.5%, 6/1/2020	2,946,972	2,805,494
5.5%, 10/1/2034 (b)	2,475,000	2,386,828
6.0%, with various maturities from 12/1/2025 until 12/1/2034	2,453,379	2,440,206
Federal National Mortgage Association:		
4.5%, with various maturities from 6/1/2019 until 10/1/2033	5,611,117	5,223,258
5.0%, 2/1/2034	604,721	569,382
5.5%, with various maturities from 7/1/2024 until 3/1/2037 (b)	18,074,542	17,520,334
6.0%, 4/1/2024	1,522,829	1,515,096
6.31%, 6/1/2008	1,500,000	1,497,967
6.5%, with various maturities from 3/1/2017 until 4/1/2037	8,649,262	8,736,469
7.0%, 2/1/2032 (b)	1,675,000	1,719,623
8.0%, 9/1/2015	30,203	31,581
Total Mortgage-Backed Securities Pass-Throughs (Cost $45,214,943)		**44,446,238**

Commercial and Non-Agency Mortgage-Backed Securities 36.0%

	Principal Amount ($)	Value ($)
Adjustable Rate Mortgage Trust:		
"3A31", Series 2005-10, 5.421%*, 1/25/2036	1,265,000	1,232,668
"1A4", Series 2006-2, 5.764%*, 5/25/2036	1,705,000	1,695,488
Banc of America Commercial Mortgage, Inc.:		
"A4", Series 2005-5, 5.115%, 10/10/2045	2,635,000	2,515,056
"A2", Series 2007-2, 5.634%, 4/10/2049	1,480,000	1,477,234
Banc of America Mortgage Securities, Inc., "1A20", Series 2005-3, 5.5%, 4/25/2035	1,840,000	1,818,146
Bear Stearns Adjustable Rate Mortgage Trust:		
"A1", Series 2006-1, 4.625%*, 2/25/2036	3,864,853	3,775,636
"2A1", Series 2006-4, 5.818%*, 10/25/2036	1,568,895	1,565,406
Bear Stearns Commercial Mortgage Securities:		
"A2", Series 2007-PW16, 5.661%, 6/13/2040	2,800,000	2,809,940
"AAB", Series 2007-PW16, 5.713%, 6/13/2040	2,025,000	2,023,178
Chase Commercial Mortgage Securities Corp., "A2", Series 1998-2, 6.39%, 11/18/2030	1,746,017	1,759,638
Chase Mortgage Finance Corp., "3A1", Series 2005-A1, 5.272%*, 12/25/2035	2,557,384	2,520,507
Citicorp Mortgage Securities, Inc.:		
"A4", Series 2003-3, 5.5%, 3/25/2033	277,921	277,060
"1A1", Series 2004-8, 5.5%, 10/25/2034	1,043,300	1,036,344

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Citigroup Commercial Mortgage Trust, "ASB", Series 2006-C5, 5.413%, 10/15/2049	1,390,000	1,359,675
Citigroup Mortgage Loan Trust, Inc.:		
"2A1", Series 2006-AR1, 4.7%*, 3/25/2036	1,299,599	1,278,170
"1A1", Series 2006-AR1, 4.9%*, 10/25/2035	436,084	429,947
"1A2", Series 2006-AR2, 5.54%*, 3/25/2036	2,130,906	2,118,759
"1CB2", Series 2004-NCM2, 6.75%, 8/25/2034	1,059,235	1,069,330
Citigroup/Deutsche Bank Commercial Mortgage Trust, "A4", Series 2007-CD4, 5.322%, 12/11/2049	1,810,000	1,736,247
CitiMortgage Alternative Loan Trust, "A1", Series 2006-A2, 6.0%, 5/25/2036	1,710,539	1,711,561
Countrywide Alternative Loan Trust:		
"A2", Series 2003-6T2, 5.0%, 6/25/2033	269,723	268,548
"A2", Series 2003-21T1, 5.25%, 12/25/2033	1,143,210	1,132,110
"A6", Series 2004-14T2, 5.5%, 8/25/2034	1,083,778	1,075,881
"7A1", Series 2004-J2, 6.0%, 12/25/2033	258,061	253,989
"1A1", Series 2004-J1, 6.0%, 2/25/2034	181,769	180,894
Credit Suisse Mortgage Capital Certificates:		
"4A15", Series 2007-3, 5.5%, 4/25/2037	1,793,237	1,769,277
"5A14", Series 2007-1, 6.0%, 2/25/2037	1,850,005	1,846,724
CW Capital Cobalt Ltd.:		
"AAB", Series 2007-C2, 5.416%, 4/15/2047	1,850,000	1,804,993
"A3", Series 2007-C2, 5.484%, 4/15/2047	1,850,000	1,792,136
GMAC Mortgage Corp. Loan Trust, "A1", Series 2006-J1, 5.75%, 4/25/2036	3,172,599	3,158,216
Greenwich Capital Commercial Funding Corp., "A2", Series 2007-GG9, 5.381%, 3/10/2039	1,300,000	1,285,007
GS Mortgage Securities Corp. II:		
"A2", Series 2006-GG8, 5.479%, 11/10/2039	1,870,000	1,858,980
"C", Series 1998-C1, 6.91%, 10/18/2030	1,260,000	1,276,155
GSR Mortgage Loan Trust, "2A1", Series 2007-AR1, 6.019%*, 3/25/2037	3,327,507	3,329,185
Indymac Inda Mortgage Loan Trust,		
"1A1", Series 2006-AR3, 5.376%*, 12/25/2036	1,963,650	1,939,716
Indymac Index Mortgage Loan Trust, "3A1", Series 2006-AR33, 5.806%*, 1/25/2037	1,541,359	1,519,580
JPMorgan Chase Commercial Mortgage Securities Corp.:		
"ASB", Series 2007-CB19, 5.73%, 2/12/2049	1,680,000	1,676,858
"A2", Series 2007-LD11, 5.992%, 6/15/2049	2,430,000	2,442,131
"ASB", Series 2007-LD11, 6.007%, 6/15/2049	3,180,000	3,184,947
"H", Series 2007-LD11, 144A, 6.007%, 6/15/2049	1,610,000	1,488,407
JPMorgan Mortgage Trust:		
"6A1", Series 2007-A1, 4.78%*, 7/25/2035	1,750,307	1,713,621
"2A4L", Series 2006-A6, 5.57%*, 10/25/2036	1,840,000	1,806,026
"2A4", Series 2006-A2, 5.755%*, 4/25/2036	2,565,000	2,551,129
LB-UBS Commercial Mortgage Trust, "A2", Series 2007-C2, 5.303%, 2/15/2040	2,810,000	2,770,138
Lehman Mortgage Trust:		
"3A3", Series 2006-1, 5.5%, 2/25/2036	1,805,875	1,761,902
"1A10", Series 2006-3, 6.0%, 7/25/2036	1,716,629	1,719,978
Master Alternative Loans Trust:		
"5A1", Series 2005-1, 5.5%, 1/25/2020	557,952	550,876
"5A1", Series 2005-2, 6.5%, 12/25/2034	155,921	156,140
"8A1", Series 2004-3, 7.0%, 4/25/2034	52,398	52,672
Master Asset Securitization Trust, "2A7", Series 2003-9, 5.5%, 10/25/2033	1,138,224	1,087,538
Merrill Lynch Mortgage Investors Trust, "A2", Series 2005-A5, 4.566%, 6/25/2035	210,000	204,375
Morgan Stanley Capital I:		
"A2", Series 2007-HQ11, 5.359%, 2/12/2044	1,800,000	1,776,905
"AAB", Series 2007-IQ14, 5.654%, 4/15/2049	1,845,000	1,825,319
Mortgage Capital Funding, Inc., "A2", Series 1998-MC3, 6.337%, 11/18/2031	839,633	842,070
Residential Accredit Loans, Inc.:		
"3A1", Series 2006-QS18, 5.75%, 12/25/2021	1,584,086	1,576,587
"CB", Series 2004-QS2, 5.75%, 2/25/2034	725,017	699,982
Residential Funding Mortgage Security I, "2A2", Series 2007-SA1, 5.637%*, 2/25/2037	2,515,656	2,498,054
Sequoia Mortgage Trust, "2A1", Series 2007-1, 5.831%*, 2/20/2047	2,627,400	2,620,096
Structured Adjustable Rate Mortgage Loan Trust:		
"6A3", Series 2005-21, 5.4%, 11/25/2035	1,485,000	1,433,137
"2A1", Series 2006-1, 5.62%*, 2/25/2036	1,375,691	1,366,407
"1A1", Series 2005-18, 5.664%*, 9/25/2035	1,136,691	1,130,666
Structured Asset Securities Corp., "4A1", Series 2005-6, 5.0%, 5/25/2035	727,416	676,384
Wachovia Bank Commercial Mortgage Trust:		
"A3", Series 2007-C30, 5.246%, 12/15/2043	1,310,000	1,284,974
"A2", Series 2007-C31, 5.421%, 4/15/2047	1,830,000	1,807,118

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
"APB", Series 2005-C22, 5.446%*, 12/15/2044	1,820,000	1,783,975
"A1", Series 2007-C32, 5.686%, 6/15/2049	2,550,000	2,549,977
"A2", Series 2007-C32, 5.736%, 6/15/2049	1,870,000	1,873,291
Wachovia Mortgage Loan Trust LLC, "3A1", Series 2005-B, 5.157%*, 10/20/2035	2,400,759	2,363,284
Washington Mutual Mortgage Pass-Through Certificates Trust:		
"2A1", Series 2002-S8, 4.5%, 1/25/2018	129,446	128,904
"A1", Series 2003-S7, 4.5%, 8/25/2018	1,791,496	1,729,338
"1A3", Series 2005-AR16, 5.109%*, 12/25/2035	1,660,000	1,627,833
"4A1", Series 2007-HY3, 5.354%*, 3/25/2037	3,056,027	3,027,645
"1A1", Series 2006-AR16, 5.614%*, 12/25/2036	2,375,678	2,358,705
"1A1", Series 2007-HY2, 5.642%*, 12/25/2036	2,607,857	2,592,995
Wells Fargo Mortgage Backed Securities Trust:		
"1A6", Series 2003-1, 4.5%, 2/25/2018	19,183	19,123
"2A5", Series 2006-AR2, 5.089%*, 3/25/2036	5,103,610	5,043,817
"A6", Series 2006-AR11, 5.191%, 8/25/2036	2,750,000	2,698,655
"A4", Series 2005-AR14, 5.386%*, 8/25/2035	1,700,000	1,638,774
"A1", Series 2006-3, 5.5%, 3/25/2036	2,125,467	2,103,099
"2A5", Series 2006-AR1, 5.554%*, 3/25/2036	1,700,000	1,645,413
"1A3", Series 2006-6, 5.75%, 5/25/2036	1,846,833	1,838,324
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $137,692,279)		**136,428,970**

Collateralized Mortgage Obligations 10.5%

	Principal Amount ($)	Value ($)
Fannie Mae Whole Loan, "1A1", Series 2004-W15, 6.0%, 8/25/2044	1,105,412	1,102,462
Federal Home Loan Mortgage Corp.:		
"LN", Series 3145, 4.5%, 10/15/2034	1,866,733	1,781,389
"EW", Series 2545, 5.0%, 3/15/2029	935,988	925,550
"PD", Series 2783, 5.0%, 1/15/2033	1,283,000	1,217,623
"TE", Series 2780, 5.0%, 1/15/2033	1,785,000	1,699,365
"OE", Series 2840, 5.0%, 2/15/2033	2,780,000	2,626,188
"NE", Series 2802, 5.0%, 2/15/2033	2,640,000	2,512,536
"PD", Series 2890, 5.0%, 3/15/2033	1,485,000	1,406,952
"OG", Series 2889, 5.0%, 5/15/2033	1,770,000	1,674,906
"PE", Series 2898, 5.0%, 5/15/2033	860,000	814,368
"XD", Series 2941, 5.0%, 5/15/2033	1,055,000	997,403
"PE", Series 2864, 5.0%, 6/15/2033	2,275,000	2,161,028
"UE", Series 2911, 5.0%, 6/15/2033	3,055,000	2,891,738
"BG", Series 2869, 5.0%, 7/15/2033	335,000	318,077
"KD", Series 2915, 5.0%, 9/15/2033	1,341,000	1,268,653
"NE", Series 2921, 5.0%, 9/15/2033	2,275,000	2,150,621
"QE", Series 2991, 5.0%, 8/15/2034	2,530,000	2,391,382
"PE", Series 2378, 5.5%, 11/15/2016	1,475,981	1,472,686
"CH", Series 2390, 5.5%, 12/15/2016	440,000	438,992
"PE", Series 2512, 5.5%, 2/15/2022	45,000	44,672
"YA", Series 2841, 5.5%, 7/15/2027	1,687,401	1,689,278
"PE", Series 2165, 6.0%, 6/15/2029	1,614,855	1,624,226
Federal National Mortgage Association:		
"PE", Series 2005-44, 5.0%, 7/25/2033	650,000	614,126
"QD", Series 2005-29, 5.0%, 8/25/2033	435,000	410,939
"HE", Series 2005-22, 5.0%, 10/25/2033	1,540,000	1,453,947
"PG", Series 2002-3, 5.5%, 2/25/2017	500,000	496,629
"QC", Series 2002-11, 5.5%, 3/25/2017	633,185	629,889
"VD", Series 2002-56, 6.0%, 4/25/2020	13,401	13,366
"PH", Series 1999-19, 6.0%, 5/25/2029	1,599,862	1,603,644
"Z", Series 2001-14, 6.0%, 5/25/2031	1,015,756	1,016,362
"A2", Series 1998-M6, 6.32%, 8/15/2008	249,942	251,134
"HM", Series 2002-36, 6.5%, 12/25/2029	1,724	1,719
Total Collateralized Mortgage Obligations (Cost $40,789,405)		**39,701,850**

Municipal Bonds and Notes 5.3%

	Principal Amount ($)	Value ($)
Anaheim, CA, Public Financing Authority Lease Revenue, Public Imports Project, Series B, 5.486%, 9/1/2020 (c)	1,935,000	1,877,492
Brockton, MA, General Obligation, Economic Development, Series A, 6.45%, 5/1/2017 (c)	1,530,000	1,597,779
Illinois, Higher Education Revenue, 7.05%, 7/1/2009 (c)	1,410,000	1,457,221
Indiana, Bond Bank Revenue, School Severance Funding, Series 11, 6.01%, 7/15/2021 (c)	1,965,000	1,975,139
Jersey City, NJ, Municipal Utilities Authority, Water Revenue, 4.55%, 5/15/2012 (c)	1,000,000	963,090
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	945,000	919,891

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Los Angeles, CA, Community Redevelopment Agency, Financing Authority Revenue, Bunker Hill Project, 5.83%, 12/1/2017 (c)	2,500,000	2,517,050
Menasha, WI, Anticipation Notes, Series B, 5.65%, 9/1/2009	1,310,000	1,311,900
Michigan, Western Michigan University Revenue, 4.41%, 11/15/2014 (c)	1,130,000	1,087,941
New York, General Obligation, Environmental Facilities Corp., 4.95%, 1/1/2013 (c)	1,500,000	1,469,265
Oklahoma City, OK, Airport Revenue, 5.2%, 10/1/2012 (c)	1,430,000	1,410,209
Oregon, School Board Association Taxable — Pension, 4.668%, 6/30/2020 (c)	1,135,000	1,031,863
Portland, OR, River District, Urban Renewal & Redevelopment, Series B, 3.35%, 6/15/2010 (c)	1,550,000	1,470,376
Trenton, NJ, School District General Obligation, 4.3%, 4/1/2011 (c)	1,040,000	1,000,407
Total Municipal Bonds and Notes (Cost $20,362,394)		**20,089,623**

Government & Agency Obligations 11.4%

	Principal Amount ($)	Value ($)
US Treasury Bonds:		
6.0%, 2/15/2026 (a)	14,842,000	16,200,963
8.75%, 8/15/2020 (a)	2,463,000	3,289,260
US Treasury Notes:		
4.625%, 12/31/2011 (a)	9,020,000	8,907,954
4.625%, 2/29/2012 (a)	13,183,000	13,014,099
4.875%, 8/31/2008 (a)	1,575,000	1,572,540
Total Government & Agency Obligations (Cost $44,586,538)		**42,984,816**

	Shares	Value ($)
Preferred Stocks 0.2%		
Arch Capital Group Ltd., 8.0%	7,384	190,369
Delphi Financial Group, Inc. 7.376%	22,600	557,938
Total Preferred Stocks (Cost $751,264)		**748,307**
Securities Lending Collateral 11.8%		
Daily Assets Fund Institutional, 5.36% (d) (e) (Cost $44,765,049)	44,765,049	**44,765,049**
Cash Equivalents 2.7%		
Cash Management QP Trust, 5.34% (d) (Cost $10,243,175)	10,243,175	**10,243,175**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $ 431,404,192)†	112.3	**425,217,068**
Other Assets and Liabilities, Net	(12.3)	**(46,544,869)**
Net Assets	100.0	**378,672,199**

† *The cost for federal income tax purposes was $431,429,309. At June 30, 2007, net unrealized depreciation for all securities based on tax cost was $6,212,241. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $598,601 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $6,810,842.*

* *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2007.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $44,010,479 which is 11.6% of net assets.*

(b) *Mortgage dollar rolls included.*

(c) *Bond is insured by one of these companies:*

Insurance Coverage	As a % of Total Investment Portfolio
Ambac Financial Group	1.5
Financial Guaranty Insurance Co.	1.4
Financial Security Assurance Inc.	0.6
MBIA Corp.	0.2
XL Capital Insurance	0.5

(d) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

REIT: Real Estate Investment Trust

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association and the Federal Home Loan Mortgage Corp. issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $376,395,968) — including $44,010,479 of securities loaned	$	370,208,844
Investment in Daily Assets Fund Institutional (cost $44,765,049)*		44,765,049
Investment in Cash Management QP Trust (cost $10,243,175)		10,243,175
Total investments in securities, at value (cost $431,404,192)		425,217,068
Cash		14,859
Receivable for investments sold		9,512,849
Interest receivable		3,465,124
Receivable for Portfolio shares sold		5,209,537
Foreign taxes recoverable		1,263
Other assets		5,813
Total assets		443,426,513

Liabilities		
Payable upon return of securities loaned		44,765,049
Payable for investments purchased		14,612,458
Payable for investments purchased — mortgage dollar rolls		4,884,034
Payable for Portfolio shares redeemed		125,946
Accrued management fee		183,064
Other accrued expenses and payables		183,763
Total liabilities		64,754,314
Net assets, at value	**$**	**378,672,199**

Net Assets		
Net assets consist of:		
Undistributed net investment income		8,232,599
Net unrealized appreciation (depreciation) on investments		(6,187,124)
Accumulated net realized gain (loss)		(4,129,980)
Paid-in capital		380,756,704
Net assets, at value	**$**	**378,672,199**
Class A		
Net Asset Value, offering and redemption price per share ($302,998,743 ÷ 26,468,331 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.45**
Class B		
Net Asset Value, offering and redemption price per share ($75,673,456 ÷ 6,609,675 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.45**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Interest (net of foreign taxes withheld of $1,871)	$	9,499,950
Interest — Cash Management QP Trust		307,531
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		26,551
Dividends		7,384
Total Income		9,841,416
Expenses:		
Management fee		1,096,515
Custodian fee		10,944
Distribution service fee (Class B)		98,610
Record keeping fees (Class B)		56,310
Auditing		23,210
Legal		9,760
Trustees' fees and expenses		16,086
Reports to shareholders		46,582
Other		22,628
Total expenses before expense reductions		1,380,645
Expense reductions		(2,858)
Total expenses after expense reductions		1,377,787
Net investment income (loss)		**8,463,629**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		(292,088)
Net unrealized appreciation (depreciation) during the period on investments		(4,975,584)
Net gain (loss) on investment transactions		**(5,267,672)**
Net increase (decrease) in net assets resulting from operations	**$**	**3,195,957**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income	$ 8,463,629	$ 15,881,888
Net realized gain (loss) on investment transactions	(292,088)	(3,380,379)
Net unrealized appreciation (depreciation) during the period on investment transactions	(4,975,584)	2,452,304
Net increase (decrease) in net assets resulting from operations	3,195,957	14,953,813
Distributions to shareholders from:		
Net investment income:		
Class A	(12,441,885)	(9,250,155)
Class B	(3,150,565)	(2,794,336)
Net realized gains:		
Class A	—	(40,873)
Class B	—	(13,997)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	49,575,989	91,229,471
Reinvestment of distributions	12,441,885	9,291,028
Cost of shares redeemed	(26,047,604)	(77,798,091)
Net increase (decrease) in net assets from Class A share transactions	35,970,270	22,722,408
Class B		
Proceeds from shares sold	2,017,185	10,023,723
Reinvestment of distributions	3,150,565	2,808,333
Cost of shares redeemed	(9,418,550)	(19,326,554)
Net increase (decrease) in net assets from Class B share transactions	(4,250,800)	(6,494,498)
Increase (decrease) in net assets	19,322,977	19,082,362
Net assets at beginning of period	359,349,222	340,266,860
Net assets at end of period (including undistributed net investment income of $8,232,599 and $15,361,420, respectively)	**$ 378,672,199**	**$ 359,349,222**

Other Information		
Class A		
Shares outstanding at beginning of period	23,346,010	21,303,867
Shares sold	4,251,163	7,951,409
Shares issued to shareholders in reinvestment of distributions	1,080,025	821,488
Shares redeemed	(2,208,867)	(6,730,754)
Net increase (decrease) in Class A shares	3,122,321	2,042,143
Shares outstanding at end of period	**26,468,331**	**23,346,010**
Class B		
Shares outstanding at beginning of period	6,968,915	7,523,292
Shares sold	172,932	863,400
Shares issued to shareholders in reinvestment of distributions	273,249	248,086
Shares redeemed	(805,421)	(1,665,863)
Net increase (decrease) in Class B shares	(359,240)	(554,377)
Shares outstanding at end of period	**6,609,675**	**6,968,915**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Date						
Net asset value, beginning of period	**$11.86**	**$11.81**	**$12.07**	**$12.16**	**$11.98**	**$11.48**
Income (loss) from investment operations:						
Net investment income[b]	.27	.53	.47	.50	.45	.53
Net realized and unrealized gain (loss) on investment transactions	(.16)	(.05)	(.21)	.05	.14	.37
Total from investment operations	.11	.48	.26	.55	.59	.90
Less distributions from:						
Net investment income	(.52)	(.43)	(.41)	(.43)	(.41)	(.40)
Net realized gain on investment transactions	—	(.00)***	(.11)	(.21)	—	—
Total distributions	(.52)	(.43)	(.52)	(.64)	(.41)	(.40)
Net asset value, end of period	**$11.45**	**$11.86**	**$11.81**	**$12.07**	**$12.16**	**$11.98**
Total Return (%)	.91**	4.26	2.25	4.53	5.13	8.01
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	303	277	252	210	201	216
Ratio of expenses (%)	.67*	.68	.67	.66	.66	.65
Ratio of net investment income (loss) (%)	4.68*	4.56	3.96	4.18	3.75	4.57
Portfolio turnover rate (%)	91[c]**	183[c]	164[c]	185[c]	229[c]	267

[a] *For the six months ended June 30, 2007 (Unaudited).*

[b] *Based on average shares outstanding during the period.*

[c] *The portfolio turnover rate including mortgage dollar roll transactions was 98% for the period ended June 30, 2007 and 198%, 241%, 176% and 204% for the years ended December 31, 2006, December 31, 2005, December 31, 2004 and December 31, 2003, respectively.*

* *Annualized* ** *Not annualized*

*** *Amount is less than $.005*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$11.84**	**$11.78**	**$12.04**	**$12.13**	**$11.96**	**$11.36**
Income (loss) from investment operations:						
Net investment income[c]	.25	.49	.42	.45	.40	.27
Net realized and unrealized gain (loss) on investment transactions	(.17)	(.05)	(.21)	.05	.15	.33
Total from investment operations	.08	.44	.21	.50	.55	.60
Less distributions from:						
Net investment income	(.47)	(.38)	(.36)	(.38)	(.38)	—
Net realized gain on investment transactions	—	(.00)***	(.11)	(.21)	—	—
Total distributions	(.47)	(.38)	(.47)	(.59)	(.38)	—
Net asset value, end of period	**$11.45**	**$11.84**	**$11.78**	**$12.04**	**$12.13**	**$11.96**
Total Return (%)	.67**	3.89	1.85	4.10	4.76	5.28**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	76	82	89	88	45	2
Ratio of expenses (%)	1.06*	1.07	1.07	1.03	1.05	.92*
Ratio of net investment income (loss) (%)	4.29*	4.17	3.56	3.81	3.36	4.69*
Portfolio turnover rate (%)	91[d]**	183[d]	164[d]	185[d]	229[d]	267

[a] *For the six months ended June 30, 2007 (Unaudited).*

[b] *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

[d] *The portfolio turnover rate including mortgage dollar roll transactions was 98% for the period ended June 30, 2007 and 198%, 241%, 176% and 204% for the years ended December 31, 2006, December 31, 2005, December 31, 2004 and December 31, 2003, respectively.*

* *Annualized* ** *Not annualized*

*** *Amount is less than $.005*

Information About Your Portfolio's Expenses

DWS Davis Venture Value VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,069.00	$1,067.90
Expenses Paid per $1,000*	$ 4.51	$ 6.46
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,020.43	$1,018.55
Expenses Paid per $1,000*	$ 4.41	$ 6.31

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Davis Venture Value VIP	.88%	1.26%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Davis Venture Value VIP

For the six months ended June 30, 2007, the Class A shares (unadjusted for contract charges) of the DWS Davis Venture Value VIP outperformed its benchmark, the Russell 1000® Value Index, which returned 6.23%.

Energy was one of the top-performing sectors of the Russell 1000 Value Index, and energy companies were also the most important contributors to the Portfolio's performance over the six-month period. The Portfolio's energy companies outperformed the corresponding sector within the benchmark. ConocoPhillips, Occidental Petroleum Corp., Devon Energy Corp., and EOG Resources, Inc. were among the top contributors to performance.

The Portfolio made a significant investment in consumer staple companies, and they were the second-most-important contributors to performance. The Portfolio's consumer staple companies outperformed the corresponding sector within the Russell 1000 Value Index and the Portfolio also benefited from a higher relative weighting in this sector. Altria Group, Inc. and Costco Wholesale Corp. were among the top contributors to performance. Procter & Gamble Co. was one of the top detractors.

Banking was among the worst-performing sectors of the benchmark. The Portfolio's banking companies outperformed the sector and the Portfolio also benefited from a lower relative weighting in this poorly performing sector. Wachovia Corp. was among the top detractors from performance.

Individual companies among the top contributors to performance included Tyco International Ltd. (an industrial company); Amazon.com, Inc. (a consumer discretionary company); Loews Corp. (an insurance company); and Martin Marietta Materials, Inc. (a materials company). Among the top detractors from performance were Harley-Davidson, Inc. (a consumer discretionary company); American International Group, Inc. (an insurance company); and Moody's Corp. and Citigroup, Inc. (both diversified financial companies).

Christopher C. Davis
Kenneth Charles Feinberg

Portfolio Managers
Davis Selected Advisers, L.P., Subadvisor to the Portfolio

Risk Considerations

The Portfolio is subject to stock market and equity risks, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Value Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values. Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Davis Venture Value VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	99%	99%
Cash Equivalents	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/07**	**12/31/06**
Financials	38%	38%
Consumer Staples	14%	14%
Consumer Discretionary	13%	14%
Energy	13%	12%
Industrials	7%	7%
Information Technology	6%	5%
Materials	5%	4%
Health Care	2%	4%
Telecommunication Services	2%	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 47. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Davis Venture Value VIP

	Shares	Value ($)
Common Stocks 98.8%		
Consumer Discretionary 12.8%		
Automobiles 1.6%		
Harley-Davidson, Inc. (a)	100,300	**5,978,883**
Diversified Consumer Services 1.1%		
Apollo Group, Inc. "A"*	12,100	707,003
H&R Block, Inc.	157,400	3,678,438
		4,385,441
Household Durables 0.3%		
Hunter Douglas NV	9,963	**940,160**
Internet & Catalog Retail 1.4%		
Amazon.com, Inc.* (a)	44,100	3,016,881
Expedia, Inc.* (a)	21,799	638,493
IAC/InterActiveCorp.* (a)	21,799	754,463
Liberty Media Corp. — Interactive "A"*	52,300	1,167,859
		5,577,696
Media 6.7%		
Comcast Corp. Special "A"*	423,050	11,828,478
Gannett Co., Inc.	14,600	802,270
Lagardere S.C.A.	39,100	3,397,905
Liberty Media Corp. — Capital "A"*	10,460	1,230,933
News Corp. "A"	282,800	5,998,188
Virgin Media, Inc.	65,632	1,599,452
WPP Group PLC (ADR) (a)	13,500	1,009,125
		25,866,351
Multiline Retail 0.2%		
Sears Holdings Corp.*	5,100	**864,450**
Specialty Retail 1.5%		
Bed Bath & Beyond, Inc.*	62,300	2,242,177
CarMax, Inc.* (a)	73,000	1,861,500
Lowe's Companies, Inc.	56,100	1,721,709
		5,825,386
Consumer Staples 13.9%		
Beverages 2.2%		
Diageo PLC (ADR)	58,500	4,873,635
Heineken Holding NV	68,000	3,519,194
		8,392,829
Food & Staples Retailing 6.6%		
Costco Wholesale Corp.	250,900	14,682,668
CVS Caremark Corp.	132,859	4,842,711
Wal-Mart Stores, Inc.	127,300	6,124,403
		25,649,782
Food Products 0.5%		
The Hershey Co. (a)	39,400	**1,994,428**
Household Products 0.9%		
Procter & Gamble Co.	60,000	**3,671,400**
Personal Products 0.4%		
Avon Products, Inc.	41,700	**1,532,475**
Tobacco 3.3%		
Altria Group, Inc.	180,100	**12,632,214**

	Shares	Value ($)
Energy 12.8%		
Energy Equipment & Services 1.0%		
Transocean, Inc.*	35,900	**3,804,682**
Oil, Gas & Consumable Fuels 11.8%		
Canadian Natural Resources Ltd.	26,100	1,731,735
China Coal Energy Co. "H"*	1,234,200	1,850,634
ConocoPhillips	219,020	17,193,070
Devon Energy Corp.	112,400	8,799,796
EOG Resources, Inc.	95,900	7,006,454
Occidental Petroleum Corp.	153,500	8,884,580
		45,466,269
Financials 37.7%		
Capital Markets 3.4%		
Ameriprise Financial, Inc.	75,320	4,788,092
E*TRADE Financial Corp.*	21,500	474,935
Mellon Financial Corp.	105,700	4,650,800
Morgan Stanley	31,400	2,633,832
State Street Corp.	10,000	684,000
		13,231,659
Commercial Banks 7.4%		
Commerce Bancorp, Inc. (a)	58,700	2,171,313
HSBC Holdings PLC	551,125	10,098,437
Wachovia Corp.	148,687	7,620,209
Wells Fargo & Co.	248,800	8,750,296
		28,640,255
Consumer Finance 4.6%		
American Express Co.	286,500	**17,528,070**
Diversified Financial Services 6.8%		
Citigroup, Inc.	142,100	7,288,309
JPMorgan Chase & Co.	302,384	14,650,505
Moody's Corp.	68,400	4,254,480
		26,193,294
Insurance 15.4%		
Ambac Financial Group, Inc.	16,200	1,412,478
American International Group, Inc.	227,000	15,896,810
Aon Corp.	63,800	2,718,518
Berkshire Hathaway, Inc. "B"*	3,363	12,123,615
Chubb Corp.	17,400	942,036
Loews Corp.	177,400	9,043,852
Markel Corp.*	660	319,810
Millea Holdings, Inc.	95,200	3,906,896
NIPPNOKOA Insurance Co., Ltd.	61,000	548,662
Principal Financial Group, Inc.	19,900	1,159,971
Progressive Corp.	305,500	7,310,615
Sun Life Financial, Inc.	12,100	577,775
Transatlantic Holdings, Inc.	51,637	3,672,940
		59,633,978
Real Estate Management & Development 0.1%		
Hang Lung Group Ltd.	112,000	**505,027**
Health Care 2.3%		
Health Care Providers & Services		
Cardinal Health, Inc.	48,600	3,433,104
Express Scripts, Inc.*	37,200	1,860,372

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
UnitedHealth Group, Inc.	69,500	3,554,230
		8,847,706
Industrials 7.3%		
Air Freight & Logistics 0.6%		
Toll Holdings Ltd.	55,200	673,472
United Parcel Service, Inc. "B"	22,400	1,635,200
		2,308,672
Commercial Services & Supplies 1.0%		
Dun & Bradstreet Corp.	37,500	**3,861,750**
Industrial Conglomerates 4.2%		
Tyco International Ltd.	483,962	**16,353,076**
Marine 0.4%		
Kuehne & Nagel International AG (Registered)	15,920	**1,466,314**
Road & Rail 0.1%		
Asciano Group*	40,900	**351,258**
Transportation Infrastructure 1.0%		
China Merchants Holdings International Co., Ltd.	603,579	2,918,508
Cosco Pacific Ltd.	410,600	1,077,434
		3,995,942
Information Technology 5.9%		
Communications Equipment 0.3%		
Nokia Oyj (ADR)	40,000	**1,124,400**
Computers & Peripherals 1.8%		
Dell, Inc.*	156,800	4,476,640
Hewlett-Packard Co.	55,900	2,494,258
		6,970,898
Electronic Equipment & Instruments 0.5%		
Agilent Technologies, Inc.*	51,900	**1,995,036**
Internet Software & Services 0.2%		
Google, Inc. "A"*	1,490	**779,836**
IT Services 1.1%		
Iron Mountain, Inc.* (a)	162,049	**4,234,341**
Software 2.0%		
Microsoft Corp.	263,300	**7,759,451**
Materials 4.5%		
Construction Materials 2.0%		
Martin Marietta Materials, Inc.	28,100	4,552,762
Vulcan Materials Co. (a)	27,900	3,195,666
		7,748,428
Containers & Packaging 1.9%		
Sealed Air Corp.	238,100	**7,385,862**
Metals & Mining 0.6%		
BHP Billiton PLC	40,800	1,131,527
Rio Tinto PLC	14,500	1,107,712
		2,239,239
Telecommunication Services 1.6%		
Wireless Telecommunication Services		
SK Telecom Co., Ltd. (ADR) (a)	70,100	1,917,235
Sprint Nextel Corp.	207,000	4,286,970
		6,204,205
Total Common Stocks (Cost $238,606,724)		**381,941,143**
Securities Lending Collateral 4.5%		
Daily Assets Fund Institutional, 5.36% (b) (c) (Cost $17,435,543)	17,435,543	**17,435,543**
Cash Equivalents 1.1%		
Cash Management QP Trust, 5.34% (b) (Cost $4,345,826)	4,345,826	**4,345,826**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $260,388,093)†	104.4	**403,722,512**
Other Assets and Liabilities, Net	(4.4)	**(17,117,828)**
Net Assets	100.0	**386,604,684**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $261,018,979. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $142,703,533. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $144,025,000 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,321,467.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $17,200,190 which is 4.4% of net assets.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

ADR: American Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $238,606,724) — including $17,200,190 of securities loaned	$	381,941,143
Investment in Daily Assets Fund Institutional (cost $17,435,543)*		17,435,543
Investment in Cash Management QP Trust (cost $4,345,826)		4,345,826
Total investments in securities, at value (cost $260,388,093)		403,722,512
Dividends receivable		339,301
Interest receivable		25,876
Foreign taxes recoverable		7,659
Receivable for investment sold		1,538,603
Other assets		6,043
Total assets		405,639,994
Liabilities		
Payable upon return of securities loaned		17,435,543
Payable for investments purchased		860,684
Payable for Fund shares redeemed		394,005
Accrued management fee		244,272
Other accrued expenses and payables		100,806
Total liabilities		19,035,310
Net assets, at value	**$**	**386,604,684**
Net Assets		
Net assets consist of:		
Undistributed net investment income		1,997,360
Net unrealized appreciation (depreciation) on:		
Investments		143,334,419
Foreign currency related transactions		97
Accumulated net realized gain (loss)		19,316,136
Paid-in capital		221,956,672
Net assets, at value	**$**	**386,604,684**
Class A		
Net Asset Value, offering and redemption price per share ($362,881,499 ÷ 24,305,924 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.93**
Class B		
Net Asset Value, offering and redemption price per share ($23,723,185 ÷ 1,588,033 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.94**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $28,505)	$	3,805,979
Interest		982
Interest — Cash Management QP Trust		146,721
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		7,303
Total Income		3,960,985
Expenses:		
Management fee		1,939,148
Custodian and accounting fees		66,194
Distribution service fee (Class B)		76,906
Record keeping fees (Class B)		40,650
Auditing		23,429
Legal		11,300
Trustees' fees and expenses		13,477
Reports to shareholders		39,449
Other		14,166
Total expenses before expense reductions		2,224,719
Expense reductions		(297,609)
Total expenses after expense reductions		1,927,110
Net investment income (loss)		**2,033,875**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		20,019,041
Foreign currency related transactions		9,656
		20,028,697
Net unrealized appreciation (depreciation) during the period on:		
Investments		6,039,312
Foreign currency related transactions		68
		6,039,380
Net gain (loss) on investment transactions		**26,068,077**
Net increase (decrease) in net assets resulting from operations	**$**	**28,101,952**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 2,033,875	$ 2,775,030
Net realized gain (loss) on investment transactions	20,028,697	11,060,187
Net unrealized appreciation (depreciation) during the period on investment transactions	6,039,380	41,776,308
Net increase (decrease) in net assets resulting from operations	28,101,952	55,611,525
Distributions to shareholders from:		
Net investment income:		
Class A	(2,451,514)	(2,082,948)
Class B	(255,608)	(214,549)
Net realized gains:		
Class A	(4,403,063)	—
Class B	(989,328)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	10,233,184	23,381,717
Reinvestment of distributions	6,854,577	2,082,948
Cost of shares redeemed	(17,030,489)	(31,847,982)
Net increase (decrease) in net assets from Class A share transactions	57,272	(6,383,317)
Class B		
Proceeds from shares sold	1,937,068	6,563,580
Reinvestment of distributions	1,244,936	214,549
Cost of shares redeemed	(62,286,520)	(15,502,095)
Net increase (decrease) in net assets from Class B share transactions	(59,104,516)	(8,723,966)
Increase (decrease) in net assets	(39,044,805)	38,206,745
Net assets at beginning of period	425,649,489	387,442,744
Net assets at end of period (including undistributed net investment income of $1,997,360 and $2,670,607, respectively)	**$ 386,604,684**	**$ 425,649,489**

Other Information		
Class A		
Shares outstanding at beginning of period	24,284,177	24,763,248
Shares sold	709,295	1,802,609
Shares issued to shareholders in reinvestment of distributions	490,313	163,496
Shares redeemed	(1,177,861)	(2,445,176)
Net increase (decrease) in Class A shares	21,747	(479,071)
Shares outstanding at end of period	**24,305,924**	**24,284,177**
Class B		
Shares outstanding at beginning of period	5,597,014	6,263,092
Shares sold	134,737	509,107
Shares issued to shareholders in reinvestment of distributions	88,988	16,827
Shares redeemed	(4,232,706)	(1,192,012)
Net increase (decrease) in Class B shares	(4,008,981)	(666,078)
Shares outstanding at end of period	**1,588,033**	**5,597,014**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$14.25**	**$12.49**	**$11.48**	**$10.31**	**$ 7.99**	**$ 9.50**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.07	.10	.09	.08	.06	.05
Net realized and unrealized gain (loss) on investment transactions	.89	1.74	1.01	1.14	2.31	(1.55)
Total from investment operations	.96	1.84	1.10	1.22	2.37	(1.50)
Less distributions from:						
Net investment income	(.10)	(.08)	(.09)	(.05)	(.05)	(.01)
Net realized gain on investment transactions	(.18)	—	—	—	—	—
Total distributions	(.28)	—	—	—	—	—
Net asset value, end of period	**$14.93**	**$14.25**	**$12.49**	**$11.48**	**$10.31**	**$ 7.99**
Total Return (%)	6.90[c]**	14.84[c]	9.64[c]	11.83	29.84	(15.79)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	363	346	309	268	220	160
Ratio of expenses before expense reductions (%)	1.02*	1.02	1.02	1.05	1.01	1.02
Ratio of expenses after expense reductions (%)	.88*	.85	.96	1.05	1.01	1.02
Ratio of net investment income (%)	1.04*	.77	.78	.74	.62	.62
Portfolio turnover rate (%)	4**	16	8	3	7	22

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$14.22**	**$12.47**	**$11.46**	**$10.29**	**$ 7.98**	**$ 8.52**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.05	.05	.04	.04	.02	.04
Net realized and unrealized gain (loss) on investment transactions	.90	1.73	1.01	1.13	2.32	(.58)
Total from investment operations	.95	1.78	1.05	1.17	2.34	(.54)
Less distributions from:						
Net investment income	(.05)	(.03)	(.04)	(.00)***	(.03)	—
Net realized gain on investment transactions	(.18)	—	—	—	—	—
Total distributions	(.23)	—	—	—	—	—
Net asset value, end of period	**$14.94**	**$14.22**	**$12.47**	**$11.46**	**$10.29**	**$ 7.98**
Total Return (%)	6.79[d]**	14.34[d]	9.23[d]	11.42	29.42	(6.34)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	24	80	78	66	29	.8
Ratio of expenses before expense reductions (%)	1.40*	1.40	1.41	1.44	1.40	1.27*
Ratio of expenses after expense reductions (%)	1.26*	1.23	1.34	1.44	1.40	1.27*
Ratio of net investment income (%)	.66*	.39	.40	.36	.23	1.06*
Portfolio turnover rate (%)	4**	16	8	3	7	22

a *For the six months ended June 30, 2007 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized* ** *Not annualized*
*** *Amount is less than $.005.*

Information About Your Portfolio's Expenses

DWS Dreman High Return Equity VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses for Class B shares; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,050.20	$1,048.00
Expenses Paid per $1,000*	$ 3.91	$ 5.84
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,020.98	$1,019.09
Expenses Paid per $1,000*	$ 3.86	$ 5.76

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Dreman High Return Equity VIP	.77%	1.15%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

Management Summary

DWS Dreman High Return Equity VIP

Except for a period of weakness in late February and early March, equity markets were quite strong during the first six months of 2007. By the end of May, most indices were at or near their all-time highs; markets were volatile with no pronounced trend in June. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, returned 7.11% for the six-month period. Growth stocks, as measured by the Russell 1000® Growth Index, performed better than value stocks, as measured by the Russell 1000® Value Index. The Dreman High Return Equity Portfolio's Class A shares, unadjusted for contract charges, underperformed its benchmark, the Standard & Poor's 500® (S&P 500) Index, which posted a return of 6.96%.

The Portfolio's underperformance relative to the benchmark resulted mainly from not owning some of the best-performing stocks, many of which were in very cyclical industry groups such as materials. The Portfolio is also underrepresented in the utilities sector; we consider most stocks in this sector to be very fully priced, considering that the companies are growing very slowly. Our sole position in utilities is TXU Corp., which rose sharply soon after we bought the stock because of a buyout offer from a private equity firm, making a positive contribution to the Portfolio's performance.

Another negative was the Portfolio's overweight in and specific stock selection within the financial sector.[1] Two large holdings, Freddie Mac and Washington Mutual, Inc., performed poorly because of investor concerns about the profitability of their mortgage businesses in a weakening housing market. We continue to hold these stocks because we believe the companies stand to increase market share as the marginal players exit the mortgage business. Balancing the weakness of these two holdings, performance benefited from strength in another large position, Fannie Mae, which appears to have moved beyond past problems.

An important positive was stock selection in energy, a sector we find attractive because of rising world demand. Energy holdings that performed especially well were Devon Energy Corp., an oil and gas exploration company, and natural gas producers Apache Corp. and Anadarko Petroleum Corp.

David N. Dreman | F. James Hutchinson | E. Clifton Hoover, Jr.
Lead Portfolio Manager | *Portfolio Managers*
Dreman Value Management L.L.C., Subadvisor to the Portfolio

Risk Considerations

The Portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Russell 3000 Index measures the performance of the 3,000 largest US companies based on total market capitalization, which represents approximately 98% of the investable US equity market.

The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Dreman High Return Equity VIP

Asset Allocation	**6/30/07**	**12/31/06**
Common Stocks	99%	98%
Cash Equivalents	1%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/07**	**12/31/06**
Financials	28%	30%
Energy	25%	21%
Health Care	15%	16%
Consumer Staples	13%	16%
Industrials	9%	7%
Consumer Discretionary	6%	7%
Telecommunication Services	2%	1%
Utilities	2%	—
Information Technology	—	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 55. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Dreman High Return Equity VIP

	Shares	Value ($)
Common Stocks 98.7%		
Consumer Discretionary 6.3%		
Multiline Retail 1.1%		
Macy's, Inc.	271,510	**10,800,668**
Specialty Retail 5.2%		
Borders Group, Inc.	415,600	7,921,336
Home Depot, Inc.	672,400	26,458,940
Lowe's Companies, Inc.	243,600	7,476,084
Staples, Inc.	448,647	10,646,393
		52,502,753
Consumer Staples 12.3%		
Tobacco		
Altria Group, Inc.	1,178,320	82,647,365
Imperial Tobacco Group PLC (ADR)	25,000	2,305,750
UST, Inc.	699,040	37,545,438
		122,498,553
Energy 24.6%		
Oil, Gas & Consumable Fuels		
Anadarko Petroleum Corp.	533,900	27,757,461
Apache Corp.	299,500	24,436,205
Chevron Corp.	428,800	36,122,112
ConocoPhillips	1,136,094	89,183,379
Devon Energy Corp.	539,500	42,237,455
EnCana Corp.	120,500	7,404,725
Occidental Petroleum Corp.	321,000	18,579,480
		245,720,817
Financials 27.6%		
Commercial Banks 5.0%		
KeyCorp.	257,400	8,836,542
PNC Financial Services Group, Inc.	144,000	10,307,520
US Bancorp.	278,500	9,176,575
Wachovia Corp.	419,383	21,493,379
		49,814,016
Diversified Financial Services 4.0%		
Bank of America Corp.	675,401	33,020,355
JPMorgan Chase & Co.	139,364	6,752,185
		39,772,540
Insurance 2.8%		
Chubb Corp.	291,900	15,803,466
Hartford Financial Services Group, Inc.	128,788	12,686,906
		28,490,372
Thrifts & Mortgage Finance 15.8%		
Fannie Mae	913,673	59,690,257
Freddie Mac	823,141	49,964,659
Sovereign Bancorp, Inc.	489,207	10,341,836
Washington Mutual, Inc.	878,275	37,449,646
		157,446,398
Health Care 14.9%		
Biotechnology 1.5%		
Amgen, Inc.*	265,900	**14,701,611**
Health Care Providers & Services 5.8%		
Aetna, Inc.	441,500	21,810,100
Quest Diagnostics, Inc.	45,700	2,360,405
UnitedHealth Group, Inc.	666,200	34,069,468
		58,239,973
Pharmaceuticals 7.6%		
Eli Lilly & Co.	93,800	5,241,544
Pfizer, Inc.	1,380,300	35,294,271
Wyeth	613,400	35,172,356
		75,708,171
Industrials 8.9%		
Aerospace & Defense 2.6%		
Northrop Grumman Corp.	127,800	9,951,786
United Technologies Corp.	226,600	16,072,738
		26,024,524
Industrial Conglomerates 6.3%		
3M Co.	401,100	34,811,469
General Electric Co.	558,400	21,375,552
Tyco International Ltd.	216,405	7,312,325
		63,499,346
Materials 0.0%		
Chemicals		
Tronox, Inc."B"	490	**6,885**
Telecommunication Services 2.2%		
Diversified Telecommunication Services		
Verizon Communications, Inc.	534,700	**22,013,599**
Utilities 1.9%		
Independent Power Producers & Energy Traders		
TXU Corp.	281,400	**18,938,220**
Total Common Stocks (Cost $691,969,347)		**986,178,446**
Cash Equivalents 0.7%		
Cash Management QP Trust, 5.34% (a) (Cost $6,423,783)	6,423,783	**6,423,783**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $ 698,393,130)†	99.4	**992,602,229**
Other Assets and Liabilities, Net	0.6	**6,239,941**
Net Assets	100.0	**998,842,170**

The accompanying notes are an integral part of the financial statements.

* Non-income producing security.

† The cost for federal income tax purposes was $701,687,262. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $290,914,967. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $296,330,149 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $5,415,182.

(a) Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

ADR: American Depositary Receipt

At June 30, 2007, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Appreciation ($)
S&P 500 Index	9/20/2007	23	8,710,122	8,713,550	**3,428**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $691,969,347)	$	986,178,446
Investment in Cash Management QP Trust (cost $6,423,783)		6,423,783
Total investments in securities, at value (cost $698,393,130)		992,602,229
Cash		31,546
Dividends receivable		1,454,232
Receivable for investments sold		6,602,393
Margin Deposit		224,000
Receivable for Portfolio shares sold		70,706
Interest receivable		18,223
Other assets		19,008
Total assets		1,001,022,337
Liabilities		
Payable for Portfolio shares redeemed		1,402,526
Payable for daily variation margin on open futures contracts		7,102
Accrued management fee		579,158
Other accrued expenses and payables		191,381
Total liabilities		2,180,167
Net assets, at value	**$**	**998,842,170**
Net Assets		
Net assets consist of:		
Undistributed net investment income		9,951,072
Net unrealized appreciation (depreciation) on:		
Investments		294,209,099
Futures		3,428
Accumulated net realized gain (loss)		53,121,739
Paid-in capital		641,556,832
Net assets, at value	**$**	**998,842,170**
Class A		
Net Asset Value, offering and redemption price per share ($957,757,594 ÷ 62,162,308 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**15.41**
Class B		
Net Asset Value, offering and redemption price per share ($41,084,576 ÷ 2,660,201 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**15.44**

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $8,304)	$	14,312,378
Interest — Cash Management QP Trust		356,016
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		3,316
Total Income		14,671,710
Expenses:		
Management fee		3,975,210
Custodian and accounting fees		88,495
Distribution service fee (Class B)		175,619
Record keeping fees (Class B)		95,852
Auditing		27,155
Legal		17,443
Trustees' fees and expenses		31,732
Reports to shareholders		79,612
Other		29,967
Total expenses before expense reductions		4,521,085
Expense reductions		(20,518)
Total expenses after expense reductions		4,500,567
Net investment income (loss)		**10,171,143**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		55,407,233
Futures		1,229,414
		56,636,647
Net unrealized appreciation (depreciation) during the period on:		
Investments		(12,912,254)
Futures		(85,174)
		(12,997,428)
Net gain (loss) on investment transactions		**43,639,219**
Net increase (decrease) in net assets resulting from operations	**$**	**53,810,362**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 10,171,143	$ 17,995,718
Net realized gain (loss) on investment transactions	56,636,647	58,924,813
Net unrealized appreciation (depreciation) during the period on investment transactions	(12,997,428)	98,885,982
Net increase (decrease) in net assets resulting from operations	53,810,362	175,806,513
Distributions to shareholders from:		
Net investment income:		
Class A	(13,677,685)	(16,100,036)
Class B	(1,939,768)	(1,938,310)
Net realized gains:		
Class A	(7,925,978)	(37,221,919)
Class B	(1,537,591)	(7,173,691)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	14,975,737	40,524,596
Net assets acquired in tax-free reorganization	—	137,231,257
Reinvestment of distributions	21,603,663	53,321,955
Cost of shares redeemed	(96,196,888)	(119,759,898)
Net increase (decrease) in net assets from Class A share transactions	(59,617,487)	111,317,910
Class B		
Proceeds from shares sold	3,281,834	53,270,899
Net assets acquired in tax-free reorganization	—	47,215,059
Reinvestment of distributions	3,477,359	9,112,001
Cost of shares redeemed	(160,370,189)	(71,564,607)
Net increase (decrease) in net assets from Class B share transactions	(153,610,996)	38,033,352
Increase (decrease) in net assets	(184,499,143)	262,723,819
Net assets at beginning of period	1,183,341,313	920,617,494
Net assets at end of period (including undistributed net investment income of $9,951,072 and $15,397,382, respectively)	**$ 998,842,170**	**$ 1,183,341,313**

Other Information		
Class A		
Shares outstanding at beginning of period	66,083,197	58,564,793
Shares sold	998,612	2,833,575
Shares issued in tax-free reorganization	—	9,458,080
Shares issued to shareholders in reinvestment of distributions	1,492,997	3,653,359
Shares redeemed	(6,412,498)	(8,426,610)
Net increase (decrease) in Class A shares	(3,920,889)	7,518,404
Shares outstanding at end of period	**62,162,308**	**66,083,197**
Class B		
Shares outstanding at beginning of period	12,713,676	10,109,241
Shares sold	217,915	3,689,964
Shares issued in tax-free reorganization	—	3,256,256
Shares issued to shareholders in reinvestment of distributions	239,488	620,552
Shares redeemed	(10,510,878)	(4,962,337)
Net increase (decrease) in Class B shares	(10,053,475)	2,604,435
Shares outstanding at end of period	**2,660,201**	**12,713,676**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$15.02**	**$13.41**	**$12.65**	**$11.29**	**$ 8.76**	**$10.81**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.14	.27	.24	.23	.20	.21
Net realized and unrealized gain (loss) on investment transactions	.60	2.21	.75	1.32	2.53	(2.13)
Total from investment operations	.74	2.48	.99	1.55	2.73	(1.92)
Less distributions from:						
Net investment income	(.22)	(.28)	(.23)	(.19)	(.20)	(.09)
Net realized gain on investment transactions	(.13)	(.59)	—	—	—	(.04)
Total distributions	(.35)	(.87)	(.23)	(.19)	(.20)	(.13)
Net asset value, end of period	**$15.41**	**$15.02**	**$13.41**	**$12.65**	**$11.29**	**$ 8.76**
Total Return (%)	5.02**	18.74	7.92	13.95	32.04	(18.03)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	958	992	785	747	672	510
Ratio of expenses (%)	.77*	.77	.78	.78	.79	.79
Ratio of net investment income (%)	1.91*	1.87	1.84	1.96	2.14	2.21
Portfolio turnover rate (%)	12**	20	10	9	18	17

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$15.02**	**$13.39**	**$12.63**	**$11.27**	**$ 8.75**	**$ 9.57**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.11	.22	.19	.18	.16	.18
Net realized and unrealized gain (loss) on investment transactions	.60	2.19	.75	1.33	2.53	(1.00)
Total from investment operations	.71	2.41	.94	1.51	2.69	(.82)
Less distributions from:						
Net investment income	(.16)	(.19)	(.18)	(.15)	(.17)	—
Net realized gain on investment transactions	(.13)	(.59)	—	—	—	—
Total distributions	(.29)	(.78)	(.18)	(.15)	(.17)	—
Net asset value, end of period	**$15.44**	**$15.02**	**$13.39**	**$12.63**	**$11.27**	**$ 8.75**
Total Return (%)	4.80[d]**	18.21[d]	7.51	13.53	31.60	(8.57)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	41	191	135	117	66	2
Ratio of expenses before expense reduction (%)	1.17*	1.16	1.17	1.16	1.18	1.05*
Ratio of expenses after expense reduction (%)	1.15*	1.16	1.17	1.16	1.18	1.05*
Ratio of net investment income (%)	1.53*	1.48	1.45	1.58	1.75	4.30*
Portfolio turnover rate (%)	12**	20	10	9	18	17

a *For the six months ended June 30, 2007 (Unaudited).*
b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Dreman Small Mid Cap Value VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,107.90	$1,106.40
Expenses Paid per $1,000*	$ 4.18	$ 6.16

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,020.83	$1,018.94
Expenses Paid per $1,000*	$ 4.01	$ 5.91

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Dreman Small Mid Cap Value VIP	.80%	1.18%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Dreman Small Mid Cap Value VIP

Except for a period of weakness in late February and early March, equity markets were quite strong during the first six months of 2007. By the end of May, most indices were at or near their all-time highs. Markets were volatile with no pronounced trend in June. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, returned 7.11% for the six-month period. Mid-cap stocks were the best-performing category in terms of size: The Russell Midcap™ Value Index posted a return of 8.69%, compared with 7.18% for the large-cap Russell 1000® Index and 6.45% for the small-cap Russell 2000® Index. Within all capitalization categories, using the Russell growth and value indices for measurement, growth stocks performed better than value stocks. The Portfolio's Class A shares, unadjusted for contract charges, outperformed its benchmark, the Russell 2500™ Value Index, which posted a return of 6.09% as of June 30, 2007.

An important factor in the Portfolio's strong performance was not owning some of the worst-performing issues in the financials sector, particularly mortgage companies and real estate investment trusts. An underweight position in banks was also positive.[1] In the financial sector, performance benefited from a position in A.G. Edwards, Inc., which moved up on news that it had agreed to be acquired by Wachovia Corporation. Holdings in the information technology sector contributed to performance, particularly communications equipment manufacturers CommScope, Inc. and Anixter International, Inc., and Avnet, Inc.*, a semiconductor distributor that posted strong earnings. As in past periods, energy holdings contributed to performance, especially Atwood Oceanics, Inc. and Superior Energy Services, Inc.,and Uranium Resources, Inc., a marine shipper of petroleum products that agreed to be acquired.

The major detractor from performance was not having a significant position in the materials sector, which performed very well. At this late stage of an economic expansion, we have difficulty finding good values among these highly cyclical stocks.

David N. Dreman	E. Clifton Hoover, Jr. and Mark Roach
Lead Portfolio Manager	*Portfolio Managers,* Dreman Value Management, L.L.C., Subadvisor to the Portfolio

Risk Considerations

This Portfolio is subject to stock market risk. Stocks of small- and medium-sized companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be exposed to more erratic and abrupt market movements. Small- and mid-cap company stocks tend to experience steeper price fluctuations — down as well as up — than stocks of larger companies. Small- and mid-cap company stocks are typically less liquid than large company stocks. The Portfolio may focus its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Russell 3000 Index measures the performance of the 3,000 largest US companies based on total market capitalization, which represents approximately 98% of the investable US equity market.

Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

The Russell 2500 Value Index is an unmanaged Index of those securities in the Russell 3000 Index with a lower price-to-book and lower forecasted growth values.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

* *As of June 30, 2007, the position was sold.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Dreman Small Mid Cap Value VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	93%	95%
Cash Equivalents	7%	4%
Closed-End Investment Company	—	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/07**	**12/31/06**
Financials	24%	22%
Industrials	21%	26%
Consumer Staples	11%	3%
Consumer Discretionary	10%	5%
Energy	9%	10%
Information Technology	9%	11%
Health Care	8%	9%
Materials	4%	8%
Utilities	3%	5%
Telecommunications Services	1%	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 63. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

Investment Portfolio

June 30, 2007 (Unaudited)

DWS Dreman Small Mid Cap Value VIP

	Shares	Value ($)
Common Stocks 92.1%		
Consumer Discretionary 9.2%		
Auto Components 1.1%		
Autoliv, Inc. (a)	117,000	**6,653,790**
Diversified Consumer Services 1.1%		
Regis Corp. (a)	168,900	**6,460,425**
Household Durables 2.5%		
Leggett & Platt, Inc. (a)	291,950	6,437,497
Mohawk Industries, Inc.* (a)	85,600	8,627,624
		15,065,121
Specialty Retail 3.3%		
Foot Locker, Inc. (a)	311,100	6,781,980
Men's Wearhouse, Inc. (a)	164,900	8,421,443
United Auto Group, Inc.	235,000	5,003,150
		20,206,573
Textiles, Apparel & Luxury Goods 1.2%		
Hanesbrands, Inc.* (a)	275,800	**7,454,874**
Consumer Staples 10.7%		
Beverages 1.4%		
Central European Distribution Corp.* (a)	235,750	**8,161,665**
Food & Staples Retailing 1.5%		
Ruddick Corp.	253,900	7,647,468
Weis Markets, Inc. (a)	35,700	1,446,207
		9,093,675
Food Products 6.3%		
Del Monte Foods Co. (a)	703,500	8,554,560
Hormel Foods Corp.	148,600	5,550,210
Pilgrim's Pride Corp.	204,500	7,805,765
Ralcorp Holdings, Inc.* (a)	128,400	6,862,980
The J.M. Smucker Co.	148,000	9,421,680
		38,195,195
Tobacco 1.5%		
Vector Group Ltd. (a)	393,701	**8,870,084**
Energy 8.0%		
Energy Equipment & Services 3.3%		
Atwood Oceanics, Inc.* (a)	153,200	10,512,584
Superior Energy Services, Inc.*	242,000	9,660,640
		20,173,224
Oil, Gas & Consumable Fuels 4.7%		
Delta Petroleum Corp.* (a)	320,700	6,439,656
Energy Metals Corp.*	218,000	3,174,080
Pinnacle Gas Resources, Inc. 144A*	241,000	1,843,650
St. Mary Land & Exploration Co.	161,400	5,910,468
Uranium Resources, Inc.* (a)	999,583	11,025,400
		28,393,254
Financials 21.7%		
Capital Markets 3.0%		
A.G. Edwards, Inc.	109,000	9,215,950
FBR Capital Markets Corp. 144A*	95,600	1,615,640
Waddell & Reed Financial, Inc. "A"	274,000	7,126,740
		17,958,330
Commercial Banks 5.7%		
Boston Private Financial Holdings, Inc. (a)	243,400	6,540,158
Chittenden Corp. (a)	231,800	8,101,410
Huntington Bancshares, Inc.	301,000	6,844,740
Sterling Financial Corp. (a)	217,173	6,284,987
UCBH Holdings, Inc.	374,600	6,843,942
		34,615,237
Diversified Financial Services 0.0%		
CMET Finance Holdings, Inc. 144A*	7,200	**86,400**
Insurance 9.9%		
Arch Capital Group Ltd.*	109,000	7,906,860
Argonaut Group, Inc. (a)	210,500	6,569,705
Endurance Specialty Holdings Ltd. (a)	206,700	8,276,268
Hanover Insurance Group, Inc.	146,900	7,167,251
HCC Insurance Holdings, Inc.	221,700	7,406,997
IPC Holdings Ltd.	239,600	7,736,684
Platinum Underwriters Holdings Ltd. (a)	233,100	8,100,225
Protective Life Corp.	144,200	6,894,202
		60,058,192
Real Estate Investment Trusts 3.1%		
American Financial Realty Trust (REIT) (a)	632,400	6,526,368
Friedman, Billings, Ramsey Group, Inc. "A" (REIT) (a)	24,400	133,224
Hospitality Properties Trust (REIT) (a)	154,000	6,389,460
Ventas, Inc. (REIT) (a)	151,800	5,502,750
		18,551,802
Health Care 7.5%		
Health Care Equipment & Supplies 3.9%		
Beckman Coulter, Inc. (a)	111,200	7,192,416
Hillenbrand Industries, Inc.	123,800	8,047,000
Kinetic Concepts, Inc.* (a)	156,800	8,148,896
		23,388,312
Health Care Providers & Services 2.3%		
Healthspring, Inc.*	362,800	6,914,968
Lincare Holdings, Inc.*	179,300	7,145,105
		14,060,073
Life Sciences Tools & Services 1.3%		
Varian, Inc.* (a)	141,249	**7,744,683**
Industrials 19.1%		
Aerospace & Defense 5.4%		
Alliant Techsystems, Inc.* (a)	87,200	8,645,880
Armor Holdings, Inc.* (a)	93,100	8,087,597
Curtiss-Wright Corp. (a)	184,300	8,590,223
DRS Technologies, Inc.	129,700	7,427,919
		32,751,619
Airlines 0.8%		
Alaska Air Group, Inc.* (a)	164,700	**4,588,542**
Building Products 1.0%		
NCI Building Systems, Inc.* (a)	124,500	**6,141,585**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Commercial Services & Supplies 2.1%		
HNI Corp. (a)	151,400	6,207,400
Kelly Services, Inc. "A" (a)	227,600	6,249,896
		12,457,296
Electrical Equipment 4.5%		
AMETEK, Inc.	203,700	8,082,816
General Cable Corp.*	79,600	6,029,700
Hubbell, Inc. "B"	118,000	6,397,960
Regal-Beloit Corp.	143,900	6,697,106
		27,207,582
Machinery 4.1%		
Barnes Group, Inc. (a)	329,400	10,435,392
Kennametal, Inc.	91,100	7,472,933
Mueller Water Products, Inc. "A" (a)	406,400	6,933,184
		24,841,509
Trading Companies & Distributors 1.2%		
WESCO International, Inc.*	116,200	**7,024,290**
Information Technology 8.0%		
Communications Equipment 3.3%		
Arris Group, Inc.* (a)	396,600	6,976,194
CommScope, Inc.*	219,200	12,790,320
		19,766,514
Electronic Equipment & Instruments 2.1%		
Anixter International, Inc.* (a)	130,500	9,814,905
Tektronix, Inc.	90,500	3,053,470
		12,868,375
Software 2.6%		
Fair Isaac Corp. (a)	175,200	7,029,024
Jack Henry & Associates, Inc. (a)	329,300	8,479,475
		15,508,499
Materials 3.4%		
Chemicals 1.3%		
Sigma-Aldrich Corp.	186,000	**7,936,620**
Metals & Mining 2.1%		
IAMGOLD Corp. (a)	705,400	5,403,364
RTI International Metals, Inc.* (a)	93,100	7,016,947
		12,420,311
Telecommunication Services 1.2%		
Diversified Telecommunication Services		
Windstream Corp.	488,950	**7,216,902**
Utilities 3.3%		
Electric Utilities 2.2%		
ALLETE, Inc. (a)	149,900	7,052,795
IDACORP, Inc. (a)	192,700	6,174,108
		13,226,903
Independent Power Producers & Energy Traders 0.0%		
Dynegy, Inc. "A"*	10,679	**100,810**
Multi-Utilities 1.1%		
Integrys Energy Group, Inc. (a)	132,800	**6,736,943**
Total Common Stocks (Cost $486,037,371)		**555,985,209**

Securities Lending Collateral 17.1%

	Shares	Value ($)
Daily Assets Fund Institutional, 5.36% (b) (c) (Cost $102,965,082)	102,965,082	**102,965,082**

Cash Equivalents 6.7%

	Shares	Value ($)
Cash Management QP Trust, 5.34% (b) (Cost $40,131,820)	40,131,820	**40,131,820**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $629,134,273)†	115.9	**699,082,111**
Other Assets and Liabilities, Net (a)	(15.9)	**(95,650,497)**
Net Assets	100.0	**603,431,614**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $630,029,423. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $69,052,688. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $85,626,858 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $16,574,170.*

(a) *All or a portion of these securities were on loan amounting to $94,933,525. In addition, included in other assets and liabilities, net are pending sales, amounting to $4,523,645, that are also on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $99,457,170 which is 16.5% of net assets.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

REIT: Real Estate Investment Trust

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $486,037,371 — including $94,935,525 of securities loaned)	$	555,985,209
Investment in Daily Assets Fund Institutional (cost $102,965,082)*		102,965,082
Investment in Cash Management QP Trust (cost $40,131,820)		40,131,820
Total investments in securities, at value (cost $629,134,273)		699,082,111
Cash		24,931
Receivable for investments sold		6,956,768
Dividends receivable		946,945
Interest receivable		244,833
Receivable for Portfolio shares sold		258,172
Other assets		9,308
Total assets		707,523,068
Liabilities		
Payable upon return of securities loaned		102,965,082
Payable for Portfolio shares redeemed		606,155
Accrued management fee		373,366
Other accrued expenses and payables		146,851
Total liabilities		104,091,454
Net assets, at value	**$**	**603,431,614**
Net Assets		
Net assets consist of:		
Undistributed net investment income		193,624
Net unrealized appreciation (depreciation) on:		
Investments		69,947,838
Accumulated net realized gain (loss)		159,918,984
Paid-in capital		373,371,168
Net assets, at value	**$**	**603,431,614**
Class A		
Net Asset Value, offering and redemption price per share ($575,505,658 ÷ 26,604,319 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**21.63**
Class B		
Net Asset Value, offering and redemption price per share ($27,925,956 ÷ 1,290,601 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**21.64**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $385)	$	4,373,912
Interest — Cash Management QP Trust		671,921
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		82,899
Total Income		5,128,732
Expenses:		
Management fee		2,349,043
Custodian fee		23,143
Distribution service fee (Class B)		87,908
Record keeping fees (Class B)		47,369
Auditing		23,714
Legal		19,213
Trustees' fees and expenses		23,144
Reports to shareholders		66,551
Other		17,021
Total expenses before expense reductions		2,657,106
Expense reductions		(4,330)
Total expenses after expense reductions		2,652,776
Net investment income (loss)		**2,475,956**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		160,282,575
Net unrealized appreciation (depreciation) during the period on:		
Investments		(96,978,578)
Foreign currency related transactions		46
		(96,978,532)
Net gain (loss) on investment transactions		**63,304,043**
Net increase (decrease) in net assets resulting from operations	**$**	**65,779,999**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 2,475,956	$ 4,078,886
Net realized gain (loss) on investment transactions	160,282,575	91,462,667
Net unrealized appreciation (depreciation) during the period on investment transactions	(96,978,532)	42,123,164
Net increase (decrease) in net assets resulting from operations	65,779,999	137,664,717
Distributions to shareholders from:		
Net investment income:		
Class A	(5,615,367)	(4,273,776)
Class B	(521,975)	(345,890)
Distributions to shareholders from:		
Net realized gains:		
Class A	(79,369,510)	(41,452,231)
Class B	(12,524,743)	(7,012,173)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	32,392,818	35,405,526
Reinvestment of distributions	84,984,877	45,726,007
Cost of shares redeemed	(77,127,644)	(84,469,976)
Net increase (decrease) in net assets from Class A share transactions	40,250,051	(3,338,443)
Class B		
Proceeds from shares sold	2,124,524	5,496,550
Reinvestment of distributions	13,046,718	7,358,063
Cost of shares redeemed	(71,432,644)	(17,725,542)
Net increase (decrease) in net assets from Class B share transactions	(56,261,402)	(4,870,929)
Increase (decrease) in net assets	(48,262,947)	76,371,275
Net assets at beginning of period	651,694,561	575,323,286
Net assets at end of period (including undistributed net investment income of $193,624 and $3,855,010, respectively)	**$ 603,431,614**	**$ 651,694,561**

Other Information		
Class A		
Shares outstanding at beginning of period	24,500,577	24,658,095
Shares sold	1,481,880	1,671,537
Shares issued to shareholders in reinvestment of distributions	4,200,933	2,176,393
Shares redeemed	(3,579,071)	(4,005,448)
Net increase (decrease) in Class A shares	2,103,742	(157,518)
Shares outstanding at end of period	**26,604,319**	**24,500,577**
Class B		
Shares outstanding at beginning of period	3,927,983	4,153,458
Shares sold	93,935	258,137
Shares issued to shareholders in reinvestment of distributions	644,282	349,884
Shares redeemed	(3,375,599)	(833,496)
Net increase (decrease) in Class B shares	(2,637,382)	(225,475)
Shares outstanding at end of period	**1,290,601**	**3,927,983**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$22.93**	**$19.98**	**$20.05**	**$16.06**	**$11.66**	**$13.21**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.09	.15	.19	.17	.19	.17
Net realized and unrealized gain (loss) on investment transactions	2.14	4.69	1.67	3.98	4.55	(1.67)
Total from investment operations	2.23	4.84	1.86	4.15	4.74	(1.50)
Less distributions from:						
Net investment income	(.23)	(.18)	(.15)	(.16)	(.15)	(.05)
Net realized gain on investment transactions	(3.30)	(1.71)	(1.78)	—	(.19)	—
Total distributions	(3.53)	(1.89)	(1.93)	(.16)	(.34)	(.05)
Net asset value, end of period	**$21.63**	**$22.93**	**$19.98**	**$20.05**	**$16.06**	**$11.66**
Total Return (%)	10.79**	25.06	10.25	26.03	42.15	(11.43)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	576	562	493	467	354	250
Ratio of expenses (%)	.80*	.79	.79	.79	.80	.81
Ratio of net investment income (%)	.82*	.71	.96	.96	1.46	1.28
Portfolio turnover rate (%)	87**	52	61	73	71	86

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$22.88**	**$19.93**	**$20.01**	**$16.03**	**$11.65**	**$13.86**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.05	.07	.11	.10	.13	.17
Net realized and unrealized gain (loss) on investment transactions	2.15	4.67	1.66	3.97	4.56	(2.38)
Total from investment operations	2.20	4.74	1.77	4.07	4.69	(2.21)
Less distributions from:						
Net investment income	(.14)	(.08)	(.07)	(.09)	(.12)	—
Net realized gain on investment transactions	(3.30)	(1.71)	(1.78)	—	(.19)	—
Total distributions	(3.44)	(1.79)	(1.85)	(.09)	(.31)	—
Net asset value, end of period	**$21.64**	**$22.88**	**$19.93**	**$20.01**	**$16.03**	**$11.65**
Total Return (%)	10.64**	24.59	9.78	25.52	41.65	(15.95)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	28	90	83	71	32	1
Ratio of expenses (%)	1.18*	1.17	1.19	1.16	1.19	1.06*
Ratio of net investment income (%)	.44*	.33	.56	.59	1.07	3.01*
Portfolio turnover rate (%)	87**	52	61	73	71	86

a *For the six months ended June 30, 2007 (Unaudited).*
b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Global Thematic VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,113.10	$1,111.20
Expenses Paid per $1,000*	$ 5.82	$ 7.75
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,019.29	$1,017.46
Expenses Paid per $1,000*	$ 5.56	$ 7.40

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Global Thematic VIP	1.11%	1.48%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Global Thematic VIP

Global equities performed well during the first half of 2007, returning 9.17% (in US dollar terms) as measured by the Portfolio's benchmark, the Morgan Stanley Capital International (MSCI) World Index. As of June 30, 2007, the Class A shares of the Portfolio, unadjusted for contract charges, outperformed the benchmark.

We continue to look for long-term themes in the global economy, then apply intensive fundamental research and a wide array of quantitative tools to identify companies that stand to benefit as these themes unfold. The theme Public/Private Partnerships, though having a small weighting in the Portfolio, nonetheless made the largest contribution to performance behind the surge in OMX AB, which owns stock exchanges in the Nordic and Baltic region. Also making a substantial positive contribution was the theme Global Agribusiness, which seeks to take advantage of the connection between rising wealth in the developing world and the inevitable rise in global food consumption. Top individual performers in this theme were Chiquita Brands International, Inc., Bunge Ltd. and Santos-Brasil SA. Disequilibria, which invests in companies that should benefit from positive changes in their business models, also boosted Portfolio performance. The leading contributors here were Siemens AG and ABN AMRO Holding NV. On the negative side, two smaller themes — Market Hedge, which invests in gold stocks, and Distressed Companies — both underperformed.

Overall, we believe an approach that focuses on the important longer-term trends rather than the day-to-day activity in the markets will deliver outperformance over time.

Oliver Kratz

Lead Portfolio Manager
Deutsche Investment Management Americas Inc.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Morgan Stanley Capital International (MSCI) World Index is an unmanaged, capitalization-weighted measure of global stock markets around the world, including North America, Europe, Australia and the Far East. The index is calculated using closing local market prices and translates into US dollars using the London close foreign exchange rates. Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Global Thematic VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	93%	93%
Cash Equivalents	5%	2%
Exchange Traded Funds	2%	3%
Preferred Stocks	—	2%
	100%	100%

Sector Diversification (As a % of Common and Preferred Stocks)	**6/30/07**	**12/31/06**
Financials	28%	23%
Consumer Discretionary	15%	9%
Information Technology	14%	15%
Industrials	13%	16%
Health Care	11%	10%
Energy	6%	11%
Materials	5%	7%
Consumer Staples	5%	5%
Telecommunication Services	3%	3%
Utilities	—	1%
	100%	100%

Geographical Diversification (As a % of Common and Preferred Stocks)	**6/30/07**	**12/31/06**
Continental Europe	34%	31%
United States	28%	28%
Asia (excluding Japan)	15%	14%
Japan	8%	8%
United Kingdom	5%	7%
Latin America	5%	6%
Africa	2%	2%
Canada	2%	1%
Middle East	1%	1%
Bermuda	—	2%
	100%	100%

Asset allocation, sector and geographical diversifications are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 71. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Global Thematic VIP

	Shares	Value ($)
Common Stocks 93.3%		
Argentina 0.4%		
Banco Macro SA (ADR) (Cost $829,829)	23,200	**762,584**
Australia 0.5%		
Australian Wealth Management Ltd. (Cost $800,966)	382,880	**857,857**
Austria 1.3%		
Wienerberger AG (Cost $1,620,368)	30,313	**2,235,379**
Brazil 2.3%		
Diagnosticos da America SA	39,000	861,275
Marfrig Frigorificos*	97,300	923,568
Santos-Brasil SA (Units)	136,500	2,087,481
(Cost $3,204,947)		**3,872,324**
Canada 1.5%		
Coalcorp Mining, Inc.*	76,135	320,192
Goldcorp, Inc.	60,700	1,441,073
Meridian Gold, Inc.*	31,200	853,772
(Cost $1,966,864)		**2,615,037**
China 0.7%		
Focus Media Holding Ltd. (ADR)*	14,200	717,100
Sunshine Holdings Ltd.	2,091,000	511,637
(Cost $1,058,331)		**1,228,737**
Finland 0.6%		
M-real Oyj "B" (Cost $1,055,456)	151,100	**986,209**
France 3.2%		
PPR	8,686	1,515,168
Sanofi-Aventis	14,772	1,192,819
Total SA	18,142	1,472,704
Vallourec SA (a)	4,314	1,378,676
(Cost $4,236,519)		**5,559,367**
Germany 9.4%		
Adidas AG	18,177	1,148,852
Air Berlin PLC*	66,800	1,417,923
Axel Springer AG	11,977	2,011,779
Commerzbank AG	33,801	1,620,151
Deutsche Post AG (Registered)	68,350	2,220,739
Deutsche Telekom AG (Registered)	92,948	1,719,221
GfK AG	16,903	834,780
Premiere AG*	21,867	517,648
Siemens AG (Registered)	14,704	2,115,426
Stada Arzneimittel AG	23,659	1,503,991
TUI AG*	35,564	984,956
(Cost $13,068,001)		**16,095,466**
Hong Kong 3.1%		
China Mobile Ltd. (ADR)	21,900	1,180,410
China Properties Group Ltd.*	2,261,000	940,193
China Water Affairs Group Ltd.*	1,184,400	689,469
China Yurun Food Group Ltd.	763,000	850,991
Hongkong & Shanghai Hotels Ltd.	573,939	1,014,525
Industrial & Commercial Bank of China (Asia) Ltd.	332,840	710,305
(Cost $4,429,113)		**5,385,893**

	Shares	Value ($)
Hungary 0.5%		
OTP Bank Nyrt. (Cost $825,282)	16,200	**932,513**
Indonesia 0.7%		
PT Telekomunikasi Indonesia (ADR) (Cost $1,105,735)	26,000	**1,120,600**
Ireland 0.8%		
Depfa Bank PLC (Cost $1,525,530)	81,400	**1,441,251**
Israel 1.5%		
NICE Systems Ltd. (ADR)*	30,200	1,049,148
Teva Pharmaceutical Industries Ltd. (ADR)	35,800	1,476,750
(Cost $1,981,897)		**2,525,898**
Italy 1.5%		
Banca Popolare di Milano Scarl	94,100	1,433,235
UniCredito Italiano SpA	130,900	1,166,133
(Cost $2,717,250)		**2,599,368**
Japan 8.0%		
Credit Saison Co., Ltd.	54,600	1,408,897
FANUC Ltd.	10,500	1,081,741
Fast Retailing Co., Ltd.	15,500	1,101,927
Fukuoka Financial Group, Inc.*	129,000	850,973
Mitsui Fudosan Co., Ltd.	56,000	1,571,485
Mizuho Financial Group, Inc.	352	2,430,482
Nomura Holdings, Inc.	57,900	1,123,774
ORIX Corp.	8,300	2,180,114
Ryobi Ltd.	19,000	126,765
Seven & I Holdings Co., Ltd.	38,000	1,084,442
Shinsei Bank Ltd.	189,000	759,553
(Cost $11,972,609)		**13,720,153**
Kazakhstan 0.8%		
KazMunaiGas Exploration Production (GDR) 144A (Cost $1,012,381)	58,600	**1,279,824**
Korea 3.9%		
CDNetworks Co., Ltd.*	33,977	829,662
Daesang Corp.*	35,786	483,813
Kangwon Land, Inc.	40,000	927,124
Kookmin Bank	16,700	1,462,936
Kookmin Bank (ADR)	5,300	464,916
Samsung Electronics Co., Ltd.	4,250	2,596,438
(Cost $6,293,302)		**6,764,889**
Malaysia 1.4%		
AMMB Holdings Bhd.	785,300	981,641
Resorts World Bhd.	779,700	780,718
Steppe Cement Ltd.*	97,758	644,605
(Cost $1,434,656)		**2,406,964**
Mexico 1.7%		
Grupo Televisa SA (ADR) (Cost $2,932,173)	102,650	**2,834,166**
Netherlands 3.4%		
ABN AMRO Holding NV	48,434	2,222,447
QIAGEN NV* (a)	104,800	1,875,520
TNT NV	39,500	1,781,333
(Cost $4,787,531)		**5,879,300**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Pakistan 0.4%		
MCB Bank Ltd. (GDR) 144A (Cost $397,336)	25,995	**623,874**
Russia 2.5%		
Gazprom (ADR)	71,966	2,981,905
Surgutneftegaz (ADR)	8,900	485,940
VTB Bank (GDR) 144A*	73,900	811,422
(Cost $4,228,047)		**4,279,267**
Singapore 0.9%		
CapitaRetail China Trust (REIT)	263,000	543,135
Food Empire Holdings Ltd.	761,000	522,136
Olam International Ltd.	212,300	427,383
(Cost $1,385,739)		**1,492,654**
South Africa 1.7%		
Gold Fields Ltd. (ADR)	36,100	566,770
Gold Fields Ltd.	42,400	653,931
Lewis Group Ltd.	96,800	841,204
Naspers Ltd. "N"	32,400	829,934
(Cost $2,668,783)		**2,891,839**
Sweden 3.5%		
OMX AB	46,700	1,393,692
Rezidor Hotel Group AB	169,300	1,477,525
Swedbank AB	24,000	867,965
Telefonaktiebolaget LM Ericsson "B"	586,700	2,340,381
(Cost $5,126,889)		**6,079,563**
Switzerland 2.9%		
Credit Suisse Group (Registered)	26,669	1,891,478
UBS AG (Registered)	51,901	3,102,592
(Cost $4,553,296)		**4,994,070**
Taiwan 0.7%		
Asustek Computer, Inc. (Cost $1,166,662)	464,200	**1,276,346**
Thailand 0.9%		
Seamico Securities PCL (Foreign Registered)	2,559,500	295,056
Siam City Bank PCL (Foreign Registered)	722,500	394,792
True Corp. PCL (Foreign Registered)*	3,942,500	879,283
(Cost $1,382,092)		**1,569,131**
Turkey 1.7%		
Hurriyet Gazetecilik ve Matbaacilik AS*	446,000	1,230,734
Turkiye Is Bankasi (Isbank) "C"	366,839	1,714,410
(Cost $2,700,487)		**2,945,144**
United Arab Emirates 1.1%		
Emaar Properties (Cost $2,007,940)	607,809	**1,960,968**
United Kingdom 5.3%		
3i Group PLC	51,012	1,186,427
GlaxoSmithKline PLC	98,099	2,569,821
Old Mutual PLC	830,631	2,798,300
Royal Bank of Scotland Group PLC	2,384	30,150
Standard Chartered PLC	74,520	2,431,420
(Cost $8,366,708)		**9,016,118**
United States 24.5%		
Akamai Technologies, Inc.*	46,900	2,281,216
BMB Munai, Inc.*	38,100	230,886
Bunge Ltd.	11,000	929,500
Caterpillar, Inc.	11,100	869,130
Chiquita Brands International, Inc. (a)	65,500	1,241,880
Cisco Systems, Inc.*	165,175	4,600,125
E.W. Scripps Co. "A"	26,500	1,210,785
ExxonMobil Corp.	16,700	1,400,796
Gateway, Inc.*	389,900	619,941
General Electric Co.	72,875	2,789,655
Harley-Davidson, Inc.	17,800	1,061,058
Intel Corp.	75,000	1,782,000
Johnson & Johnson	39,250	2,418,585
Medtronic, Inc.	33,350	1,729,531
Monsanto Co.	26,900	1,816,826
New York Times Co. "A" (a)	41,300	1,049,020
Newmont Mining Corp.	28,800	1,124,928
Office Depot, Inc.*	58,100	1,760,430
Pantry, Inc.*	21,400	986,540
Pfizer, Inc.	53,775	1,375,027
Schlumberger Ltd.	14,625	1,242,247
SiRF Technology Holdings, Inc.*	44,100	914,634
St. Jude Medical, Inc.*	26,500	1,099,485
Sun Microsystems, Inc.*	230,100	1,210,326
Symantec Corp.*	58,700	1,185,740
United Parcel Service, Inc. "B"	23,700	1,730,100
Wyeth	21,200	1,215,608
Yahoo!, Inc.*	51,300	1,391,769
Zimmer Holdings, Inc.*	10,275	872,245
(Cost $37,153,668)		**42,140,013**
Total Common Stocks (Cost $139,996,387)		**160,372,766**
Warrants 0.3%		
Citigroup Global Markets Holdings, Inc., Expiration 3/17/2008* (Cost $499,500)	90,000	**474,570**
Exchange Traded Funds 2.0%		
Biotech HOLDRs Trust (a)	6,000	1,008,480
iShares Nasdaq Biotechnology Index Fund* (a)	31,625	2,471,178
Total Exchange Traded Funds (Cost $3,264,458)		**3,479,658**
Securities Lending Collateral 3.7%		
Daily Assets Fund Institutional (b) (c) (Cost $6,414,700)	6,414,700	**6,414,700**
Cash Equivalents 4.9%		
Cash Management QP Trust, 5.34% (b) (Cost $8,427,225)	8,427,225	**8,427,225**

The accompanying notes are an integral part of the financial statements.

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $158,602,270)†	104.2	**179,168,919**
Other Assets and Liabilities, Net	(4.2)	**(7,279,447)**
Net Assets	100.0	**171,889,472**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $159,477,866. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $19,691,053. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $23,811,169 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,120,116.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $6,227,915 which is 3.6% of net assets.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

REIT: Real Estate Investment Trust

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $143,760,345) — including $6,227,915 of securities loaned	$ 164,326,994
Investment in Daily Assets Fund Institutional (cost $6,414,700)*	6,414,700
Investment in Cash Management QP Trust (cost $8,427,225)	8,427,225
Total investments in securities, at value (cost $158,602,270)	179,168,919
Cash	74,068
Foreign currency, at value (cost $3,791,327)	3,771,676
Dividends receivable	207,639
Interest receivable	24,951
Receivable for investments sold	410,629
Receivable for Portfolio shares sold	32,814
Foreign taxes recoverable	48,114
Other assets	2,180
Total assets	183,740,990
Liabilities	
Payable for investments purchased	5,069,778
Payable upon return of securities loaned	6,414,700
Payable for Portfolio shares redeemed	187,396
Accrued management fee	77,374
Other accrued expenses and payables	102,270
Total liabilities	11,851,518
Net assets, at value	**$ 171,889,472**
Net Assets	
Net assets consist of:	
Undistributed net investment income	1,126,150
Net unrealized appreciation (depreciation) on:	
Investments	20,566,649
Foreign currency related transactions	(27,490)
Accumulated net realized gain (loss)	22,730,195
Paid-in capital	127,493,968
Net assets, at value	**$ 171,889,472**
Class A	
Net Asset Value, offering and redemption price per share ($162,418,790 ÷ 9,895,166 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 16.41**
Class B	
Net Asset Value, offering and redemption price per share ($9,470,682 ÷ 576,008 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 16.44**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $181,280)	$ 1,971,805
Interest	2,510
Interest — Cash Management QP Trust	164,652
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	75,696
Total Income	2,214,663
Expenses:	
Management fee	871,172
Custodian and accounting fees	284,782
Distribution service fee (Class B)	26,084
Record keeping fees (Class B)	13,398
Auditing	29,042
Legal	7,261
Trustees' fees and expenses	7,396
Reports to shareholders	13,977
Other	22,573
Total expenses before expense reductions	1,275,685
Expense reductions	(268,161)
Total expenses after expense reductions	1,007,524
Net investment income (loss)	**1,207,139**
Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments (net of foreign taxes of $71,841)	23,729,057
Foreign currency related transactions	6,939
	23,735,996
Net unrealized appreciation (depreciation) during the period on:	
Investments (including deferred foreign tax credit of $72,433)	(5,648,353)
Foreign currency related transactions	(31,017)
	(5,679,370)
Net gain (loss) on investment transactions	**18,056,626**
Net increase (decrease) in net assets resulting from operations	**$ 19,263,765**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 1,207,139	$ 1,139,734
Net realized gain (loss) on investment transactions	23,735,996	25,502,594
Net unrealized appreciation (depreciation) during the period on investment transactions	(5,679,370)	8,974,038
Net increase (decrease) in net assets resulting from operations	19,263,765	35,616,366
Distributions to shareholders from:		
Net investment income:		
Class A	(976,630)	(572,746)
Class B	(67,864)	(42,929)
Net realized gains:		
Class A	(22,498,351)	(7,184,784)
Class B	(3,879,598)	(1,620,965)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	19,050,571	39,340,554
Reinvestment of distributions	23,474,981	7,757,530
Cost of shares redeemed	(15,802,713)	(11,647,602)
Net increase (decrease) in net assets from Class A share transactions	26,722,839	35,450,482
Class B		
Proceeds from shares sold	2,501,969	5,266,200
Reinvestment of distributions	3,947,462	1,663,894
Cost of shares redeemed	(20,738,451)	(5,607,559)
Net increase (decrease) in net assets from Class B share transactions	(14,289,020)	1,322,535
Increase (decrease) in net assets	4,275,141	62,967,959
Net assets at beginning of period	167,614,331	104,646,372
Net assets at end of period (including undistributed net investment income of $1,126,150 and $963,505, respectively)	**$ 171,889,472**	**$ 167,614,331**

Other Information

Class A		
Shares outstanding at beginning of period	8,197,243	5,887,898
Shares sold	1,119,396	2,556,665
Shares issued to shareholders in reinvestment of distributions	1,533,310	513,064
Shares redeemed	(954,783)	(760,384)
Net increase (decrease) in Class A shares	1,697,923	2,309,345
Shares outstanding at end of period	**9,895,166**	**8,197,243**
Class B		
Shares outstanding at beginning of period	1,443,479	1,359,840
Shares sold	146,276	334,421
Shares issued to shareholders in reinvestment of distributions	257,164	109,756
Shares redeemed	(1,270,911)	(360,538)
Net increase (decrease) in Class B shares	(867,471)	83,639
Shares outstanding at end of period	**576,008**	**1,443,479**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$17.39**	**$14.44**	**$11.78**	**$10.39**	**$ 8.08**	**$ 9.64**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.12	.15[d]	.12	.04	.09	.07
Net realized and unrealized gain (loss) on investment transactions	1.65	4.02	2.58	1.48	2.25	(1.57)
Total from investment operations	1.77	4.17	2.70	1.52	2.34	(1.50)
Less distributions from:						
Net investment income	(.11)	(.09)	(.04)	(.13)	(.03)	(.06)
Net realized gain on investment transactions	(2.64)	(1.13)	—	—	—	—
Total distributions	(2.75)	(1.22)	(.04)	(.13)	(.03)	(.06)
Net asset value, end of period	**$16.41**	**$17.39**	**$14.44**	**$11.78**	**$10.39**	**$ 8.08**
Total Return (%)	11.31[c]**	30.14[c,d]	22.94[c]	14.76[c]	29.13[c]	(15.77)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	162	143	85	63	55	43
Ratio of expenses before expense reductions (%)	1.42*	1.38	1.41	1.44	1.48	1.32
Ratio of expenses after expense reductions (%)	1.11*	1.04	1.28	1.43	1.17	1.32
Ratio of net investment income (%)	.71[e]	.92[d]	.98	.38	1.02	.79
Portfolio turnover rate (%)	89**	136	95	81	65	41

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
d *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.004 per share and an increase in the ratio of net investment income of 0.03%. Excluding this non-recurring income, total return would have been 0.02% lower.*
e *The ratio for the six months ended June 30, 2007 has not been annualized since the Portfolio believes it would not be appropriate because the Portfolio's dividend income is not earned ratably throughout the fiscal year.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$17.38**	**$14.43**	**$11.78**	**$10.38**	**$ 8.06**	**$ 8.98**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.09	.09[e]	.07	.00[f]	.04	.02
Net realized and unrealized gain (loss) on investment transactions	1.66	4.02	2.58	1.48	2.29	(.94)
Total from investment operations	1.75	4.11	2.65	1.48	2.33	(.92)
Less distributions from:						
Net investment income	(.05)	(.03)	—	(.08)	(.01)	—
Net realized gain on investment transactions	(2.64)	(1.13)	—	—	—	—
Total distributions	(2.69)	(1.16)	—	(.08)	(.01)	—
Net asset value, end of period	**$16.44**	**$17.38**	**$14.43**	**$11.78**	**$10.38**	**$ 8.06**
Total Return (%)	11.12[d]**	29.65[d,e]	22.50[d]	14.33[d]	28.96[d]	(10.24)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	9	25	20	13	6	.2
Ratio of expenses before expense reductions (%)	1.79*	1.76	1.79	1.84	1.87	1.60*
Ratio of expenses after expense reductions (%)	1.48*	1.43	1.65	1.83	1.64	1.60*
Ratio of net investment income (%)	.53[g]	.53[e]	.61	.02	.55	.49*
Portfolio turnover rate (%)	89**	136	95	81	65	41

a *For the six months ended June 30, 2007 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
e *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.004 per share and an increase in the ratio of net investment income of 0.03%. Excluding this non-recurring income, total return would have been 0.02% lower.*
f *Amount is less than $.005 per share.*
g *The ratio for the six months ended June 30, 2007 has not been annualized since the Portfolio believes it would not be appropriate because the Portfolio's dividend income is not earned ratably throughout the fiscal year.*
* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Government & Agency Securities VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,006.50	$1,004.80
Expenses Paid per $1,000*	$ 3.18	$ 5.07
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,021.62	$1,019.74
Expenses Paid per $1,000*	$ 3.21	$ 5.11

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Government & Agency Securities VIP	.64%	1.02%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Government & Agency Securities VIP

The period began with the yield curve slightly inverted between two and 30 years, meaning that short-term rates were actually higher than long-term rates. As the period progressed, market expectations were increasingly for stronger economic growth, dampening any remaining speculation about a possible US Federal Reserve Board's (the Fed's) interest rate easing over the near term. In addition, the price of oil ended the period above $70 per barrel, and other commodities reached highs as well. While core inflation, which does not include energy or food, remained modest, aggregate inflation remained near the upper end of its recent range. Continued inflationary concerns caused the yield curve to steepen as longer duration US Treasuries priced in the possibility of erosion of returns.[1,2] Volatility continued to be relatively high, as the market weighed signs of growth against the possible impact of the sputtering housing market on the larger economy. The Fed left its benchmark short-term rate unchanged at 5.25% over the six months.

During the six-month period ended June 30, 2007, the Portfolio's Class A shares, unadjusted for contract charges, underperformed the 0.88% return of its benchmark, the Lehman Brothers US Morgage-Backed Securities (MBS) Index.

During the period, we continued to focus on higher coupon mortgage pools, and this helped performance as prepayments remained low and shorter duration instruments outperformed longer maturity bonds. Midway through the period, we added exposure to adjustable rate mortgages in view of their attractive yields relative to risk, and this benefited the Portfolio as well. We continued to shift the Portfolio's relative focus between GNMA I and less homogenous GNMA II mortgage pools with good results. Our limited exposure to 15-year GNMAs held back performance to a degree, as this segment outperformed in an environment where investors were concerned about the impact of interest rate volatility on longer duration instruments. Our recent focus has been on adding exposure to older mortgage pools that are selling at a discount to par. These bonds exhibit greater prepay stability since they have been through several interest rate cycles and the low dollar price should perform better if and when interest rates fall. It should also be noted that the entire portfolio is invested in high-quality securities; it holds no subprime mortgage exposure. Going forward, we will continue to monitor the housing market and interest rate environment closely as we seek to maintain an attractive dividend for investors.

William Chepolis, CFA and Matthew F. MacDonald

*Co-Manager*s
Deutsche Investment Management Americas Inc.

Risk Considerations

The government guarantee relates only to the prompt payment of principal and interest and does not remove market risks. Additionally, yields will fluctuate in response to changing interest rates and may be affected by the prepayment of mortgage-backed securities. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the investment, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Lehman Brothers US Mortgage-Backed Securities (MBS) Index is an unmanaged, market-value-weighted measure of all fixed-rate securities backed by mortgage pools of the Government National Mortgage Association. Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *The yield curve is a graph with a left-to-right line that shows how high or low yields are, from the shortest to the longest maturities. Typically (and when the yield curve is characterized as "steep," this is especially true) the line rises from left to right as investors who are willing to tie up their money for a longer period are rewarded with higher yields.*

2 *Duration is a measure of bond price volatility. Duration can be defined as the approximate percentage change in price for a 100-basis-point (one single percentage point) change in market interest rate levels. A duration of 1.25, for example, means that the price of a bond or bond portfolio should rise by approximately 1.25% for a one-percentage-point drop in interest rates, and that it should fall by 1.25% for a one-percentage-point rise in interest rates.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Government & Agency Securities VIP

Asset Allocation	6/30/07	12/31/06
Agencies Backed by the Full Faith and Credit of the US Government (GNMA)	63%	53%
Agencies Not Backed by the Full Faith and Credit of the US Government (FNMA, FHLMC)	26%	32%
Cash Equivalents	11%	10%
US Treasury Obligations	—	5%
	100%	100%

Quality	6/30/07	12/31/06
AAA*	100%	100%

* *Includes cash equivalents*

Interest Rate Sensitivity	6/30/07	12/31/06
Average Maturity	6.1 years	5.6 years
Average Duration	4.9 years	3.4 years

Asset allocation, quality and interest rate sensitivity are subject to change.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 80. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Government & Agency Securities VIP

	Principal Amount ($)	Value ($)
Agencies Backed by the Full Faith and Credit of the US Government 59.2%		
Government National Mortgage Association:		
5.0%, with various maturities from 3/1/2033 until 6/20/2036 (c)	22,540,251	21,330,347
5.5%, with various maturities from 10/15/2032 until 11/15/2035 (c)	44,500,288	43,271,460
6.0%, with various maturities from 4/15/2013 until 1/20/2037(c)	34,832,015	34,714,135
6.5%, with various maturities from 3/15/2014 until 11/15/2036	19,237,704	19,584,603
7.0%, with various maturities from 10/15/2026 until 7/15/2036	2,131,628	2,208,690
7.5%, with various maturities from 4/15/2026 until 1/15/2037	2,581,316	2,700,064
8.0%, with various maturities from 12/15/2026 until 11/15/2031	670,904	707,799
8.5%, with various maturities from 5/15/2016 until 12/15/2030	94,134	100,630
9.5%, with various maturities from 6/15/2013 until 12/15/2022	55,327	59,846
10.0%, with various maturities from 2/15/2016 until 3/15/2016	20,534	22,623
Total Agencies Backed by the Full Faith and Credit of the US Government (Cost $129,305,429)		**124,700,197**
Agencies Not Backed by the Full Faith and Credit of the US Government 29.4%		
Federal Home Loan Bank, 4.875%, 11/18/2011	25,000,000	24,625,000
Federal Home Loan Mortgage Corp.:		
4.5%, 5/1/2019	60,626	57,725
4.609%*, 2/1/2035	14,906	14,661
5.0%, 4/18/2017	10,000,000	9,650,000
5.5%, 2/1/2017	55,486	54,942
5.729%*, 4/1/2037	2,999,757	2,990,386
5.78%*, 10/1/2036	2,981,575	2,979,906
5.819%*, 1/1/2037	2,373,109	2,372,158
5.884%*, 11/1/2036	1,288,220	1,289,748
5.891%*, 9/1/2036	1,306,907	1,308,193
6.5%, 9/1/2032	162,007	165,032
7.0%, with various maturities from 5/1/2029 until 8/1/2035	1,537,377	1,581,133
7.5%, with various maturities from 1/1/2027 until 5/1/2032	132,445	138,853
8.0%, 11/1/2030	2,197	2,299
8.5%, 7/1/2030	3,129	3,323
Federal National Mortgage Association:		
5.0%, 10/1/2033	666,854	627,884
5.375%, 6/12/2017	10,000,000	9,921,875
5.5%, with various maturities from 2/1/2033 until 6/1/2034	3,768,026	3,649,187
7.0%, with various maturities from 9/1/2013 until 7/1/2034	528,755	547,371
8.0%, 12/1/2024	13,296	14,018
Total Agencies Not Backed by the Full Faith and Credit of the US Government (Cost $62,185,363)		**61,993,694**
Collateralized Mortgage Obligations 10.7%		
Federal Home Loan Mortgage Corp., "GZ", Series 2906, 5.0%, 9/15/2034	1,421,968	1,304,850
Federal National Mortgage Association, "LO", Series 2005-50, Principal Only, 6/25/2035	1,129,163	696,874
Government National Mortgage Association:		
"PO", Series 2006-25, Principal Only, 5/20/2036	944,065	683,454
"GD", Series 2004-26, 5.0%, 11/16/2032	2,184,000	2,055,887
"LG", Series 2003- 70, 5.0%, 8/20/2033	4,000,000	3,592,348
"KE", Series 2004-19, 5.0%, 3/16/2034	500,000	443,385
"ZM", Series 2004-24, 5.0%, 4/20/2034	1,756,757	1,497,795
"LE", Series 2004-87, 5.0%, 10/20/2034	1,000,000	902,615
"ZB", Series 2005-15, 5.0%, 2/16/2035	1,235,820	1,050,345
"CK", Series 2007-31, 5.0%, 5/16/2037	1,000,000	928,136
"ZB", Series 2003-85, 5.5%, 10/20/2033	2,336,917	2,062,199
"B", Series 2005-88, 5.5%, 11/20/2035	1,804,000	1,690,486
"ZA", Series 2006-7, 5.5%, 2/20/2036	1,829,045	1,627,612
"FH", Series 1999-18, 5.57%*, 5/16/2029	2,422,481	2,444,094
"FE", Series 2003-57, 5.62%*, 3/16/2033	185,499	184,967
"FB", Series 2001-28, 5.82%*, 6/16/2031	871,856	878,935
"PH", Series 2002- 84, 6.0%, 11/16/2032	500,000	492,116
Total Collateralized Mortgage Obligations (Cost $23,074,511)		**22,536,098**
US Treasury Obligations 0.1%		
US Treasury Bill, 4.845%**, 7/19/2007 (a) (Cost $189,540)	190,000	**189,540**

The accompanying notes are an integral part of the financial statements.

	Contracts	Value ($)
Options Purchased 0.1%		
Call Swaptions 0.0%		
3 Month LIBOR, 6.08% fixed rate, Expiring 6/22/2012, Strike Rate, 6.08%	3,700,000	**76,672**
Put Swaptions 0.1%		
3 Month LIBOR, 6.08% fixed rate, Expiring 6/22/2012, Strike Rate, 6.08%	3,700,000	**98,282**
Total Options Purchased (Cost $175,380)		**174,954**

	Shares	Value ($)
Cash Equivalents 11.9%		
Cash Management QP Trust, 5.34% (b) (Cost $24,981,784)	24,981,784	**24,981,784**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $239,912,007)†	111.4	**234,576,267**
Other Assets and Liabilities, Net	(11.4)	**(23,986,361)**
Net Assets	100.0	**210,589,906**

* *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2007.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $239,942,463. At June 30, 2007, net unrealized depreciation for all securities based on tax cost was $5,366,196. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $482,424 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $5,848,620.*

(a) *At June 30, 2007, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Mortgage dollar rolls included.*

Principal Only: Principal Only (PO) bonds represent the "principal only" portion of payments on a pool of underlying mortgages or mortgage-backed securities.

LIBOR: Represents the London InterBank Offered Rate.

At June 30, 2007, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation ($)
10-Year Interest Rate Swap	9/17/2007	45	4,591,949	4,608,281	**16,332**

At June 30, 2007, open futures contracts sold were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Depreciation ($)
10 Year US Treasury Note	9/19/2007	210	22,129,018	22,197,656	**(68,638)**

Written Options	Number of Contracts	Expiration Date	Strike Rate (%)	Value ($)
Call Swaptions				
3 Month LIBOR, 6.3% fixed rate	740,000	9/22/2007	6.3	(376)
Put Swaptions				
3 Month LIBOR, 5.3% fixed rate	740,000	9/22/2007	5.3	(2,126)
Total Written Options (Premium received $2,220)				(2,502)

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal Home Loan Mortgage Corp., Federal National Mortgage Association and Government National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in this investment portfolio.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets	
Investments	
Investments in securities, at value (cost $214,930,223)	$ 209,594,483
Investments in Cash Management QP Trust, (cost $24,981,784)	24,981,784
Total investments in securities at value (cost $239,912,007)	234,576,267
Receivable for investments sold	43,351,719
Interest receivable	1,287,701
Receivable for Portfolio shares sold	1,852,210
Other assets	4,035
Total assets	281,071,932
Liabilities	
Payable for investments purchased	45,521,371
Payable for investments purchased — mortgage dollar rolls	24,605,823
Accrued management fee	90,699
Payable for daily variation margin on open futures contracts	81,094
Payable for Portfolio shares redeemed	3,230
Options written, at value (premium received $2,220)	2,502
Other accrued expenses and payables	177,307
Total liabilities	70,482,026
Net assets, at value	**$ 210,589,906**
Net Assets	
Net assets consist of:	
Undistributed net investment income	5,246,409
Net unrealized appreciation (depreciation) on:	
Investments	(5,335,740)
Futures	(52,306)
Written options	(282)
Accumulated net realized gain (loss)	(2,236,765)
Paid-in capital	212,968,590
Net assets, at value	**$ 210,589,906**
Class A	
Net Asset Value, offering and redemption price per share ($201,773,744 ÷ 17,140,521 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 11.77**
Class B	
Net Asset Value, offering and redemption price per share ($8,816,162 ÷ 749,300 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 11.77**

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income	
Income:	
Interest	$ 5,334,333
Interest — Cash Management QP Trust	907,269
Total Income	6,241,602
Expenses:	
Management fee	637,328
Custodian fee	8,729
Distribution service fee (Class B)	31,695
Record keeping fees (Class B)	17,443
Auditing	28,779
Legal	15,209
Trustees' fees and expenses	18,271
Reports to shareholders	50,096
Other	18,064
Total expenses before expense reductions	825,614
Expense reductions	(42,491)
Total expenses after expense reductions	783,123
Net investment income	**5,458,479**
Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	(1,076,785)
Futures	234,749
	(842,036)
Net unrealized appreciation (depreciation) during the period on:	
Investments	(2,506,918)
Futures	(64,965)
Written options	(282)
	(2,572,165)
Net gain (loss) on investment transactions	**(3,414,201)**
Net increase (decrease) in net assets resulting from operations	**$ 2,044,278**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income	$ 5,458,479	$ 11,691,142
Net realized gain (loss) on investment transactions	(842,036)	(1,278,409)
Net unrealized appreciation (depreciation) during the period on investment transactions	(2,572,165)	(560,933)
Net increase (decrease) in net assets resulting from operations	2,044,278	9,851,800
Distributions to shareholders from:		
Net investment income:		
Class A	(10,212,645)	(8,821,928)
Class B	(1,469,899)	(1,559,664)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	13,777,739	9,888,675
Reinvestment of distributions	10,212,645	8,821,928
Cost of shares redeemed	(24,494,238)	(51,098,907)
Net increase (decrease) in net assets from Class A share transactions	(503,854)	(32,388,304)
Class B		
Proceeds from shares sold	9,320,777	2,370,667
Reinvestment of distributions	1,469,899	1,559,664
Cost of shares redeemed	(34,114,861)	(17,355,673)
Net increase (decrease) in net assets from Class B share transactions	(23,324,185)	(13,425,342)
Increase (decrease) in net assets	**(33,466,305)**	**(46,343,438)**
Net assets at beginning of period	244,056,211	290,399,649
Net assets at end of period (including undistributed net investment income of $5,246,409 and $11,470,474, respectively)	**$ 210,589,906**	**$ 244,056,211**

Other Information		
Class A		
Shares outstanding at beginning of period	17,174,275	19,851,802
Shares sold	1,135,345	824,144
Shares issued to shareholders in reinvestment of distributions	862,554	749,527
Shares redeemed	(2,031,653)	(4,251,198)
Net increase (decrease) in Class A shares	(33,754)	(2,677,527)
Shares outstanding at end of period	**17,140,521**	**17,174,275**
Class B		
Shares outstanding at beginning of period	2,706,547	3,838,802
Shares sold	778,543	196,489
Shares issued to shareholders in reinvestment of distributions	124,042	132,399
Shares redeemed	(2,859,832)	(1,461,143)
Net increase (decrease) in Class B shares	(1,957,247)	(1,132,255)
Shares outstanding at end of period	**749,300**	**2,706,547**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$12.28**	**$12.26**	**$12.55**	**$12.54**	**$12.84**	**$12.32**
Income (loss) from investment operations:						
Net investment income[b]	.28	.55	.51	.44	.31	.62
Net realized and unrealized gain (loss) on investment transactions	(.19)	(.06)	(.20)	.03	(.04)	.35
Total from investment operations	.09	.49	.31	.47	.27	.97
Less distributions from:						
Net investment income	(.60)	(.47)	(.50)	(.35)	(.35)	(.45)
Net realized gain on investment transactions	—	—	(.10)	(.11)	(.22)	—
Total distributions	(.60)	(.47)	(.60)	(.46)	(.57)	(.45)
Net asset value, end of period	**$11.77**	**$12.28**	**$12.26**	**$12.55**	**$12.54**	**$12.84**
Total Return (%)	.65[c]**	4.16	2.57	3.75	2.26	8.05
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	202	211	243	280	347	551
Ratio of expenses before expense reductions(%)	.67*	.67	.63	.61	.61	.59
Ratio of expenses after expense reductions (%)	.64*	.67	.63	.61	.61	.59
Ratio of net investment income (loss) (%)	4.76*	4.56	4.17	3.59	2.50	4.96
Portfolio turnover rate (%)[d]	263**	241	191	226	511	534

a For the six months ended June 30, 2007 (Unaudited).

b Based on average shares outstanding during the period.

c Total return would have been lower had certain expenses not been reduced.

d The portfolio turnover rate including mortgage dollar roll transactions was 329%, 403%, 325%, 391%, 536% and 651% for the periods ended June 30, 2007, December 31, 2006, December 31, 2005, December 31, 2004, December 31, 2003 and December 31, 2002, respectively.

* Annualized ** Not annualized

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$12.25**	**$12.23**	**$12.52**	**$12.51**	**$12.82**	**$12.36**
Income (loss) from investment operations:						
Net investment income[c]	.26	.50	.47	.40	.27	.31
Net realized and unrealized gain (loss) on investment transactions	(.19)	(.06)	(.21)	.02	(.04)	.15
Total from investment operations	.07	.44	.26	.42	.23	.46
Less distributions from:						
Net investment income	(.55)	(.42)	(.45)	(.30)	(.32)	—
Net realized gain on investment transactions	—	—	(.10)	(.11)	(.22)	—
Total distributions	(.55)	(.42)	(.55)	(.41)	(.54)	—
Net asset value, end of period	**$11.77**	**$12.25**	**$12.23**	**$12.52**	**$12.51**	**$12.82**
Total Return (%)	.48[d]**	3.74	2.24	3.36	1.83	3.72**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	9	33	47	49	38	3
Ratio of expenses before expense reductions(%)	1.06*	1.07	1.02	1.00	.98	.84*
Ratio of expenses after expense reductions (%)	1.02*	1.07	1.02	1.00	.98	.84*
Ratio of net investment income (%)	4.38*	4.16	3.78	3.21	2.13	4.95*
Portfolio turnover rate (%)[e]	263**	241	191	226	511	534

a For the six months ended June 30, 2007 (Unaudited).

b For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.

c Based on average shares outstanding during the period.

d Total return would have been lower had certain expenses not been reduced.

e The portfolio turnover rate including mortgage dollar roll transactions was 329%, 403%, 325%, 391%, 536% and 651% for the periods ended June 30, 2007, December 31, 2006, December 30, 2005, December 31, 2004, December 31, 2003 and December 31, 2002, respectively.

* Annualized ** Not annualized

Information About Your Portfolio's Expenses

DWS High Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$ 1030.30	$1,027.30
Expenses Paid per $1,000*	$ 3.47	$ 5.43

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,021.37	$1,019.44
Expenses Paid per $1,000*	$ 3.46	$ 5.41

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS High Income VIP	.69%	1.08%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS High Income VIP

High-yield bonds produced modestly positive returns and outperformed government bonds during the first half of 2007. A continued environment of moderate economic growth, steady corporate earnings, and a low default rate among high-yield issuers all contributed to the outperformance of the asset class. The period ended on a down note, however, as concerns about the subprime mortgage market led to an increase in investors' aversion to risk. In this environment, the Portfolio's Class A shares (unadjusted for contract charges) underperformed its benchmark, the Credit Suisse High Yield Index, which returned 3.68%.

The Portfolio was helped by its positions in North Atlantic Trading Co., which restructured its debt in a fashion favorable to the Portfolio, and Young Broadcasting, Inc., a media company whose bonds rose on the outlook for increased spending on political ads in the year ahead. Also aiding performance were positions in bonds issued by Navios Maritime Holdings, Inc., Hawker Beechcraft Acquisition Co. LLC and Dobson Communications Corp. On the negative side, the Portfolio's performance was hurt by its position in Lyondell Chemical Co. and its lack of ownership in three distressed/defaulted securities that performed very well: Calpine Corp., Dana Corp. and Federal Mogul Corp.

The overall backdrop of moderate economic growth and strength in the US equity market remains supportive of high-yield bonds. While we view high-yield bonds as being fairly valued at these levels, we believe the higher coupon rates of the asset class should help support outperformance through the remainder of the year. Overall, we remain focused on adding value by emphasizing fundamental analysis and searching for individual securities with the most attractive risk-adjusted relative value.

Gary Sullivan, CFA
Portfolio Manager
Deutsche Investment Management Americas Inc.

Risk Considerations

Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. Additionally, the Portfolio may invest in lower-quality and nonrated securities which present greater risk of loss of principal and interest than higher-quality securities. All of these factors may result in greater share price volatility. Bond investments are subject to interest-rate risk such that when interest rates rise, the prices of the bonds, and thus the value of the investment, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Credit Suisse High Yield Index is an unmanaged index that is market-weighted, including publicly traded bonds having a rating below BBB by Standard & Poor's and Moody's. Index returns assume reinvestment of all dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS High Income VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Corporate Bonds	98%	98%
Cash Equivalents	1%	1%
Other Investments	1%	1%
	100%	100%

Bond Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/07**	**12/31/06**
Consumer Discretionary	24%	25%
Financials	16%	16%
Materials	13%	15%
Industrials	12%	10%
Telecommunication Services	9%	8%
Energy	8%	8%
Utilities	5%	9%
Health Care	5%	2%
Information Technology	4%	4%
Consumer Staples	4%	2%
Sovereign Bonds	—	1%
	100%	100%

Quality	**6/30/07**	**12/31/06**
Cash Equivalents	—	1%
BBB	3%	3%
BB	28%	30%
B	54%	50%
CCC	15%	16%
	100%	100%

Asset allocation, bond diversification and foreign bonds diversification and quality are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 88. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com as of each calendar quarter-end on or after the last day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS High Income VIP

		Principal Amount ($)(a)	Value ($)
Corporate Bonds 97.4%			
Consumer Discretionary 23.0%			
AAC Group Holding Corp., 14.75%, 10/1/2012 (PIK) (b)		473,474	519,638
Affinia Group, Inc., 9.0%, 11/30/2014		905,000	886,900
AMC Entertainment, Inc., 8.0%, 3/1/2014		1,355,000	1,327,900
American Achievement Corp., 8.25%, 4/1/2012		265,000	266,988
American Media Operations, Inc., Series B, 10.25%, 5/1/2009 (b)		350,000	332,500
Asbury Automotive Group, Inc.:			
144A, 7.625%, 3/15/2017		610,000	600,850
8.0%, 3/15/2014		260,000	262,600
Ashtead Holdings PLC, 144A, 8.625%, 8/1/2015		435,000	443,700
Buffets, Inc., 12.5%, 11/1/2014 (b)		355,000	339,913
Burlington Coat Factory Warehouse Corp., 11.125%, 4/15/2014 (b)		530,000	516,750
Cablevision Systems Corp., Series B, 9.82%**, 4/1/2009		350,000	365,750
Caesars Entertainment, Inc., 8.875%, 9/15/2008		620,000	637,050
Canwest Mediaworks LP, 144A, 9.25%, 8/1/2015 (e)		395,000	395,000
Charter Communications Holdings LLC:			
Series B, 10.25%, 9/15/2010		975,000	1,017,656
10.25%, 9/15/2010		2,080,000	2,173,600
11.0%, 10/1/2015		2,237,000	2,334,869
Cirsa Capital Luxembourg, 144A, 7.875%, 7/15/2012	EUR	335,000	451,138
Claire's Stores, Inc., 144A, 9.25%, 6/1/2015		610,000	579,500
Cooper-Standard Automotive, Inc., 8.375%, 12/15/2014 (b)		665,000	620,112
CSC Holdings, Inc.:			
7.25%, 7/15/2008		560,000	564,200
Series B, 8.125%, 7/15/2009		190,000	193,800
Series B, 8.125%, 8/15/2009		200,000	204,000
Denny's Corp. Holdings, Inc., 10.0%, 10/1/2012		170,000	179,350
Dex Media East LLC/Financial, 12.125%, 11/15/2012		3,857,000	4,151,096
Dollarama Group LP, 144A, 11.16%**, 8/15/2012		402,000	397,980
EchoStar DBS Corp.:			
6.625%, 10/1/2014		690,000	658,950
7.125%, 2/1/2016		675,000	659,812
Fontainebleau Las Vegas Holdings LCC, 144A, 10.25%, 6/15/2015		745,000	733,825
Foot Locker, Inc., 8.5%, 1/15/2022		180,000	182,700
Ford Motor Co., 7.45%, 7/16/2031 (b)		535,000	427,331
French Lick Resorts & Casinos, 144A, 10.75%, 4/15/2014 (b)		1,935,000	1,654,425
General Motors Corp.:			
7.2%, 1/15/2011 (b)		1,315,000	1,264,044
7.4%, 9/1/2025 (b)		550,000	463,375
8.375%, 7/15/2033 (b)		1,290,000	1,177,125
Goodyear Tire & Rubber Co., 11.25%, 3/1/2011		1,645,000	1,786,881
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015		525,000	522,375
Group 1 Automotive, Inc., 8.25%, 8/15/2013		260,000	268,450
Hanesbrands, Inc., Series B, 8.784%**, 12/15/2014		785,000	796,775
Hertz Corp.:			
8.875%, 1/1/2014		1,225,000	1,277,062
10.5%, 1/1/2016 (b)		320,000	353,600
ION Media Networks, Inc., 144A, 11.606%**, 1/15/2013		515,000	533,025
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014		1,810,000	1,712,712
Jacobs Entertainment, Inc., 9.75%, 6/15/2014		955,000	992,006
Jarden Corp., 7.5%, 5/1/2017		435,000	429,563
Kabel Deutschland GmbH, 10.625%, 7/1/2014		190,000	208,050
Liberty Media LLC:			
5.7%, 5/15/2013 (b)		95,000	89,292
8.25%, 2/1/2030		795,000	771,004
8.5%, 7/15/2029		765,000	763,983
Majestic Star Casino LLC, 9.5%, 10/15/2010		100,000	104,000
Mediacom Broadband LLC, 8.5%, 10/15/2015 (b)		40,000	40,200
MediMedia USA, Inc., 144A, 11.375%, 11/15/2014		265,000	284,213
Metaldyne Corp.:			
10.0%, 11/1/2013 (b)		470,000	498,200
11.0%, 6/15/2012 (b)		145,000	147,900
MGM MIRAGE:			
6.75%, 9/1/2012		215,000	205,325
8.375%, 2/1/2011 (b)		475,000	485,687
Michaels Stores, Inc., 144A, 10.0%, 11/1/2014 (b)		770,000	789,250
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010		915,000	951,600
NCL Corp., 10.625%, 7/15/2014		190,000	183,350
Norcraft Holdings/Capital, Step-up Coupon, 0% to 9/1/2008, 9.75% to 9/1/2012 (b)		1,440,000	1,317,600
OSI Restaurant Partners, Inc., 144A, 10.0%, 6/15/2015 (b)		610,000	582,550
Penske Automotive Group, Inc., 7.75%, 12/15/2016		1,310,000	1,303,450
Pinnacle Entertainment, Inc., 8.75%, 10/1/2013 (b)		545,000	569,525
Premier Entertainment Biloxi LLC/Finance, 10.75%, 2/1/2012		3,698,000	3,845,920
PRIMEDIA, Inc., 8.875%, 5/15/2011		560,000	576,800

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
Quebecor World, Inc., 144A, 9.75%, 1/15/2015		435,000	440,438
Quiksilver, Inc., 6.875%, 4/15/2015		660,000	620,400
Reader's Digest Association, Inc., 144A, 9.0%, 2/15/2017		350,000	327,250
Sabre Holdings Corp., 8.35%, 3/15/2016		480,000	432,000
Sbarro, Inc., 10.375%, 2/1/2015 (b)		305,000	296,994
Seminole Hard Rock Entertainment, Inc., 144A, 7.86%**, 3/15/2014		610,000	614,575
Shingle Springs Tribal Gaming, 144A, 9.375%, 6/15/2015		425,000	428,719
Simmons Co.:			
7.875%, 1/15/2014		170,000	169,150
Step-up Coupon, 0% to 12/15/2009, 10.0% to 12/15/2014 (b)		1,720,000	1,444,800
Sinclair Broadcast Group, Inc., 8.0%, 3/15/2012		312,000	321,360
Sirius Satellite Radio, Inc., 9.625%, 8/1/2013		785,000	769,300
Six Flags, Inc., 9.75%, 4/15/2013		240,000	225,900
Sonic Automotive, Inc., Series B, 8.625%, 8/15/2013		510,000	525,300
Station Casinos, Inc., 6.5%, 2/1/2014		700,000	619,500
Telenet Group Holding NV, 144A, Step-up Coupon, 0% to 12/15/2008, 11.5% to 6/15/2014		2,657,000	2,510,865
The Bon-Ton Department Stores, Inc., 10.25%, 3/15/2014 (b)		550,000	556,875
Toys "R" Us, Inc., 7.375%, 10/15/2018		440,000	370,700
Travelport LLC:			
9.875%, 9/1/2014		220,000	233,200
9.985%**, 9/1/2014		405,000	415,125
11.875%, 9/1/2016 (b)		220,000	242,825
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015 (b)		1,140,000	1,131,450
TRW Automotive, Inc., 144A, 7.0%, 3/15/2014 (b)		300,000	285,750
United Components, Inc., 9.375%, 6/15/2013		85,000	87,763
Unity Media GmbH, 144A, 10.375%, 2/15/2015	EUR	330,000	335,775
Univision Communications, Inc., 144A, 9.75%, 3/15/2015 (PIK) (b)		1,875,000	1,851,562
Vitro, SAB de CV:			
144A, 8.625%, 2/1/2012		350,000	355,250
144A, 9.125%, 2/1/2017		705,000	722,625
Series A, 11.75%, 11/1/2013		225,000	248,625
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009		390,000	394,875
XM Satellite Radio, Inc., 9.75%, 5/1/2014 (b)		1,025,000	1,004,500
Young Broadcasting, Inc., 8.75%, 1/15/2014		2,495,000	2,357,775
			69,716,001

Consumer Staples 4.0%

		Principal Amount ($)(a)	Value ($)
Alliance One International, Inc., 144A, 8.5%, 5/15/2012		260,000	265,850
Cerveceria Nacional Dominicana, 144A, 8.0%, 3/27/2014		810,000	834,300
Constellation Brands, Inc., 144A, 7.25%, 5/15/2017		440,000	429,000
Del Laboratories, Inc., 8.0%, 2/1/2012 (b)		475,000	456,000
Delhaize America, Inc.:			
8.05%, 4/15/2027		190,000	198,383
9.0%, 4/15/2031		1,017,000	1,228,687
General Nutrition Center, 144A, 9.796%**, 3/15/2014 (PIK) (b)		615,000	593,475
Harry & David Holdings, Inc., 10.36%**, 3/1/2012		560,000	565,600
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012		2,081,750	2,081,750
Pilgrim's Pride Corp., 7.625%, 5/1/2015		220,000	219,450
Rite Aid Corp.:			
7.5%, 3/1/2017		875,000	844,375
144A, 9.5%, 6/15/2017		440,000	422,400
Smithfield Foods, Inc., 7.75%, 7/1/2017		600,000	600,000
Tereos Europe SA, 144A, 6.375%, 4/15/2014	EUR	250,000	333,287
Viskase Co., Inc., 11.5%, 6/15/2011		3,100,000	3,100,000
			12,172,557

Energy 8.4%

	Principal Amount ($)(a)	Value ($)
Belden & Blake Corp., 8.75%, 7/15/2012	2,365,000	2,424,125
Chaparral Energy, Inc., 8.5%, 12/1/2015	625,000	610,937
Chesapeake Energy Corp.:		
6.25%, 1/15/2018 (b)	335,000	312,806
6.875%, 1/15/2016	1,640,000	1,603,100
7.75%, 1/15/2015 (b)	230,000	234,025
Cimarex Energy Co., 7.125%, 5/1/2017	425,000	414,375
Complete Production Services, Inc., 144A, 8.0%, 12/15/2016	785,000	792,850
Delta Petroleum Corp., 7.0%, 4/1/2015 (b)	1,160,000	1,006,300
Denbury Resources, Inc., 7.5%, 12/15/2015	170,000	169,575
Dynegy Holdings, Inc.:		
6.875%, 4/1/2011 (b)	200,000	196,500
144A, 7.75%, 6/1/2019	875,000	813,750
8.375%, 5/1/2016	980,000	957,950
Energy Partners Ltd., 144A, 9.75%, 4/15/2014	340,000	337,450
Frontier Oil Corp., 6.625%, 10/1/2011	380,000	370,500
Mariner Energy, Inc., 8.0%, 5/15/2017	355,000	352,338
OPTI Canada, Inc., 144A, 8.25%, 12/15/2014	525,000	532,875
Peabody Energy Corp., 7.375%, 11/1/2016	350,000	357,000
Plains Exploration & Production Co., 7.0%, 3/15/2017	255,000	241,613
Quicksilver Resources, Inc., 7.125%, 4/1/2016	335,000	323,275
Reliant Energy, Inc., 7.875%, 6/15/2017 (b)	870,000	846,075
Sabine Pass LNG LP:		
144A, 7.25%, 11/30/2013	150,000	148,875
144A, 7.5%, 11/30/2016	1,470,000	1,462,650
Secunda International Ltd., 13.356%**, 9/1/2012	760,000	788,500
Seitel, Inc., 144A, 9.75%, 2/15/2014	875,000	866,250

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
Stone Energy Corp.:			
6.75%, 12/15/2014		1,505,000	1,384,600
144A, 8.106%**, 7/15/2010		480,000	480,000
Tennessee Gas Pipeline Co., 7.625%, 4/1/2037		435,000	477,327
Tesoro Corp., 144A, 6.5%, 6/1/2017		700,000	684,250
VeraSun Energy Corp., 144A, 9.375%, 6/1/2017		345,000	320,850
Whiting Petroleum Corp.:			
7.0%, 2/1/2014		520,000	488,800
7.25%, 5/1/2012		330,000	313,500
7.25%, 5/1/2013		170,000	161,500
Williams Companies, Inc.:			
8.125%, 3/15/2012		1,415,000	1,501,669
8.75%, 3/15/2032		2,585,000	2,992,137
Williams Partners LP, 7.25%, 2/1/2017		435,000	437,175
			25,405,502
Financials 15.2%			
Alamosa Delaware, Inc., 11.0%, 7/31/2010		565,000	598,601
Algoma Acquistion Corp., 144A, 9.875%, 6/15/2015		1,300,000	1,293,500
Ashton Woods USA LLC, 9.5%, 10/1/2015		1,370,000	1,267,250
Buffalo Thunder Development Authority, 144A, 9.375%, 12/15/2014		260,000	260,000
CEVA Group PLC:			
144A, 8.5%, 12/1/2014	EUR	410,000	535,492
144A, 10.0%, 12/1/2016	EUR	295,000	391,282
Conproca SA de CV, Series REG S, 12.0%, 6/16/2010		2,385,000	2,647,350
E*TRADE Financial Corp.:			
7.375%, 9/15/2013		550,000	558,250
7.875%, 12/1/2015 (b)		410,000	426,913
8.0%, 6/15/2011		665,000	681,625
Ford Motor Credit Co. LLC:			
7.25%, 10/25/2011		3,075,000	2,959,478
7.375%, 10/28/2009		3,365,000	3,340,287
7.8%, 6/1/2012		435,000	424,354
7.875%, 6/15/2010		1,860,000	1,859,643
GMAC LLC:			
6.875%, 9/15/2011		7,450,000	7,328,222
8.0%, 11/1/2031 (b)		2,338,000	2,390,794
Hawker Beechcraft Acquisition Co. LLC:			
144A, 8.5%, 4/1/2015		385,000	397,513
144A, 8.875%, 4/1/2015 (PIK) (b)		930,000	957,900
144A, 9.75%, 4/1/2017 (b)		655,000	684,475
Hub International Holdings, Inc., 144A, 9.0%, 12/15/2014		350,000	343,000
Idearc, Inc., 8.0%, 11/15/2016		2,620,000	2,646,200
Inmarsat Finance PLC, Step-up Coupon, 0% to 11/15/2008, 10.375% to 11/15/2012		520,000	495,950
iPayment, Inc., 9.75%, 5/15/2014		475,000	475,000
K&F Acquisition, Inc., 7.75%, 11/15/2014		175,000	185,500
KAR Holdings, Inc.:			
144A, 8.75%, 5/1/2014		475,000	465,500
144A, 10.0%, 5/1/2015		605,000	589,875
Local TV Finance LLC, 144A, 9.25%, 6/15/2015 (PIK)		445,000	440,550
New ASAT (Finance) Ltd., 9.25%, 2/1/2011		575,000	491,625
Petroplus Finance Ltd.:			
144A, 6.75%, 5/1/2014		430,000	413,875
144A, 7.0%, 5/1/2017		430,000	413,875
Pinnacle Foods Finance LLC:			
144A, 9.25%, 4/1/2015 (b)		350,000	337,750
144A, 10.625%, 4/1/2017 (b)		175,000	168,438
R.H. Donnelly, Inc., 10.875%, 12/15/2012		1,920,000	2,047,200
Realogy Corp., 144A, 12.375%, 4/15/2015 (b)		335,000	305,688
Sally Holdings LLC, 144A, 9.25%, 11/15/2014		525,000	526,313
Triad Acquisition Corp., Series B, 11.125%, 5/1/2013		750,000	716,250
U.S.I. Holdings Corp.:			
144A, 9.23%**, 11/15/2014		265,000	263,675
144A, 9.75%, 5/15/2015		355,000	353,225
UCI Holding Co., Inc., 144A, 12.36%, 12/15/2013 (PIK)		559,273	567,662
Universal City Development Partners, 11.75%, 4/1/2010		2,205,000	2,337,300
Wimar Opco LLC, 144A, 9.625%, 12/15/2014		2,015,000	1,939,437
Yankee Acquisition Corp.:			
Series B, 8.5%, 2/15/2015		330,000	320,100
Series B, 9.75%, 2/15/2017 (b)		260,000	251,550
			46,098,467
Health Care 4.5%			
Advanced Medical, 7.11%, 4/2/2014		260,000	259,189
Advanced Medical Optics, Inc., 144A, 7.5%, 5/1/2017		265,000	250,425
Community Health Systems, Inc., 144A, 8.875%, 7/15/2015 (e)		2,840,000	2,879,050
HCA, Inc.:			
6.5%, 2/15/2016 (b)		900,000	761,625
144A, 9.125%, 11/15/2014		790,000	830,487
144A, 9.25%, 11/15/2016		1,380,000	1,469,700
HEALTHSOUTH Corp.:			
10.75%, 6/15/2016 (b)		840,000	911,400
11.409%**, 6/15/2014 (b)		170,000	183,600
Iasis Healthcare LLC:			
5.25%, 6/15/2014		380,000	387,600
8.75%, 6/15/2014		175,000	175,000
Omnicare, Inc., 6.125%, 6/1/2013		175,000	162,969
Psychiatric Solutions, Inc., 144A, 7.75%, 7/15/2015		435,000	430,106
PTS Acquisition Corp., 144A, 9.5%, 4/15/2015 (PIK)		345,000	338,963
Sun Healthcare Group, Inc., 144A, 9.125%, 4/15/2015		435,000	452,400
Surgical Care Affiliates, Inc., 144A, 8.875%, 7/15/2015 (PIK)		515,000	512,425
Tenet Healthcare Corp., 9.25%, 2/1/2015		1,365,000	1,296,750
The Cooper Companies, Inc., 144A, 7.125%, 2/15/2015		870,000	861,300
Universal Hospital Services, Inc., 144A, 8.5%, 6/1/2015 (PIK)		305,000	301,950
Vanguard Health Holding Co. II, LLC, 9.0%, 10/1/2014		1,260,000	1,247,400
			13,712,339

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Industrials 12.1%		
Actuant Corp., 144A, 6.875%, 6/15/2017	350,000	346,500
Aleris International, Inc., 144A, 9.0%, 12/15/2014 (PIK)	610,000	615,337
Alion Science and Technology, 10.25%, 2/1/2015	350,000	361,375
Allied Security Escrow Corp., 11.375%, 7/15/2011	769,000	772,845
Allied Waste North America, Inc., Series B, 9.25%, 9/1/2012	1,765,000	1,851,044
American Color Graphics, Inc., 10.0%, 6/15/2010	850,000	680,000
American Railcar Industries, Inc., 7.5%, 3/1/2014	435,000	432,825
ARAMARK Corp.:		
144A, 8.5%, 2/1/2015	705,000	717,337
144A, 8.856%**, 2/1/2015	605,000	614,075
Baldor Electric Co., 8.625%, 2/15/2017	435,000	460,013
Belden, Inc., 144A, 7.0%, 3/15/2017	435,000	428,475
Bombardier, Inc.:		
144A, 6.3%, 5/1/2014	365,000	346,750
144A, 6.75%, 5/1/2012	100,000	98,500
144A, 8.0%, 11/15/2014	190,000	196,650
Bristow Group, Inc., 144A, 7.5%, 9/15/2017 (b)	520,000	521,300
Browning-Ferris Industries, Inc., 7.4%, 9/15/2035	1,560,000	1,466,400
Building Materials Corp. of America, 7.75%, 8/1/2014 (b)	605,000	586,850
Cenveo Corp., 7.875%, 12/1/2013	1,102,000	1,079,960
Congoleum Corp., 8.625%, 8/1/2008*	1,200,000	1,098,000
DRS Technologies, Inc.:		
6.625%, 2/1/2016	220,000	212,300
6.875%, 11/1/2013	680,000	659,600
7.625%, 2/1/2018 (b)	1,505,000	1,520,050
Education Management LLC, 8.75%, 6/1/2014	445,000	456,125
Esco Corp.:		
144A, 8.625%, 12/15/2013	760,000	798,000
144A, 9.235%**, 12/15/2013	445,000	453,900
General Cable Corp.:		
144A, 7.125%, 4/1/2017	520,000	514,800
144A, 7.725%**, 4/1/2015	525,000	525,000
Great Lakes Dredge & Dock Co., 7.75%, 12/15/2013 (b)	350,000	344,750
Harland Clarke Holdings Corp., 144A, 9.5%, 5/15/2015	435,000	417,600
Iron Mountain, Inc., 8.75%, 7/15/2018 (b)	340,000	350,200
K. Hovnanian Enterprises, Inc.:		
6.25%, 1/15/2016 (b)	1,660,000	1,411,000
8.875%, 4/1/2012 (b)	1,550,000	1,426,000
Kansas City Southern de Mexico:		
144A, 7.375%, 6/1/2014	350,000	347,375
144A, 7.625%, 12/1/2013	1,185,000	1,182,037
9.375%, 5/1/2012	1,105,000	1,182,350
Kansas City Southern Railway Co.:		
7.5%, 6/15/2009	395,000	392,038
9.5%, 10/1/2008	2,810,000	2,908,350
Mobile Services Group, Inc., 144A, 9.75%, 8/1/2014	805,000	857,325

	Principal Amount ($)(a)	Value ($)
Navios Maritime Holdings, Inc., 144A, 9.5%, 12/15/2014 (b)	700,000	742,000
Panolam Industries International, Inc., 144A, 10.75%, 10/1/2013	265,000	276,925
Rail America, Inc., 7.6%, 10/2/2008	750,000	752,347
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014	180,000	197,550
RBS Global, Inc. & Rexnord Corp., 9.5%, 8/1/2014	385,000	394,625
Riverdeep Bank, 11.55%, 12/15/2007	602,907	605,168
Saint Acquisition Corp., 144A, 12.5%, 5/15/2017	355,000	335,475
Ship Finance International Ltd., 8.5%, 12/15/2013	430,000	442,900
Terex Corp., 7.375%, 1/15/2014	240,000	240,000
The Manitowoc Co., Inc., 7.125%, 11/1/2013	125,000	125,313
Titan International, Inc., 8.0%, 1/15/2012	1,310,000	1,346,025
TransDigm, Inc., 144A, 7.75%, 7/15/2014	260,000	262,600
Tribune Co., 7.86%, 5/24/2014 (e)	870,000	849,703
U.S. Concrete, Inc., 8.375%, 4/1/2014 (b)	490,000	488,775
United Rentals North America, Inc., 7.0%, 2/15/2014 (b)	875,000	853,125
Xerox Capital Trust I, 8.0%, 2/1/2027 (b)	315,000	323,383
		36,868,950
Information Technology 3.7%		
Freescale Semiconductor, Inc., 144A, 8.875%, 12/15/2014	435,000	415,425
L-3 Communications Corp.:		
5.875%, 1/15/2015	1,480,000	1,372,700
Series B, 6.375%, 10/15/2015	730,000	689,850
Lucent Technologies, Inc., 6.45%, 3/15/2029 (b)	1,870,000	1,626,900
MasTec, Inc., 144A, 7.625%, 2/1/2017	610,000	611,525
Sanmina-SCI Corp.:		
144A, 8.11%**, 6/15/2010 (b)	360,000	360,900
8.125%, 3/1/2016 (b)	615,000	571,950
Seagate Technology HDD Holdings, 6.8%, 10/1/2016	830,000	796,800
SunGard Data Systems, Inc., 10.25%, 8/15/2015 (b)	1,575,000	1,665,563
Unisys Corp., 7.875%, 4/1/2008	2,625,000	2,625,000
Vangent, Inc., 144A, 9.625%, 2/15/2015	350,000	353,901
		11,090,514
Materials 12.3%		
Appleton Papers, Inc., Series B, 8.125%, 6/15/2011	245,000	252,350
ARCO Chemical Co., 9.8%, 2/1/2020	4,305,000	4,670,925
Associated Materials, Inc., Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014 (b)	885,000	659,325
Cascades, Inc., 7.25%, 2/15/2013	1,291,000	1,255,497
Chemtura Corp., 6.875%, 6/1/2016	845,000	798,525

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
Clondalkin Acquisition BV:			
144A, 6.147%**, 12/15/2013	EUR	75,000	105,365
144A, 7.359%**, 12/15/2013		160,000	159,994
CPG International I, Inc.:			
10.5%, 7/1/2013		1,235,000	1,265,875
12.117%**, 7/1/2012		280,000	287,000
Equistar Chemical Funding, 10.625%, 5/1/2011		603,000	634,657
Exopack Holding Corp., 11.25%, 2/1/2014		1,470,000	1,550,850
Freeport-McMoRan Copper & Gold, Inc., 8.375%, 4/1/2017		690,000	736,575
GEO Specialty Chemicals, Inc., 144A, 13.349%, 12/31/2009 (f)		3,044,000	2,499,885
Georgia-Pacific Corp., 144A, 7.125%, 1/15/2017		305,000	292,800
Gibraltar Industries, Inc., Series B, 8.0%, 12/1/2015		435,000	426,300
Hexcel Corp., 6.75%, 2/1/2015		1,800,000	1,746,000
Hexion US Financial, 9.75%, 11/15/2014		350,000	362,250
Huntsman LLC, 11.625%, 10/15/2010		1,277,000	1,372,775
Ineos Group Holdings PLC, 144A, 7.875%, 2/15/2016	EUR	350,000	444,101
International Coal Group, Inc., 10.25%, 7/15/2014		595,000	615,081
Jefferson Smurfit Corp., 8.25%, 10/1/2012		220,000	218,350
Koppers Holdings, Inc., Step-up Coupon, 0% to 11/15/2009, 9.875% to 11/15/2014		1,190,000	1,017,450
Lyondell Chemical Co.:			
6.875%, 6/15/2017		2,175,000	2,098,875
10.5%, 6/1/2013		295,000	318,600
MacDermid, Inc., 144A, 9.5%, 4/15/2017		435,000	437,175
Massey Energy Co.:			
6.625%, 11/15/2010		610,000	600,850
6.875%, 12/15/2013 (b)		965,000	884,181
Metals USA Holding Corp.:			
144A, 11.356%**, 1/15/2012 (PIK)		525,000	525,000
144A, 11.36%**, 7/1/2012 (PIK) (e)		565,000	519,800
Mueller Water Products, Inc., 144A, 7.375%, 6/1/2017		440,000	436,308
Millar Western Forest Products Ltd., 7.75%, 11/15/2013		435,000	374,644
Momentive Performance Materials, Inc.:			
144A, 9.75%, 12/1/2014		700,000	707,000
144A, 11.5%, 12/1/2016 (b)		260,000	262,600
Neenah Foundry Co., 9.5%, 1/1/2017		435,000	417,600
NewMarket Corp., 7.125%, 12/15/2016		1,045,000	1,011,037
OI European Group BV, 144A, 6.875%, 3/31/2017	EUR	525,000	714,114
Oxford Automotive, Inc., 144A, 12.0%, 10/15/2010*		1,962,795	29,442
Pliant Corp., 11.625%, 6/15/2009 (PIK)		11	12
Radnor Holdings Corp., 11.0%, 3/15/2010*		265,000	994
Rhodia SA, 144A, 6.718%**, 10/15/2013	EUR	525,000	713,972
Smurfit-Stone Container Enterprises, Inc.:			
8.0%, 3/15/2017		865,000	839,050
8.375%, 7/1/2012		435,000	435,544
Steel Dynamics, Inc., 144A, 6.75%, 4/1/2015		700,000	686,000
Terra Capital, Inc., Series B, 7.0%, 2/1/2017		1,315,000	1,268,975
The Mosaic Co., 144A, 7.375%, 12/1/2014		785,000	792,850
TriMas Corp., 9.875%, 6/15/2012		923,000	948,382
Witco Corp., 6.875%, 2/1/2026		360,000	298,800
Wolverine Tube, Inc., 10.5%, 4/1/2009		770,000	768,075
			37,461,810

Telecommunication Services 9.1%

		Principal Amount ($)(a)	Value ($)
American Cellular Corp., Series B, 10.0%, 8/1/2011		108,000	113,130
BCM Ireland, (Preferred), 144A, 11.061%**, 2/15/2017 (PIK)	EUR	453,367	609,350
Cell C Property Ltd., 144A, 11.0%, 7/1/2015		1,700,000	1,593,750
Centennial Communications Corp.:			
10.0%, 1/1/2013 (b)		1,035,000	1,110,037
10.125%, 6/15/2013		350,000	375,375
Cincinnati Bell, Inc.:			
7.25%, 7/15/2013		1,760,000	1,804,000
8.375%, 1/15/2014 (b)		465,000	469,650
Citizens Communications Co., 6.625%, 3/15/2015		605,000	574,750
Cricket Communications, Inc., 144A, 9.375%, 11/1/2014		1,310,000	1,352,575
Dobson Cellular Systems, 9.875%, 11/1/2012		685,000	738,087
Dobson Communications Corp., 8.875%, 10/1/2013		645,000	674,025
Embratel, Series B, 11.0%,12/15/2008		197,000	209,313
Grupo Iusacell SA de CV, Series B, 10.0%, 7/15/2004*		285,000	287,850
Insight Midwest LP, 9.75%, 10/1/2009		264,000	265,980
Intelsat Bermuda Ltd.:			
8.872%**, 1/15/2015		100,000	102,125
9.25%, 6/15/2016		295,000	313,438
11.25%, 6/15/2016		895,000	1,002,400
Intelsat Corp., 9.0%, 6/15/2016		345,000	361,388
Intelsat Ltd., 5.25%, 11/1/2008		335,000	329,975
Intelsat Subsidiary Holding Co., Ltd., 8.25%, 1/15/2013		725,000	735,875
iPCS, Inc., 144A, 7.48%**, 5/1/2013		210,000	210,263
MetroPCS Wireless, Inc., 144A, 9.25%,11/1/2014 (b)		1,360,000	1,404,200
Millicom International Cellular SA, 10.0%, 12/1/2013		710,000	768,575
Mobifon Holdings BV, 12.5%, 7/31/2010		2,251,000	2,402,942
Nextel Communications, Inc., Series D, 7.375%, 8/1/2015		1,515,000	1,514,350

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Nortel Networks Ltd.:		
144A, 9.606%**, 7/15/2011	810,000	861,637
144A, 10.125%, 7/15/2013	820,000	879,450
144A, 10.75%, 7/15/2016	595,000	657,475
Orascom Telecom Finance, 144A, 7.875%, 2/8/2014 (b)	270,000	261,117
Qwest Corp., 7.25%, 9/15/2025	150,000	149,625
Rural Cellular Corp., 9.875%, 2/1/2010	805,000	841,225
Stratos Global Corp., 9.875%, 2/15/2013	340,000	361,250
SunCom Wireless Holdings, Inc., 8.5%, 6/1/2013 (b)	950,000	971,375
US Unwired, Inc., Series B, 10.0%, 6/15/2012	1,015,000	1,099,102
Virgin Media Finance PLC, 8.75%, 4/15/2014	1,500,000	1,545,000
West Corp., 9.5%, 10/15/2014	520,000	533,000
		27,483,659

Utilities 5.1%

AES Corp., 144A, 8.75%, 5/15/2013	2,840,000	2,996,200
Allegheny Energy Supply Co. LLC, 144A, 8.25%, 4/15/2012	2,445,000	2,603,925
CMS Energy Corp., 8.5%, 4/15/2011	1,070,000	1,138,072
Edison Mission Energy, 144A, 7.0%, 5/15/2017	790,000	744,575
Mirant Americas Generation LLC, 8.3%, 5/1/2011	365,000	376,863
Mirant North America LLC, 7.375%, 12/31/2013	310,000	316,975
NRG Energy, Inc.:		
7.25%, 2/1/2014	1,560,000	1,563,900
7.375%, 2/1/2016	1,830,000	1,834,575
PSE&G Energy Holdings LLC, 10.0%, 10/1/2009	1,730,000	1,859,987
Regency Energy Partners LP, 144A, 8.375%, 12/15/2013	915,000	942,450
Sierra Pacific Resources:		
6.75%, 8/15/2017	1,010,000	992,891
8.625%, 3/15/2014	200,000	214,662
		15,585,075
Total Corporate Bonds (Cost $299,624,835)		**295,594,874**

Government & Agency Obligations 0.3%

Sovereign Bonds

Republic of Argentina, 7.82%, 12/31/2033 (PIK) (Cost $870,404)	EUR	735,237	**916,637**

Loan Participation 0.3%

Alliance Mortgage Cycle Loan, LIBOR plus 7.25%, 12.68%**, 6/4/2010	700,000	560,000
Sabre, Inc., LIBOR plus 2.25%, 7.681%**, 9/30/2014 (e)	440,000	435,415
Total Loan Participation (Cost $1,141,100)		**995,415**

	Shares	Value ($)
Warrants 0.0%		
Dayton Superior Corp., 144A, Expiration 6/15/2009*	95	0
DeCrane Aircraft Holdings, Inc., 144A, Expiration 9/30/2008*	1,350	0
Total Warrants (Cost $1)		**0**

	Units	Value ($)
Other Investments 0.7%		
Hercules, Inc., (Bond Unit), 6.5%, 6/30/2029	1,100,000	968,000
IdleAire Technologies Corp. (Bond Unit), 144A, Step-up Coupon, 0% to 6/15/2008, 13.0% to 12/15/2012	1,735,000	1,179,800
Total Other Investments (Cost $2,297,982)		**2,147,800**

	Shares	Value ($)
Common Stocks 0.0%		
GEO Specialty Chemicals, Inc.*	24,225	18,532
GEO Specialty Chemicals, Inc. 144A*	2,206	1,688
Total Common Stocks (Cost $290,953)		**20,220**
Preferred Stocks 0.0%		
ION Media Networks, Inc. 14.25% (PIK) (Cost $9,006)	1	**9,000**
Convertible Preferred Stocks 0.1%		
ION Media Networks, Inc:		
144A, 9.75%, (PIK)	60	356,584
Series AI, 144A, 9.75% (PIK)	6	35,400
Total Convertible Preferred Stocks (Cost $455,025)		**391,984**
Securities Lending Collateral 11.7%		
Daily Assets Fund Institutional, 5.36% (c) (d) (Cost $35,341,483)	35,341,483	**35,341,483**
Cash Equivalents 0.4%		
Cash Management QP Trust, 5.34% (c) (Cost $1,103,430)	1,103,430	**1,103,430**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $341,134,219)†	110.9	**336,520,843**
Other Assets and Liabilities, Net	(10.9)	**(33,007,240)**
Net Assets	100.0	**303,513,603**

The accompanying notes are an integral part of the financial statements.

† The cost for federal income tax purposes was $341,321,936. At June 30, 2007, net unrealized depreciation for all securities based on tax cost was $4,801,093. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $3,337,931 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $8,139,024.

* Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or the interest or has filed for bankruptcy. The following table represents bonds that are in default:

Securities	Coupon	Maturity Date	Principal Amount		Acquisition Cost ($)	Value ($)
Congoleum Corp.	8.625%	8/1/2008	1,200,000	USD	1,137,800	1,098,000
Grupo Iusacell SA de CV	10.0%	7/15/2004	285,000	USD	182,087	287,850
Oxford Automotive, Inc.	12.0%	10/15/2010	1,962,795	USD	1,623,259	29,442
Radnor Holdings Corp.	11.0%	3/15/2010	265,000	USD	242,395	994
					3,185,541	**1,416,286**

** Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury Bill rate. These securities are shown at their current rate as of June 30, 2007.

(a) *Principal amount stated in US dollars unless otherwise noted.*

(b) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $34,444,783 which is 11.3% of net assets.*

(c) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(d) *Represents collateral held in connection with securities lending.*

(e) *When issue security.*

(f) *Security has deferred interest payment of $92,407 from March 31, 2006.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

LIBOR: Represents the London InterBank Offered Rate.

PIK: Denotes that all or a portion of the income is paid in-kind.

As of June 30, 2007, the Portfolio had the following open forward foreign currency exchange contract:

Contract to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)
EUR	3,981,000	USD	5,390,153	7/11/2007	**(1,658)**

Currency Abbreviations			
EUR	Euro	USD	United States Dollar

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $304,689,306) — including $34,444,783 of securities loaned	$	300,075,930
Investment in Daily Assets Fund Institutional (cost $35,341,483)*		35,341,483
Investment in Cash Management QP Trust (cost $1,103,430)		1,103,430
Total investments in securities, at value (cost $341,134,219)		336,520,843
Cash		259,571
Foreign currency, at value (cost $1,310)		1,322
Receivable for investments sold		2,327,248
Interest receivable		6,260,153
Foreign taxes recoverable		6,328
Receivable for Portfolio shares sold		2,983
Other assets		9,335
Total assets		345,387,783

Liabilities		
Payable for investments purchased		950,943
Payable for when-issued securities		5,045,306
Payable upon return of securities loaned		35,341,483
Payable for Portfolio shares redeemed		163,779
Accrued management fee		156,483
Unrealized depreciation on forward foreign currency exchange contracts		1,658
Other accrued expenses and payables		214,528
Total liabilities		41,874,180
Net assets, at value	**$**	**303,513,603**

Net Assets		
Net assets consist of:		
Undistributed net investment income		13,419,761
Net unrealized appreciation (depreciation) on:		
Investments		(4,613,376)
Foreign currency related transactions		161
Accumulated net realized gain (loss)		(113,935,088)
Paid-in capital		408,642,145
Net assets, at value	**$**	**303,513,603**
Class A		
Net Asset Value, offering and redemption price per share ($291,512,465 ÷ 36,591,934 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**7.97**
Class B		
Net Asset Value, offering and redemption price per share ($12,001,138 ÷ 1,503,604 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**7.98**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Interest (net of foreign taxes withheld of $733)	$	14,950,456
Dividends		783
Interest — Cash Management QP Trust		105,519
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		42,768
Total Income		15,099,526
Expenses:		
Management fee		1,057,123
Custodian fee		11,078
Distribution service fee (Class B)		49,735
Record keeping fees (Class B)		26,861
Auditing		29,086
Legal		15,917
Trustees' fees and expenses		15,868
Reports to shareholders		31,446
Other		85,251
Total expenses before expense reductions		1,322,365
Expense reductions		(2,634)
Total expenses after expense reductions		1,319,731
Net investment income		**13,779,795**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		2,063,046
Credit default swaps		162,385
Foreign currency related transactions		(148,953)
		2,076,478
Net unrealized appreciation (depreciation) during the period on:		
Investments		(4,399,843)
Credit default swaps		(103,778)
Foreign currency related transactions		46,963
		(4,456,658)
Net gain (loss) on investment transactions		**(2,380,180)**
Net increase (decrease) in net assets resulting from operations	**$**	**11,399,615**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income	$ 13,779,795	$ 29,073,209
Net realized gain (loss) on investment transactions	2,076,478	(4,241,151)
Net unrealized appreciation (depreciation) on investment transactions during the period	(4,456,658)	12,833,965
Net increase (decrease) in net assets resulting from operations	11,399,615	37,666,023
Distributions to shareholders from:		
Net investment income:		
Class A	(24,698,902)	(26,233,542)
Class B	(3,765,571)	(4,096,501)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	12,060,738	42,074,123
Reinvestment of distributions	24,698,902	26,233,542
Cost of shares redeemed	(51,640,084)	(96,640,530)
Net increase (decrease) in net assets from Class A share transactions	(14,880,444)	(28,332,865)
Class B		
Proceeds from shares sold	1,919,138	8,449,167
Reinvestment of distributions	3,765,571	4,096,501
Cost of shares redeemed	(45,040,894)	(15,970,978)
Net increase (decrease) in net assets from Class B share transactions	(39,356,185)	(3,425,310)
Increase (decrease) in net assets	(71,301,487)	(24,422,195)
Net assets at beginning of period	374,815,090	399,237,285
Net assets at end of period (including undistributed net investment income of $13,419,761 and $28,104,439, respectively)	**$ 303,513,603**	**$ 374,815,090**

Other Information		
Class A		
Shares outstanding at beginning of period	38,357,993	41,769,600
Shares sold	1,448,019	5,241,451
Shares issued to shareholders in reinvestment of distributions	3,110,693	3,376,260
Shares redeemed	(6,324,771)	(12,029,318)
Net increase (decrease) in Class A shares	(1,766,059)	(3,411,607)
Shares outstanding at end of period	**36,591,934**	**38,357,993**
Class B		
Shares outstanding at beginning of period	6,354,214	6,770,189
Shares sold	227,033	1,037,633
Shares issued to shareholders in reinvestment of distributions	473,062	525,192
Shares redeemed	(5,550,705)	(1,978,800)
Net increase (decrease) in Class B shares	(4,850,610)	(415,975)
Shares outstanding at end of period	**1,503,604**	**6,354,214**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.38**	**$ 8.23**	**$ 8.78**	**$ 8.43**	**$ 7.40**	**$ 8.13**
Income (loss) from investment operations:						
Net investment income[b]	.32	.62	.68	.67	.67	.75
Net realized and unrealized gain (loss) on investment transactions	(.07)	.19	(.38)	.31	1.03	(.74)
Total from investment operations	.25	.81	.30	.98	1.70	.01
Less distributions from:						
Net investment income	(.66)	(.66)	(.85)	(.63)	(.67)	(.74)
Net asset value, end of period	**$ 7.97**	**$ 8.38**	**$ 8.23**	**$ 8.78**	**$ 8.43**	**$ 7.40**
Total Return (%)	3.03**	10.47	3.89	12.42	24.62	(.30)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	292	322	344	393	413	329
Ratio of expenses (%)	.69*	.71	.70	.66	.67	.66
Ratio of net investment income (%)	7.76*	7.73	8.27	8.11	8.62	10.07
Portfolio turnover rate (%)	42**	93	100	162	165	138

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.38**	**$ 8.22**	**$ 8.77**	**$ 8.41**	**$ 7.39**	**$ 7.21**
Income (loss) from investment operations:						
Net investment income[c]	.31	.59	.65	.64	.64	.31
Net realized and unrealized gain (loss) on investment transactions	(.08)	.20	(.39)	.32	1.03	(.13)
Total from investment operations	.23	.79	.26	.96	1.67	.18
Less distributions from:						
Net investment income	(.63)	(.63)	(.81)	(.60)	(.65)	—
Net asset value, end of period	**$ 7.98**	**$ 8.38**	**$ 8.22**	**$ 8.77**	**$ 8.41**	**$ 7.39**
Total Return (%)	2.73**	10.11	3.41	12.08	24.14	2.50**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	12	53	56	57	37	1
Ratio of expenses (%)	1.08*	1.11	1.10	1.06	1.06	.92*
Ratio of net investment income (loss) (%)	7.37*	7.34	7.87	7.71	8.23	8.78*
Portfolio turnover rate (%)	42**	93	100	162	165	138

a *For the six months ended June 30, 2007 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS International Select Equity VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,109.30	$1,107.00
Expenses Paid per $1,000*	$ 4.86	$ 6.79
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,020.18	$1,018.35
Expenses Paid per $1,000*	$ 4.66	$ 6.51

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS International Select Equity VIP	.93%	1.30%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS International Select Equity VIP

During the first half of 2007, international equities — as measured by the US dollar return of the Portfolio's benchmark, the MSCI EAFE® + EMF Index — gained 12.19%. The Class A shares (unadjusted for contract charges) of the Portfolio trailed the return of the index.

It is important to note that the Portfolio's industry and sector weightings are the not the result of top-down positioning, but rather our individual stock selection. With this in mind, the Portfolio's performance was boosted by an overweight in Germany, which outperformed the broader global markets, as well as an underweight in Japan, which lagged.[1] On a sector basis, performance was helped by an overweight in the industrials sector. Our stock selection was also strong in this group, led by a position in AMEC PLC, a UK-based energy and commodities company. Telecommunications services was another positive sector for the Portfolio. The top contributor here was Millicom International Cellular SA,* a wireless provider in Latin America and Africa. The third-best sector in terms of stock selection was utilities, where performance was helped by a rally in the German utility E.ON AG. Among the largest detractors were Banca Italease,* an Italian leasing and asset securitization company, and two consumer staples stocks that failed to keep pace with the rising market: Japan Tobacco, Inc. and the Canadian stock Shoppers Drug Mart Corp.

Despite rising investor risk aversion late in the period, we believe the fundamental underpinnings of the global markets remain firm. We continue to find fast-growing, reasonably valued companies in Europe and Asia ex-Japan, as well as in small- and mid-cap companies that are not as heavily followed by the global research community.

Matthias Knerr, CFA

Portfolio Manager
Deutsche Investment Management Americas Inc.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The MSCI EAFE + EMF Index (Morgan Stanley Capital International Europe, Australasia, Far East and Emerging Markets Free Index) is an unmanaged index generally accepted as a benchmark for major overseas markets plus emerging markets. The index is calculated using closing local market prices and translates into US dollars using the London close foreign exchange rates. Index returns assume reinvested dividends and, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

* *As of June 30, 2007, the positions were sold.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS International Select Equity VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	98%	94%
Preferred Stocks	2%	3%
Cash Equivalents	—	3%
	100%	100%

Geographical Diversification (As a % of Common and Preferred Stocks)	**6/30/07**	**12/31/06**
Continental Europe	53%	56%
United Kingdom	19%	15%
Japan	18%	20%
Asia (excluding Japan)	5%	3%
Canada	3%	—
Latin America	2%	6%
	100%	100%

Sector Diversification (As a % of Common and Preferred Stocks)	**6/30/07**	**12/31/06**
Financials	29%	30%
Consumer Discretionary	16%	17%
Industrials	14%	9%
Consumer Staples	8%	5%
Information Technology	7%	8%
Health Care	7%	12%
Energy	7%	6%
Materials	6%	5%
Telecommunications Services	5%	6%
Utilities	1%	2%
	100%	100%

Asset allocation, geographical and sector diversifications are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 101. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS International Select Equity VIP

	Shares	Value ($)
Common Stocks 98.4%		
Australia 1.3%		
Leighton Holdings Ltd. (Cost $2,821,954)	94,800	**3,296,456**
Austria 1.4%		
Erste Bank der oesterreichischen Sparkassen AG (Cost $2,685,016)	44,900	**3,505,256**
Belgium 3.9%		
KBC Groep NV (Cost $8,860,174)	71,400	**9,575,960**
Canada 2.6%		
Shoppers Drug Mart Corp. (Cost $5,984,191)	140,200	**6,493,751**
China 0.0%		
China High Speed Transmission Equipment Group Co., Ltd.* (Cost $8,238)	9,000	**10,014**
Finland 1.8%		
Nokian Renkaat Oyj (Cost $1,694,909)	127,400	**4,457,621**
France 2.6%		
Total SA	59,012	4,790,388
Vallourec SA (a)	4,669	1,492,127
(Cost $2,799,525)		**6,282,515**
Germany 14.4%		
Bayer AG	73,111	5,538,685
Compugroup Holding AG*	52,025	1,158,528
E.ON AG	21,338	3,585,412
Fresenius Medical Care AG & Co.	81,600	3,766,419
GEA Group AG*	116,599	4,057,216
Gerresheimer AG*	91,730	4,717,772
Hypo Real Estate Holding AG	73,839	4,782,911
Merck KGaA	27,498	3,782,423
Siemens AG (Registered)	29,000	4,172,155
(Cost $24,118,991)		**35,561,521**
Greece 2.0%		
National Bank of Greece SA (Cost $3,417,821)	87,000	**4,983,966**
Hong Kong 2.9%		
China Mobile Ltd.	304,000	3,281,198
Esprit Holdings Ltd.	301,000	3,832,003
(Cost $6,410,700)		**7,113,201**
Italy 3.2%		
UniCredito Italiano SpA (Cost $7,204,272)	893,900	**7,963,380**
Japan 17.6%		
Canon, Inc. (a)	171,500	10,064,214
Japan Tobacco, Inc.	1,502	7,407,126
Komatsu Ltd.	115,000	3,330,853
Mitsui Fudosan Co., Ltd.	159,000	4,461,896
Mizuho Financial Group, Inc.	477	3,293,580
ORIX Corp.	19,000	4,990,622
Sumitomo Corp.	97,000	1,763,391
Suzuki Motor Corp.	162,000	4,601,728
Yamaha Motor Co., Ltd.	124,800	3,612,827
(Cost $35,104,161)		**43,526,237**
Kazakhstan 0.7%		
KazMunaiGas Exploration Production (GDR) 144A (Cost $1,262,735)	81,700	**1,784,328**
Korea 1.2%		
Samsung Electronics Co., Ltd. (GDR) 144A (Cost $1,976,411)	9,290	**2,875,255**
Mexico 1.8%		
Grupo Financiero Banorte SAB de CV "O" (Cost $3,801,587)	984,600	**4,509,465**
Netherlands 1.3%		
Akzo Nobel NV (Cost $3,002,821)	38,400	**3,313,078**
New Zealand 0.6%		
Fletcher Building Ltd. (Cost $1,244,063)	162,200	**1,543,357**
Norway 1.8%		
Statoil ASA (Cost $3,943,396)	145,500	**4,503,220**
Pakistan 0.5%		
MCB Bank Ltd. (GDR) 144A (Cost $698,394)	45,788	**1,098,912**
Russia 3.9%		
Gazprom (REG S) (ADR)	146,350	6,063,999
VTB Bank (GDR) 144A*	324,350	3,561,363
(Cost $9,141,599)		**9,625,362**
Spain 4.2%		
Industria de Diseno Textil SA	35,900	2,117,632
Obrascon Huarte Lain SA	37,179	1,673,833
Telefonica SA	295,777	6,574,665
(Cost $9,149,749)		**10,366,130**
Sweden 3.9%		
Rezidor Hotel Group AB	475,500	4,149,811
Tele2 AB "B"	136,800	2,232,330
Telefonaktiebolaget LM Ericsson "B"	839,800	3,350,012
(Cost $8,162,773)		**9,732,153**
Switzerland 5.8%		
Compagnie Financiere Richemont SA "A" (Unit)	65,282	3,899,861
Lonza Group AG (Registered)	39,186	3,596,481
Nestle SA (Registered)	4,952	1,880,785
Roche Holding AG (Genusschein)	28,515	5,058,373
(Cost $10,743,069)		**14,435,500**
United Arab Emirates 0.4%		
Emaar Properties (Cost $1,050,040)	314,496	**1,014,655**
United Kingdom 18.6%		
3i Group PLC	339,299	7,891,347
AMEC PLC	846,227	9,929,304
Aviva PLC	218,783	3,249,030
Capita Group PLC	255,326	3,700,455
Greene King PLC	206,520	4,010,322
Prudential PLC	178,731	2,545,255
Serco Group PLC	253,484	2,287,505

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Standard Chartered PLC	144,965	4,729,883
Tesco PLC	389,435	3,260,075
Whitbread PLC	124,534	4,399,134
(Cost $39,654,338)		**46,002,310**
Total Common Stocks (Cost $194,940,927)		**243,573,603**

Preferred Stocks 1.7%

Germany

	Shares	Value ($)
Porsche AG (Cost $2,219,082)	2,392	**4,258,425**

Securities Lending Collateral 5.1%

	Shares	Value ($)
Daily Assets Fund Institutional, 5.36% (b) (c) (Cost $12,549,375)	12,549,375	**12,549,375**

Cash Equivalents 0.7%

	Shares	Value ($)
Cash Management QP Trust, 5.34% (b) (Cost $1,753,840)	1,753,840	**1,753,840**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $211,463,224)†	105.9	**262,135,243**
Other Assets and Liabilities, Net (a)	(5.9)	**(14,691,844)**
Net Assets	100.0	**247,443,399**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $218,140,177. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $43,995,066. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $51,500,028 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $7,504,962.*

(a) *All or a portion of these securities were on loan amounting to $10,435,288. In addition, included in other assets and liabilities, net are pending sales, amounting to $1,510,808, that are also on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $11,946,096 which is 4.8% of net assets.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $197,160,009) — including $10,435,288 of securities loaned	$ 247,832,028
Investment in Daily Assets Fund Institutional (cost $12,549,375)*	12,549,375
Investment in Cash Management QP Trust (cost $1,753,840)	1,753,840
Total investments in securities, at value (cost $211,463,224)	262,135,243
Cash	206
Foreign currency, at value (cost $8,300)	8,460
Receivable for investments sold	1,765,425
Dividends receivable	544,645
Interest receivable	22,229
Foreign taxes recoverable	138,021
Other assets	5,027
Total assets	264,619,256
Liabilities	
Payable for investments purchased	2,395,933
Payable for Portfolio shares redeemed	1,939,349
Payable upon return of securities loaned	12,549,375
Accrued management fee	163,982
Other accrued expenses and payables	127,218
Total liabilities	17,175,857
Net assets, at value	**$ 247,443,399**
Net Assets	
Net assets consist of:	
Accumulated distributions in excess of net investment income	(3,894,204)
Net unrealized appreciation (depreciation) on:	
Investments	50,672,019
Foreign currency related transactions	24,518
Accumulated net realized gain (loss)	39,734,774
Paid-in capital	160,906,292
Net assets, at value	**$ 247,443,399**
Class A	
Net Asset Value, offering and redemption price per share ($232,679,239 ÷ 14,603,548 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 15.93**
Class B	
Net Asset Value, offering and redemption price per share ($14,764,160 ÷ 927,626 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 15.92**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $418,468)	$ 3,733,558
Interest	12,418
Interest — Cash Management QP Trust	106,242
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	201,547
Total Income	4,053,765
Expenses:	
Management fee	1,062,092
Custodian fee	111,835
Distribution service fee (Class B)	68,315
Record keeping fees (Class B)	34,181
Auditing	29,200
Legal	7,971
Trustees' fees and expenses	10,500
Reports to shareholders	70,209
Other	26,619
Total expenses before expense reductions	1,420,922
Expense reductions	(2,348)
Total expenses after expense reductions	1,418,574
Net investment income (loss)	**2,635,191**
Realized and Unrealized Gain (Loss) on Investment Transactions	
Net realized gain (loss) from:	
Investments	40,197,841
Foreign currency related transactions	(107,539)
Net increase from payments by affiliates and net losses realized on trades executed incorrectly	—
	40,090,302
Net unrealized appreciation (depreciation) during the period on:	
Investments	(11,983,215)
Foreign currency related transactions	6,610
	(11,976,605)
Net gain (loss) on investment transactions	**28,113,697**
Net increase (decrease) in net assets resulting from operations	**$ 30,748,888**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 2,635,191	$ 4,337,404
Net realized gain (loss) on investment transactions	40,090,302	51,728,515
Net unrealized appreciation (depreciation) during the period on investment transactions	(11,976,605)	6,810,936
Net increase (decrease) in net assets resulting from operations	30,748,888	62,876,855
Distributions to shareholders from:		
Net investment income:		
Class A	(6,153,181)	(4,319,400)
Class B	(1,706,211)	(1,106,261)
Net realized gains:		
Class A	(21,172,091)	—
Class B	(6,853,490)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	13,286,506	19,462,653
Reinvestment of distributions	27,325,272	4,319,400
Cost of shares redeemed	(27,001,036)	(40,279,711)
Net increase (decrease) in net assets from Class A share transactions	13,610,742	(16,497,658)
Class B		
Proceeds from shares sold	2,628,500	6,691,885
Reinvestment of distributions	8,559,701	1,106,261
Cost of shares redeemed	(67,670,657)	(11,527,517)
Net increase (decrease) in net assets from Class B share transactions	(56,482,456)	(3,729,371)
Increase (decrease) in net assets	(48,007,799)	37,224,165
Net assets at beginning of period	295,451,198	258,227,033
Net assets at end of period (including accumulated distributions in excess of net investment income of $3,894,204 and undistributed net investment income of $1,329,997, respectively)	**$ 247,443,399**	**$ 295,451,198**

Other Information		
Class A		
Shares outstanding at beginning of period	13,653,834	14,778,650
Shares sold	810,359	1,353,025
Shares issued to shareholders in reinvestment of distributions	1,820,471	298,301
Shares redeemed	(1,681,116)	(2,776,142)
Net increase (decrease) in Class A shares	949,714	(1,124,816)
Shares outstanding at end of period	**14,603,548**	**13,653,834**
Class B		
Shares outstanding at beginning of period	4,475,081	4,725,198
Shares sold	162,029	460,794
Shares issued to shareholders in reinvestment of distributions	570,267	76,399
Shares redeemed	(4,279,751)	(787,310)
Net increase (decrease) in Class B shares	(3,547,455)	(250,117)
Shares outstanding at end of period	**927,626**	**4,475,081**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$16.31**	**$13.25**	**$11.91**	**$10.18**	**$ 7.96**	**$ 9.24**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.16	.24[c]	.20	.17	.10	.12
Net realized and unrealized gain (loss) on investment transactions	1.50	3.11	1.48	1.67	2.23	(1.36)
Total from investment operations	1.66	3.35	1.68	1.84	2.33	(1.24)
Less distributions from:						
Net investment income	(.46)	(.29)	(.34)	(.11)	(.11)	(.04)
Net realized gain on investment transactions	(1.58)	—	—	—	—	—
Total distributions	(2.04)	(.29)	(.34)	(.11)	(.11)	(.04)
Net asset value, end of period	**$15.93**	**$16.31**	**$13.25**	**$11.91**	**$10.18**	**$ 7.96**
Total Return (%)	10.93**	25.56	14.51	18.25	29.83	(13.48)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	233	223	196	184	147	120
Ratio of expenses (%)	.93*	.88	.87	.89	.94	.85
Ratio of net investment income (%)	.96[d]	1.65[c]	1.59	1.58	1.17	1.46
Portfolio turnover rate (%)	51**	122	93	88	139	190

[a] *For the six months ended June 30, 2007 (Unaudited).*

[b] *Based on average shares outstanding during the period.*

[c] *Net investment income per share and the ratio of net investment income without non-recurring dividend income amounting to $0.20 per share and 1.39% of average daily net assets, respectively.*

[d] *The ratio for the six months ended June 30, 2007 has not been annualized since the Portfolio believes it would not be appropriate because the Portfolio's dividend income is not earned ratably throughout the fiscal year.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$16.26**	**$13.21**	**$11.88**	**$10.15**	**$ 7.94**	**$ 8.98**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.12	.19[d]	.15	.13	.06	.02
Net realized and unrealized gain (loss) on investment transactions	1.51	3.09	1.47	1.67	2.24	(1.06)
Total from investment operations	1.63	3.28	1.62	1.80	2.30	(1.04)
Less distributions from:						
Net investment income	(.39)	(.23)	(.29)	(.07)	(.09)	—
Net realized gain on investment transactions	(1.58)	—	—	—	—	—
Total distributions	(1.97)	(.23)	(.29)	(.07)	(.09)	—
Net asset value, end of period	**$15.92**	**$16.26**	**$13.21**	**$11.88**	**$10.15**	**$ 7.94**
Total Return (%)	10.70**	25.06	14.00	17.84	29.42	(11.58)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	15	73	62	47	18	.4
Ratio of expenses (%)	1.30*	1.26	1.26	1.28	1.33	1.11*
Ratio of net investment income (%)	.77[e]	1.27[d]	1.20	1.19	.78	.54*
Portfolio turnover rate (%)	51**	122	93	88	139	190

[a] *For the six months ended June 30, 2007 (Unaudited).*

[b] *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

[d] *Net investment income per share and the ratio of net investment income without non-recurring dividend income amounting to $0.15 per share and 1.01% of average daily net assets, respectively.*

[e] *The ratio for the six months ended June 30, 2007 has not been annualized since the Portfolio believes it would not be appropriate because the Portfolio's dividend income is not earned ratably throughout the fiscal year.*

* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Janus Growth & Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,057.50	$1,056.30
Expenses Paid per $1,000*	$ 4.64	$ 6.63
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,020.28	$1,018.35
Expenses Paid per $1,000*	$ 4.56	$ 6.51

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Janus Growth & Income VIP	.91%	1.30%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Janus Growth & Income VIP

For the six months ended June 30, 2007, the Portfolio's Class A shares (unadjusted for contract charges) underperformed its benchmark, the Russell 1000® Growth Index, which returned 8.13%.

The Portfolio's holding in Advanced Micro Devices, Inc. (AMD) was the largest detractor, with shares declining almost 30% in the period. However, later this year, AMD plans to introduce new architecture, which should refresh its product portfolio for the server, desktop and mobile markets. Although management reduced the position in AMD to reflect current challenges, we still believe that the microprocessor industry is moving to a duopoly structure where AMD may be able to capture 20% to 30% share in every major segment of the market.

The holding in Rackable Systems, Inc. was another large detractor, with shares declining almost 60% in the period. Rackable is a leading provider of server and storage systems for large data center deployments. In recent quarters, the company reported lower-than-expected gross margins due to increased competition from IBM, Dell and Hewlett-Packard. The vulnerability to price pressure invalidated management's thesis in the value proposition of the company's product offering, and we sold the entire position in the stock.

A significant contributor was EnCana Corp., the second-largest natural gas producer in North America, and the company also holds a leading position in the Canadian oil sands. During the period, Valero Energy Corp. was a top-five contributor to the Portfolio, with shares gaining almost 45%.

Another contributor was EMC Corp., the leading provider of information storage systems. Over the past six months, EMC shares significantly outperformed the market due to improving storage demand as well as the company's announcement that it will offer 10% of VMware in an initial public offering. The Portfolio is holding a position in EMC, because management believes that the VMware IPO may result in continued multiple expansion of EMC.

Management remains committed to fundamental research and a bottom-up stock-picking process.

Thank you for your continued investment.

Minyoung Sohn
Portfolio Manager

Janus Capital Management LLC, Subadvisor to the Portfolio

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. The Portfolio also 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 such that when interest rates rise, the prices of the bonds, and thus the value of the Portfolio, can decline and the investor can lose principal value. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 1000 Growth Index is an unmanaged index composed of common stocks of larger US companies with higher price-to-book ratios and higher forecasted growth values. Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Janus Growth & Income VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	93%	98%
Other	6%	—
Cash Equivalents	1%	2%
	100%	100%

Sector Diversification (As a % of Common and Preferred Stocks)	**6/30/07**	**12/31/06**
Information Technology	25%	25%
Financials	17%	12%
Energy	15%	18%
Consumer Discretionary	14%	17%
Industrials	11%	9%
Health Care	9%	11%
Consumer Staples	7%	8%
Materials	2%	—
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 109. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Janus Growth & Income VIP

	Shares	Value ($)
Common Stocks 94.1%		
Consumer Discretionary 13.7%		
Hotels Restaurants & Leisure 0.8%		
Melco PBL Entertainment (Macau) Ltd. (ADR)* (a)	118,080	**1,483,085**
Household Durables 0.4%		
NVR, Inc.* (a)	1,280	**870,080**
Media 7.4%		
British Sky Broadcasting Group PLC	349,236	4,475,881
Clear Channel Outdoor Holdings, Inc. "A"* (a)	15,620	442,671
Lamar Advertising Co. "A" (a)	38,450	2,413,122
Marvel Entertainment, Inc.* (a)	110,882	2,825,273
News Corp. "B" (a)	64,925	1,489,379
XM Satellite Radio Holdings, Inc. "A"* (a)	195,375	2,299,564
		13,945,890
Multiline Retail 1.7%		
J.C. Penney Co., Inc.	12,515	905,836
Nordstrom, Inc. (a)	43,895	2,243,912
		3,149,748
Specialty Retail 3.4%		
Best Buy Co., Inc.	44,640	2,083,349
PETsMART, Inc. (a)	57,680	1,871,716
Tiffany & Co.	45,890	2,434,923
		6,389,988
Consumer Staples 7.0%		
Food & Staples Retailing 3.7%		
CVS Caremark Corp.	152,515	5,559,172
Whole Foods Market, Inc. (a)	39,065	1,496,189
		7,055,361
Household Products 2.3%		
Procter & Gamble Co.	70,885	**4,337,453**
Tobacco 1.0%		
Altria Group, Inc.	26,035	**1,826,095**
Energy 15.3%		
Energy Equipment & Services 1.4%		
Halliburton Co.	75,260	**2,596,470**
Oil, Gas & Consumable Fuels 13.9%		
Apache Corp.	16,010	1,306,256
EnCana Corp.	82,928	5,095,926
EOG Resources, Inc. (a)	18,580	1,357,455
ExxonMobil Corp.	57,350	4,810,518
Hess Corp.	74,819	4,411,328
Peabody Energy Corp. (a)	20,270	980,663
Suncor Energy, Inc.	49,938	4,498,522
Valero Energy Corp.	50,705	3,745,071
		26,205,739
Financials 12.2%		
Capital Markets 1.5%		
E*TRADE Financial Corp.*	32,025	707,432
UBS AG (Registered)	36,765	2,206,268
		2,913,700
Commercial Banks 2.8%		
Commerce Bancorp, Inc. (a)	63,715	2,356,818
US Bancorp.	88,042	2,900,984
		5,257,802
Diversified Financial Services 4.7%		
Citigroup, Inc.	71,753	3,680,211
JPMorgan Chase & Co.	89,230	4,323,194
The Blackstone Group LP (Limited Partnership)* (a)	28,270	827,462
		8,830,867
Insurance 0.7%		
American International Group, Inc.	18,755	**1,313,412**
Thrifts & Mortgage Finance 2.5%		
Fannie Mae	71,945	**4,700,167**
Health Care 8.3%		
Biotechnology 0.8%		
Amylin Pharmaceuticals, Inc.* (a)	1,230	50,627
Genentech, Inc.*	19,795	1,497,689
		1,548,316
Health Care Equipment & Supplies 1.9%		
Align Technology, Inc.* (a)	94,040	2,272,007
Nobel Biocare Holding AG (Bearer)	4,175	1,363,235
		3,635,242
Health Care Providers & Services 2.8%		
Coventry Health Care, Inc.*	45,875	2,644,694
Express Scripts, Inc.*	52,390	2,620,024
		5,264,718
Pharmaceuticals 2.8%		
Roche Holding AG (Genusschein)	20,276	3,596,829
Sanofi-Aventis (a)	21,037	1,698,709
		5,295,538
Industrials 10.5%		
Aerospace & Defense 2.5%		
Boeing Co.	27,225	2,617,956
Empresa Brasiliera de Aeronautica SA (ADR)	43,073	2,076,549
		4,694,505
Air Freight & Logistics 1.0%		
United Parcel Service, Inc. "B"	24,715	**1,804,195**
Commercial Services & Supplies 0.6%		
Corporate Executive Board Co. (a)	10,190	661,433
Waste Management, Inc.	13,710	535,375
		1,196,808
Electrical Equipment 2.9%		
Rockwell Automation, Inc.	35,740	2,481,785
Suntech Power Holdings Co., Ltd. (ADR)* (a)	82,042	2,992,072
		5,473,857
Industrial Conglomerates 2.9%		
General Electric Co.	143,880	**5,507,727**
Machinery 0.6%		
Caterpillar, Inc.	15,005	**1,174,892**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Information Technology 25.3%		
Communications Equipment 3.0%		
Corning, Inc.*	35,615	909,963
Nokia Oyj (ADR)	93,778	2,636,100
QUALCOMM, Inc.	46,885	2,034,340
		5,580,403
Computers & Peripherals 4.5%		
Dell, Inc.*	108,090	3,085,970
EMC Corp.*	301,145	5,450,724
		8,536,694
Internet Software & Services 5.0%		
eBay, Inc.*	83,640	2,691,535
Google, Inc. "A"*	5,460	2,857,655
Yahoo!, Inc.*	141,440	3,837,267
		9,386,457
IT Services 2.2%		
Infosys Technologies Ltd. (ADR)	32,809	1,652,917
Satyam Computer Services, Ltd. (ADR) (a)	32,809	812,351
Western Union Co.	78,885	1,643,175
		4,108,443
Semiconductors & Semiconductor Equipment 8.5%		
Advanced Micro Devices, Inc.* (a)	267,395	3,823,748
NVIDIA Corp.*	87,129	3,599,299
Samsung Electronics Co., Ltd. (GDR), 144A	11,779	3,645,601
Spansion, Inc. "A"* (a)	179,860	1,996,446
Texas Instruments, Inc.	81,505	3,067,033
		16,132,127
Software 2.1%		
Electronic Arts, Inc.*	47,260	2,236,343
Red Hat, Inc.* (a)	78,145	1,741,071
		3,977,414
Materials 1.5%		
Metals & Mining 0.5%		
Barrick Gold Corp.	36,710	**1,067,160**
Paper & Forest Products 1.0%		
Weyerhaeuser Co.	23,500	**1,854,855**
Telecommunication Services 0.3%		
Wireless Telecommunication Services		
American Tower Corp. "A"*	12,475	**523,950**
Total Common Stocks (Cost $133,227,602)		**177,639,158**

	Shares	Value ($)
Equity Linked Structured Notes 5.0%		
Financials 5.0%		
Capital Markets 4.0%		
Merrill Lynch International:		
Convertible, Celgene Corp., 144A, 6.97%	32,322	1,839,445
Convertible, Peabody Energy Corp., 144A, 10.5%	42,872	1,963,966
Morgan Stanley:		
Convertible, Altria Group, Inc., 144A, 8.07%	52,790	1,744,974
Convertible, Google, Inc., 144A, 7.15%	3,734	1,934,511
		7,482,896
Diversified 1.0%		
Allegro Investment Corp. SA, Convertible, Corning, Inc., 144A, 10.4%	82,125	**2,009,270**
Total Equity Linked Structured Notes (Cost $9,132,859)		**9,492,166**

	Principal Amount ($)	Value ($)
Corporate Bonds 0.8%		
Financials		
Diversified		
Natixis Financial Products, Inc., 144A, 9.05%, 11/20/2007 (Cost $1,585,676)	1,585,676	**1,476,351**

	Shares	Value ($)
Securities Lending Collateral 16.2%		
Daily Assets Fund Institutional, 5.36% (b) (c) (Cost $30,490,383)	30,490,383	**30,490,383**
Cash Equivalents 0.5%		
Cash Management QP Trust, 5.34% (b) (Cost $887,037)	887,037	**887,037**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $175,323,557)†	116.6	**219,985,095**
Other Assets and Liabilities, Net	(16.6)	**(31,259,889)**
Net Assets	100.0	**188,725,206**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $175,584,382. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $44,400,713. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $47,976,637 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,575,924.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $29,848,509 which is 15.8% of net assets.*

(b) *Affiliated Fund is managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

The accompanying notes are an integral part of the financial statements.

As of June 30, 2007, the Portfolio had the following open foreign forward currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)
CHF	925,000	USD	763,208	8/15/2007	3,288
CHF	1,355,000	USD	1,126,089	11/29/2007	4,827
Total net unrealized appreciation					**8,115**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)
EUR	1,115,000	USD	1,511,750	11/29/2007	(4,208)
EUR	200,000	USD	266,333	10/17/2007	(5,286)
Total net unrealized depreciation					**(9,494)**

Currency Abbreviations

CHF	Swiss Franc	USD	United States Dollar
EUR	Euro		

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $143,946,137) — including $29,848,509 of securities loaned	$	188,607,675
Investments in Daily Asset Fund Institutional, (cost $30,490,383)*		30,490,383
Investment in Cash Management QP Trust (cost $887,037)		887,037
Total investments in securities, at value (cost $175,323,557)		219,985,095
Cash		33,714
Foreign currency, at value (cost $182,437)		184,060
Dividends receivable		89,214
Interest receivable		27,128
Foreign taxes recoverable		3,461
Unrealized appreciation on forward foreign currency exchange contracts		8,115
Other assets		5,362
Total assets		220,336,149
Liabilities		
Payable for investments purchased		658,324
Payable upon return of securities loaned		30,490,383
Payable for Portfolio shares redeemed		258,925
Unrealized depreciation on forward foreign currency exchange contracts		9,494
Accrued management fee		109,861
Other accrued expenses and payables		83,956
Total liabilities		31,610,943
Net assets, at value	**$**	**188,725,206**
Net Assets		
Net assets consist of:		
Undistributed net investment income		787,222
Net unrealized appreciation (depreciation) on:		
Investments		44,661,538
Foreign currency related transactions		290
Accumulated net realized gain (loss)		(1,814,009)
Paid-in capital		145,090,165
Net assets, at value	**$**	**188,725,206**
Class A		
Net Asset Value, offering and redemption price per share ($183,562,282 ÷ 14,663,157 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.52**
Class B		
Net Asset Value, offering and redemption price per share ($5,162,924 ÷ 414,403 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.46**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $58,229)		1,648,502
Interest — Cash Management QP Trust		40,625
Interest (net of foreign taxes withheld of $25)	$	16,029
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		31,576
Total Income		1,736,732
Expenses:		
Management fee		784,186
Custodian and accounting fees		48,200
Distribution service fee (Class B)		28,502
Record keeping fees (Class B)		15,844
Auditing		22,974
Legal		7,618
Trustees' fees and expenses		10,615
Reports to shareholders		52,543
Other		22,365
Total expenses before expense reductions		992,847
Expense reductions		(2,275)
Total expenses after expense reductions		990,572
Net investment income (loss)		**746,160**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		14,173,098
Foreign currency related transactions		(71,549)
		14,101,549
Net unrealized appreciation (depreciation) during the period on:		
Investments		(3,153,400)
Foreign currency related transactions		71,673
		(3,081,727)
Net gain (loss) on investment transactions		**11,019,822**
Net increase (decrease) in net assets resulting from operations	**$**	**11,765,982**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 746,160	$ 1,426,682
Net realized gain (loss) on investment transactions	14,101,549	26,044,260
Net unrealized appreciation (depreciation) during the period on investment transactions	(3,081,727)	(9,385,310)
Net increase (decrease) in net assets resulting from operations	11,765,982	18,085,632
Distributions to shareholders from:		
Net investment income:		
Class A	(1,085,636)	(1,244,972)
Class B	(60,241)	(74,570)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	998,488	11,754,230
Reinvestment of distributions	1,085,636	1,244,972
Cost of shares redeemed	(21,232,410)	(28,913,722)
Net increase (decrease) in net assets from Class A share transactions	(19,148,286)	(15,914,520)
Class B		
Proceeds from shares sold	840,082	2,861,992
Reinvestment of distributions	60,241	74,570
Cost of shares redeemed	(28,735,699)	(6,002,097)
Net increase (decrease) in net assets from Class B share transactions	(27,835,376)	(3,065,535)
Increase (decrease) in net assets	(36,363,557)	(2,213,965)
Net assets at beginning of period	225,088,763	227,302,728
Net assets at end of period (including undistributed net investment income of $787,222 and $1,186,939, respectively)	**$ 188,725,206**	**$ 225,088,763**

Other Information		
Class A		
Shares outstanding at beginning of period	16,236,105	17,645,394
Shares sold	82,285	1,022,138
Shares issued to shareholders in reinvestment of distributions	92,159	107,325
Shares redeemed	(1,747,392)	(2,538,752)
Net increase (decrease) in Class A shares	(1,572,948)	(1,409,289)
Shares outstanding at end of period	**14,663,157**	**16,236,105**
Class B		
Shares outstanding at beginning of period	2,676,871	2,946,169
Shares sold	70,422	250,333
Shares issued to shareholders in reinvestment of distributions	5,136	6,456
Shares redeemed	(2,338,026)	(526,087)
Net increase (decrease) in Class B shares	(2,262,468)	(269,298)
Shares outstanding at end of period	**414,403**	**2,676,871**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[†]
Selected Per Share Data						**(Restated)**
Net asset value, beginning of period	**$11.91**	**$11.05**	**$ 9.88**	**$ 8.86**	**$ 7.18**	**$ 9.05**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.05	.07	.05	.03	.03	.04
Net realized and unrealized gain (loss) on investment transactions	.63	.86	1.14	.99	1.71	(1.86)
Total from investment operations	.68	.93	1.19	1.02	1.74	(1.82)
Less distributions from:						
Net investment income	(.07)	(.07)	(.02)	—	(.06)	(.05)
Net asset value, end of period	**$12.52**	**$11.91**	**$11.05**	**$ 9.88**	**$ 8.86**	**$ 7.18**
Total Return (%)	5.75**	8.43	12.11	11.51	24.37	(20.22)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	184	193	195	187	189	167
Ratio of expenses (%)	.91*	.85	.92	1.06	1.07	1.04
Ratio of net investment income (loss) (%)	.75*	.68	.45	.34	.40	.54
Portfolio turnover rate (%)	27**	44	32	52	46	57

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
* *Annualized* ** *Not annualized*
† *Subsequent to December 31, 2002, these numbers have been restated to reflect an adjustment to the value of a security as of December 31, 2002. The effect of this adjustment for the year ended December 31, 2002 was to increase the net asset value per share by $0.03. The total return was also adjusted from –20.56% to –20.22% in accordance with this change.*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b†]
Selected Per Share Data						**(Restated)**
Net asset value, beginning of period	**$11.82**	**$10.97**	**$ 9.82**	**$ 8.84**	**$ 7.17**	**$ 7.96**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.02	.03	.01	(.01)	.00***	.02
Net realized and unrealized gain (loss) on investment transactions	.64	.85	1.14	.99	1.71	(.81)
Total from investment operations	.66	.88	1.15	.98	1.71	(.79)
Less distributions from:						
Net investment income	(.02)	(.03)	—	—	(.04)	—
Net asset value, end of period	**$12.46**	**$11.82**	**$10.97**	**$ 9.82**	**$ 8.84**	**$ 7.17**
Total Return (%)	5.63**	7.98	11.71[d]	11.09	23.94	(9.92)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	5	32	32	27	15	.4
Ratio of expenses before expense reductions (%)	1.30*	1.24	1.32	1.44	1.47	1.29*
Ratio of expenses after expense reductions (%)	1.30*	1.24	1.30	1.44	1.47	1.29*
Ratio of net investment income (loss) (%)	.36*	.29	.07	(.04)	(.01)	.48*
Portfolio turnover rate (%)	27**	44	32	52	46	57

a *For the six months ended June 30, 2007 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized* ** *Not annualized*
*** *Amount is less than $.005 per share.*
† *Subsequent to December 31, 2002, these numbers have been restated to reflect an adjustment to the value of a security as of December 31, 2002. The effect of this adjustment for the year ended December 31, 2002 was to increase the net asset value per share by $0.03. The total return was also adjusted from –10.30% to –9.92% in accordance with this change.*

Information About Your Portfolio's Expenses

DWS Large Cap Value VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,067.30	$1,065.40
Expenses Paid per $1,000*	$ 4.20	$ 6.20
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,020.73	$1,018.79
Expenses Paid per $1,000*	$ 4.11	$ 6.06

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Large Cap Value VIP	.82%	1.21%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Large Cap Value VIP

Except for a period of weakness in late February and early March, US equity markets were quite strong during the first six months of 2007. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, returned 7.11% for the six-month period. Growth stocks, as measured by the Russell 1000® Growth Index, performed better than value stocks, as measured by the Russell 1000® Value Index. The Portfolio's Class A shares, unadjusted for contract charges, outperformed its benchmark, the Russell 1000 Value Index, which posted a return of 6.23%.

In February 2007 a new management team assumed responsibility for the Portfolio, and we have made quite a few changes in the Portfolio over the last five months. In restructuring the Portfolio, we had three major objectives: to improve diversification by increasing the number of holdings; to increase the position in mid-cap stocks, with a corresponding reduction of the emphasis on the largest capitalization companies; and to increase the representation of companies based outside the US.

Stock selection in the industrials sector made a major contribution to return for the six-month period ending June 2007. Holdings in this sector that performed particularly well include Honeywell International, Inc., L-3 Communications Holdings, Inc. and United Technologies Corp. Also contributing to performance was the decision to reduce the position in the financials sector and to shift the emphasis from banks to insurance.

Performance relative to the benchmark was hurt by stock selection in materials, which was the strongest of the 10 sectors in the Russell 1000 Value Index. While several materials holdings, including Dow Chemical Co. and Sonoco Products Co., performed well, the Portfolio did not own some of the best-performing stocks in the index. Positions in retailers such as Best Buy Co., Inc. and Macy's Inc. also detracted from performance; both of these stocks have been sold.

Thomas Schuessler, PhD
Portfolio Manager

Deutsche Asset Management International GmbH, Subadvisor to the Portfolio

Risk Considerations

The Portfolio is subject to stock market risk. It focuses its investments on certain economic sectors, thereby increasing its vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell 3000 Index measures the performance of the 3,000 largest US companies based on total market capitalization, which represents approximately 98% of the investable US equity market.

The Russell 1000 Growth Index is an unmanaged, capitalization-weighted index consisting of those stocks in the Russell 1000 Index that have greater-than-average growth orientation.

The Russell 1000 Value Index is an unmanaged, capitalization-weighted index which consists of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted-growth values.

Index returns assume the reinvestment of all dividends and, unlike portfolio returns, do not include fees or expenses. It is not possible to invest directly into an index.

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Large Cap Value VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	100%	96%
Cash Equivalents	—	4%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/07**	**12/31/06**
Financials	22%	33%
Energy	20%	19%
Industrials	11%	9%
Information Technology	9%	10%
Health Care	9%	8%
Utilities	8%	1%
Consumer Staples	7%	5%
Materials	7%	4%
Telecommunication Services	5%	4%
Consumer Discretionary	2%	7%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 118. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Large Cap Value VIP

	Shares	Value ($)
Common Stocks 96.2%		
Consumer Discretionary 2.2%		
Hotels Restaurants & Leisure 1.1%		
McDonald's Corp.	61,900	**3,142,044**
Specialty Retail 1.1%		
Staples, Inc.	121,491	**2,882,981**
Consumer Staples 7.1%		
Food & Staples Retailing 1.4%		
CVS/Caremark Corp.	112,900	**4,115,205**
Food Products 3.0%		
General Mills, Inc.	71,500	4,177,030
Kraft Foods, Inc. "A"	117,195	4,131,124
		8,308,154
Tobacco 2.7%		
Altria Group, Inc.	60,329	4,231,476
Reynolds American, Inc.	49,900	3,253,480
		7,484,956
Energy 19.4%		
Energy Equipment & Services 6.5%		
Baker Hughes, Inc.	47,200	3,970,936
ENSCO International, Inc. (a)	52,500	3,203,025
Nabors Industries Ltd.*	65,030	2,170,701
Noble Corp.	35,800	3,491,216
Schlumberger Ltd.	62,500	5,308,750
		18,144,628
Oil, Gas & Consumable Fuels 12.9%		
BP PLC (ADR)	41,502	2,993,954
Chevron Corp.	46,600	3,925,584
ConocoPhillips	68,900	5,408,650
Devon Energy Corp.	60,700	4,752,203
ExxonMobil Corp.	61,343	5,145,451
Noble Energy, Inc.	78,600	4,903,854
Suncor Energy, Inc.	61,200	5,503,104
XTO Energy, Inc.	52,400	3,149,240
		35,782,040
Financials 20.8%		
Capital Markets 1.7%		
Bank of New York Co., Inc.*	111,503	**4,620,684**
Commercial Banks 5.5%		
US Bancorp.	125,008	4,119,014
Wachovia Corp.	106,838	5,475,447
Wells Fargo & Co.	79,100	2,781,947
Zions Bancorp.	38,394	2,952,883
		15,329,291
Diversified Financial Services 4.8%		
Bank of America Corp.	86,448	4,226,443
Citigroup, Inc.	109,400	5,611,126
JPMorgan Chase & Co.	74,817	3,624,883
		13,462,452
Insurance 8.8%		
Aflac, Inc.	70,300	3,613,420
American International Group, Inc.	51,705	3,620,901
Genworth Financial, Inc. "A"	108,819	3,743,374
Hartford Financial Services Group, Inc.	47,700	4,698,927
MetLife, Inc.	67,760	4,369,165
Prudential Financial, Inc.	46,869	4,557,073
		24,602,860
Health Care 8.3%		
Biotechnology 0.3%		
Amgen, Inc.*	15,000	**829,350**
Health Care Equipment & Supplies 2.1%		
Baxter International, Inc.	105,029	**5,917,334**
Health Care Providers & Services 1.6%		
WellPoint, Inc.*	55,500	**4,430,565**
Pharmaceuticals 4.3%		
Abbott Laboratories	76,500	4,096,575
Pfizer, Inc.	158,400	4,050,288
Wyeth	67,000	3,841,780
		11,988,643
Industrials 11.0%		
Aerospace & Defense 5.4%		
Honeywell International, Inc.	72,600	4,085,928
L-3 Communications Holdings, Inc.	45,100	4,392,289
Raytheon Co.	50,700	2,732,223
United Technologies Corp.	54,941	3,896,965
		15,107,405
Industrial Conglomerates 1.6%		
General Electric Co.	120,292	**4,604,778**
Machinery 2.7%		
Dover Corp.	78,163	3,998,038
Ingersoll-Rand Co., Ltd. "A"	63,076	3,457,826
		7,455,864
Road & Rail 1.3%		
Burlington Northern Santa Fe Corp.	41,200	**3,507,768**
Information Technology 9.0%		
Communications Equipment 3.3%		
Cisco Systems, Inc.*	64,830	1,805,516
Harris Corp.	55,066	3,003,850
Nokia Oyj (ADR)	157,500	4,427,325
		9,236,691
Computers & Peripherals 3.5%		
Brocade Communications Systems, Inc.*	340,770	2,664,822
Hewlett-Packard Co.	74,097	3,306,208
International Business Machines Corp.	34,800	3,662,700
		9,633,730
Semiconductors & Semiconductor Equipment 1.4%		
Taiwan Semiconductor Manufacturing Co., Ltd. (ADR) (a)	353,776	**3,937,524**
Software 0.8%		
Symantec Corp.*	111,906	**2,260,501**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Materials 6.5%		
Chemicals 3.6%		
Air Products & Chemicals, Inc.	47,900	3,849,723
Dow Chemical Co.	70,200	3,104,244
Potash Corp. of Saskatchwan, Inc.	40,542	3,161,060
		10,115,027
Containers & Packaging 1.3%		
Sonoco Products Co.	88,100	**3,771,561**
Metals & Mining 1.6%		
Goldcorp, Inc.	183,650	**4,350,668**
Telecommunication Services 4.3%		
Diversified Telecommunication Services		
AT&T, Inc.	183,100	7,598,650
Verizon Communications, Inc.	104,913	4,319,268
		11,917,918
Utilities 7.6%		
Electric Utilities 4.4%		
Allegheny Energy, Inc.*	82,835	4,285,883
Duke Energy Corp.	179,400	3,283,020
Exelon Corp.	15,000	1,089,000
FPL Group, Inc.	61,000	3,461,140
		12,119,043
Independent Power Producers & Energy Traders 0.7%		
TXU Corp.	30,100	**2,025,730**
Multi-Utilities 2.5%		
Dominion Resources, Inc.	44,000	3,797,640
PG&E Corp.	68,028	3,081,668
		6,879,308
Total Common Stocks (Cost $215,484,450)		**267,964,703**

Securities Lending Collateral 1.7%

	Shares	Value ($)
Daily Assets Fund Institutional, 5.36% (b) (c) (Cost $4,743,000)	4,743,000	**4,743,000**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $220,227,450)†	97.9	**272,707,703**
Other Assets and Liabilities, Net (a)	2.1	**5,959,078**
Net Assets	100.0	**278,666,781**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $221,969,206. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $50,738,497. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $52,948,302 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,209,805.*

(a) *All or a portion of these securities were on loan amounting to $3,521,590. In addition, included in other assets and liabilities, net are pending sales, amounting to $1,098,350, that are also on loan. The value of all securities loaned at June 30, 2007 amounted to $4,619,940 which is 1.7% of net assets.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

ADR: American Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $215,484,450) — including $3,521,590 of securities loaned	$	267,964,703
Investment in Daily Asset Fund Institutional (cost $4,743,000)*		4,743,000
Total investments in securities, at value (cost $220,227,450)		272,707,703
Cash		10,159,145
Receivable for investments sold		7,859,815
Dividends receivable		473,466
Interest receivable		1,225
Due from Advisor		91,948
Other assets		3,287
Total assets		291,296,589

Liabilities		
Payable upon return of securities loaned		4,743,000
Payable for Portfolio shares redeemed		183,458
Payable for investments purchased		7,417,964
Accrued management fee		142,725
Other accrued expenses and payables		142,661
Total liabilities		12,629,808
Net assets, at value	**$**	**278,666,781**

Net Assets		
Net assets consist of:		
Undistributed net investment income		2,185,390
Net unrealized appreciation (depreciation) on:		
Investments		52,480,253
Foreign currency related transactions		21
Accumulated net realized gain (loss)		18,010,607
Paid-in capital		205,990,510
Net assets, at value	**$**	**278,666,781**
Class A		
Net Asset Value, offering and redemption price per share ($270,823,985 ÷ 14,935,314 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**18.13**
Class B		
Net Asset Value, offering and redemption price per share ($7,842,796 ÷ 432,121 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**18.15**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $38,206)	$	3,333,675
Interest — Cash Management QP Trust		116,798
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		7,215
Other income*		91,948
Total Income		3,549,636
Expenses:		
Management fee		1,055,114
Administration fee		65,107
Custodian fee		19,177
Distribution service fee (Class B)		36,959
Record keeping fees (Class B)		20,193
Auditing		23,164
Legal		13,974
Trustees' fees and expenses		14,980
Reports to shareholders		42,036
Other		7,784
Total expenses before expense reductions		1,298,488
Expense reductions		(12,324)
Total expenses after expense reductions		1,286,164
Net investment income (loss)		**2,263,472**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		19,876,633
Net unrealized appreciation (depreciation) during the period on:		
Investments		(1,815,437)
Foreign currency related transactions		21
		(1,815,416)
Net gain (loss) on investment transactions		**18,061,217**
Net increase (decrease) in net assets resulting from operations	**$**	**20,324,689**

* *Reimbursement from Advisor associated with uninvested cash balances.*

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ 2,263,472	$ 5,237,807
Net realized gain (loss) on investment transactions	19,876,633	25,014,587
Net unrealized appreciation (depreciation) during the period on investment transactions	(1,815,416)	14,129,866
Net increase (decrease) in net assets resulting from operations	20,324,689	44,382,260
Distributions to shareholders from:		
Net investment income:		
Class A	(4,770,707)	(4,273,682)
Class B	(538,814)	(482,902)
Net realized gains:		
Class A	(9,924,139)	—
Class B	(1,431,558)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,073,049	20,402,810
Reinvestment of distributions	14,694,846	4,273,682
Cost of shares redeemed	(27,095,141)	(52,316,305)
Net increase (decrease) in net assets from Class A share transactions	(7,327,246)	(27,639,813)
Class B		
Proceeds from shares sold	447,206	1,368,796
Reinvestment of distributions	1,970,372	482,902
Cost of shares redeemed	(34,994,640)	(7,365,382)
Net increase (decrease) in net assets from Class B share transactions	(32,577,062)	(5,513,684)
Increase (decrease) in net assets	(36,244,837)	6,472,179
Net assets at beginning of period	314,911,618	308,439,439
Net assets at end of period (including undistributed net investment income of $2,185,390 and $5,231,439, respectively)	**$ 278,666,781**	**$ 314,911,618**

Other Information		
Class A		
Shares outstanding at beginning of period	15,303,964	16,949,748
Shares sold	282,321	1,230,380
Shares issued to shareholders in reinvestment of distributions	857,843	263,158
Shares redeemed	(1,508,814)	(3,139,322)
Net increase (decrease) in Class A shares	(368,650)	(1,645,784)
Shares outstanding at end of period	**14,935,314**	**15,303,964**
Class B		
Shares outstanding at beginning of period	2,232,310	2,564,460
Shares sold	24,702	81,671
Shares issued to shareholders in reinvestment of distributions	114,824	29,681
Shares redeemed	(1,939,715)	(443,502)
Net increase (decrease) in Class B shares	(1,800,189)	(332,150)
Shares outstanding at end of period	**432,121**	**2,232,310**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$17.96**	**$15.81**	**$15.79**	**$14.57**	**$11.24**	**$13.40**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.14	.29[e]	.26	.27	.24	.23
Net realized and unrealized gain (loss) on investment transactions	1.02	2.12	.04	1.18	3.33	(2.20)
Total from investment operations	1.16	2.41	.30	1.45	3.57	(1.97)
Less distributions from:						
Net investment income	(.32)	(.26)	(.28)	(.23)	(.24)	(.19)
Net realized gain on investment transactions	(.67)	—	—	—	—	—
Total Distributions	(.99)	(.26)	(.28)	(.23)	(.24)	(.19)
Net asset value, end of period	**$18.13**	**$17.96**	**$15.81**	**$15.79**	**$14.57**	**$11.24**
Total Return (%)	6.73[c]**	15.41[e]	1.97[d]	10.07	32.60	(14.98)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	271	275	268	274	263	215
Ratio of expenses before expense reductions (%)	.82*	.83	.80	.80	.80	.79
Ratio of expenses after expense reductions (%)	.82*	.83	.80	.80	.80	.79
Ratio of net investment income (loss) (%)	1.54*	1.73[e]	1.64	1.84	1.94	1.84
Portfolio turnover rate (%)	53**	76	64	40	58	84

a For the six months ended June 30, 2007 (Unaudited).
b Based on average shares outstanding during the period.
c During the period, the Advisor reimbursed the Portfolio $91,948 for income associated with uninvested cash balances. Excluding this reimbursement, total return would have been 0.03% lower.
d Total return would have been lower had certain expenses not been reduced.
e Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.008 per share and an increase in the ratio of net investment income of 0.04%. Excluding this non-recurring income, total return would have been 0.04% lower.
* Annualized ** Not annualized

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$17.94**	**$15.79**	**$15.77**	**$14.55**	**$11.23**	**$12.77**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.10	.23[f]	.19	.22	.18	.15
Net realized and unrealized gain (loss) on investment transactions	1.03	2.11	.05	1.17	3.35	(1.69)
Total from investment operations	1.13	2.34	.24	1.39	3.53	(1.54)
Less distributions from:						
Net investment income	(.25)	(.19)	(.22)	(.17)	(.21)	—
Net realized gains on investment transactions	(.67)	—	—	—	—	—
Total Distributions	(.92)	(.19)	(.22)	(.17)	(.20)	—
Net asset value, end of period	**$18.15**	**$17.94**	**$15.79**	**$15.77**	**$14.55**	**$11.23**
Total Return (%)	6.54[d]**	14.96[f]	1.58[e]	9.65	32.19	(12.06)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	8	40	40	40	18	.5
Ratio of expenses before expense reductions (%)	1.21*	1.21	1.21	1.18	1.19	1.04*
Ratio of expenses after expense reductions (%)	1.21*	1.21	1.20	1.18	1.19	1.04*
Ratio of net investment income (loss) (%)	1.15*	1.35[f]	1.24	1.46	1.55	2.74*
Portfolio turnover rate (%)	53**	76	64	40	58	84

a For the six months ended June 30, 2007 (Unaudited).
b For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.
c Based on average shares outstanding during the period.
d During the period, the Advisor reimbursed the Portfolio $91,948 for income associated with uninvested cash balances. Excluding this reimbursement, total return would have been 0.03% lower.
e Total return would have been lower had certain expenses not been reduced.
f Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.008 per share and an increase in the ratio of net investment income of 0.04%. Excluding this non-recurring income, total return would have been 0.04% lower.
* Annualized ** Not annualized

Information About Your Portfolio's Expenses

DWS Mid Cap Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,122.60	$1,120.50
Expenses Paid per $1,000*	$ 4.68	$ 6.68

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,020.38	$1,018.50
Expenses Paid per $1,000*	$ 4.46	$ 6.36

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Mid Cap Growth VIP	.89%	1.27%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio of any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Mid Cap Growth VIP

Despite periodic bouts of volatility, the US stock market performed very well during the first half of 2007. An environment of robust global growth, better-than-expected corporate earnings and a rush of merger and acquisition activity helped stocks overcome periodic worries about rising energy prices, housing market weakness and instability in the subprime mortgage market. This environment proved highly favorable for mid-cap stocks, which outperformed both their large- and small-cap counterparts. Within the mid-cap universe, growth stocks outpaced value stocks. Together, these factors created a positive backdrop for the Portfolio.

For the semiannual period ended June 30, 2007, the Portfolio's Class A Shares, unadjusted for contract charges, outperformed the 10.97% return of the benchmark, the Russell Midcap™ Growth Index.

During the first half of the year, positive contributors to the Portfolio's performance included strong stock selection in the financials, consumer discretionary and industrials sectors. From a sector allocation standpoint, performance was helped by the Portfolio's underweight positions (relative to the benchmark) in the consumer staples and health care sectors.[1] In addition, an overweight to the strong-performing industrials sector was beneficial to returns. Detractors from performance included stock selection in the information technology and health care sectors, along with overweights in the consumer discretionary and financials sectors. Overall, we are maintaining our approach of making long-term investments in high-quality mid-cap growth stocks.

Robert S. Janis	Joseph Axtell, CFA
Lead Portfolio Manager	*Portfolio Manager*

Deutsche Investment Management Americas Inc.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. It is nondiversified and can take larger positions in fewer companies, increasing its overall potential risk. Stocks of medium-sized companies involve greater risk than securities of larger, more established companies, as they often have limited product lines, markets or financial resources and may be subject to more-erratic and more-abrupt market movements. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The Russell Midcap Growth Index is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth Index.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Mid Cap Growth VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	95%	98%
Cash Equivalents	5%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/07**	**12/31/06**
Consumer Discretionary	27%	24%
Information Technology	19%	18%
Industrials	18%	14%
Health Care	13%	16%
Financials	9%	12%
Energy	8%	11%
Telecommunication Services	5%	2%
Materials	1%	1%
Consumer Staples	—	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 126. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Mid Cap Growth VIP

	Shares	Value ($)
Common Stocks 95.6%		
Consumer Discretionary 26.0%		
Internet & Catalog Retail 4.2%		
NutriSystem, Inc.* (a)	34,900	**2,437,416**
Specialty Retail 11.9%		
Abercrombie & Fitch Co. "A"	9,700	707,906
Children's Place Retail Stores, Inc.*	12,300	635,172
Coldwater Creek, Inc.* (a)	67,800	1,574,994
Guess?, Inc. (a)	40,400	1,940,816
Urban Outfitters, Inc.* (a)	84,500	2,030,535
		6,889,423
Textiles, Apparel & Luxury Goods 9.9%		
Coach, Inc.*	51,200	2,426,368
Polo Ralph Lauren Corp.	33,640	3,300,420
		5,726,788
Energy 7.8%		
Energy Equipment & Services 2.8%		
National-Oilwell Varco, Inc.*	7,200	750,528
Rowan Companies, Inc. (a)	20,650	846,237
		1,596,765
Oil, Gas & Consumable Fuels 5.0%		
Southwestern Energy Co.*	33,400	1,486,300
Ultra Petroleum Corp.*	25,830	1,426,849
		2,913,149
Financials 8.3%		
Capital Markets 6.5%		
Affiliated Managers Group, Inc.* (a)	20,010	2,576,488
T. Rowe Price Group, Inc.	23,000	1,193,470
		3,769,958
Diversified Financial Services 1.8%		
Nasdaq Stock Market, Inc.* (a)	35,500	**1,054,705**
Health Care 12.1%		
Biotechnology 1.5%		
Cephalon, Inc.* (a)	10,900	**876,251**
Health Care Equipment & Supplies 5.2%		
Hologic, Inc.*	20,400	1,128,324
Kyphon, Inc.* (a)	19,700	948,555
Mentor Corp. (a)	22,700	923,436
		3,000,315
Health Care Providers & Services 2.2%		
Pediatrix Medical Group, Inc.*	23,500	**1,296,025**
Life Sciences Tools & Services 3.2%		
Covance, Inc.*	13,200	904,992
Pharmaceutical Product Development, Inc.	23,900	914,653
		1,819,645
Industrials 17.5%		
Aerospace & Defense 1.8%		
BE Aerospace, Inc.*	24,900	**1,028,370**
Construction & Engineering 0.5%		
Aecom Technology Corp.* (a)	12,300	**305,163**
Electrical Equipment 3.1%		
Roper Industries, Inc. (a)	31,250	**1,784,375**
Machinery 10.8%		
Joy Global, Inc.	26,490	1,545,162
Oshkosh Truck Corp. (a)	32,980	2,075,101
Terex Corp.*	32,180	2,616,234
		6,236,497
Trading Companies & Distributors 1.3%		
WESCO International, Inc.*	12,400	**749,580**
Information Technology 18.5%		
Communications Equipment 5.8%		
Comverse Technologies, Inc.*	78,290	1,632,347
F5 Networks, Inc.*	21,100	1,700,660
		3,333,007
Computers & Peripherals 1.7%		
Network Appliance, Inc.*	34,800	**1,016,160**
Internet Software & Services 5.3%		
Akamai Technologies, Inc.* (a)	40,600	1,974,784
Digital River, Inc.*	24,700	1,117,675
		3,092,459
Semiconductors & Semiconductor Equipment 5.7%		
MEMC Electronic Materials, Inc.*	44,800	2,738,176
Tessera Technologies, Inc.*	13,600	551,480
		3,289,656
Materials 1.1%		
Metals & Mining		
Allegheny Technologies, Inc. (a)	5,900	**618,792**
Telecommunication Services 4.3%		
Wireless Telecommunication Services		
NII Holdings, Inc.* (a)	15,760	1,272,463
SBA Communications Corp. "A"*	35,600	1,195,804
		2,468,267
Total Common Stocks (Cost $39,318,499)		**55,302,766**
Securities Lending Collateral 26.0%		
Daily Assets Fund Institutional, 5.36% (b) (c) (Cost $15,041,030)	15,041,030	**15,041,030**
Cash Equivalents 4.6%		
Cash Management QP Trust, 5.34% (b) (Cost $2,649,160)	2,649,160	**2,649,160**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $57,008,689)†	126.2	**72,992,956**
Other Assets and Liabilities, Net	(26.2)	**(15,153,295)**
Net Assets	100.0	**57,839,661**

The accompanying notes are an integral part of the financial statements.

* *Non-income producing security.*

† *The cost for federal income tax purposes was $57,050,511. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $15,942,445. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $16,782,583 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $840,138.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $14,946,676 which is 25.8% of net assets.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $39,318,499) — including $14,946,676 of securities loaned	$	55,302,766
Investment in Daily Assets Fund Institutional (cost $15,041,030)*		15,041,030
Investment in Cash Management QP Trust (cost $2,649,160)		2,649,160
Total investments in securities, at value (cost $57,008,689)		72,992,956
Receivable for investments sold		166,984
Dividends receivable		12,556
Interest receivable		18,555
Receivable for Portfolio shares sold		47,744
Other assets		1,258
Total assets		73,240,053
Liabilities		
Cash overdraft		156,984
Payable for Portfolio shares redeemed		122,863
Payable upon return of securities loaned		15,041,030
Accrued management fee		25,853
Other accrued expenses and payables		53,662
Total liabilities		15,400,392
Net assets, at value	**$**	**57,839,661**
Net Assets		
Net assets consist of:		
Accumulated net investment loss		(131,625)
Net unrealized appreciation (depreciation) on investments		15,984,267
Accumulated net realized gain (loss)		(22,368,357)
Paid-in capital		64,355,376
Net assets, at value	**$**	**57,839,661**
Class A		
Net Asset Value, offering and redemption price per share ($55,899,852 ÷ 3,963,555 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**14.10**
Class B		
Net Asset Value, offering and redemption price per share ($1,939,809 ÷ 139,923 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**13.86**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends — unaffiliated issuers	$	77,247
Interest — Cash Management QP Trust		43,608
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		32,763
Total Income		153,618
Expenses:		
Management fee		226,405
Custodian and accounting fees		33,390
Distribution service fee (Class B)		7,859
Record keeping fees (Class B)		4,228
Auditing		22,525
Legal		8,002
Trustees' fees and expenses		6,312
Reports to shareholders		13,716
Other		1,824
Total expenses before expense reductions		324,261
Expense reductions		(44,768)
Total expenses after expense reductions		279,493
Net investment income (loss)		**(125,875)**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		6,207,173
Net unrealized appreciation (depreciation) during the period on investments		1,045,422
Net gain (loss) on investment transactions		**7,252,595**
Net increase (decrease) in net assets resulting from operations	**$**	**7,126,720**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ (125,875)	$ (344,480)
Net realized gain (loss) on investment transactions	6,207,173	4,409,781
Net unrealized appreciation (depreciation) during the period on investment transactions	1,045,422	2,176,003
Net increase (decrease) in net assets resulting from operations	7,126,720	6,241,304
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,911,222	5,059,680
Cost of shares redeemed	(6,382,185)	(14,794,831)
Net increase (decrease) in net assets from Class A share transactions	(3,470,963)	(9,735,151)
Class B		
Proceeds from shares sold	788,991	1,920,284
Cost of shares redeemed	(7,594,405)	(1,540,560)
Net increase (decrease) in net assets from Class B share transactions	(6,805,414)	379,724
Increase (decrease) in net assets	(3,149,657)	(3,114,123)
Net assets at beginning of period	60,989,318	64,103,441
Net assets at end of period (including accumulated net investment loss of $131,625 and $5,750, respectively)	**$ 57,839,661**	**$ 60,989,318**

Other Information		
Class A		
Shares outstanding at beginning of period	4,226,008	5,056,911
Shares sold	216,862	418,748
Shares redeemed	(479,315)	(1,249,651)
Net increase (decrease) in Class A shares	(262,453)	(830,903)
Shares outstanding at end of period	**3,963,555**	**4,226,008**
Class B		
Shares outstanding at beginning of period	640,328	612,639
Shares sold	60,085	159,745
Shares redeemed	(560,490)	(132,056)
Net increase (decrease) in Class B shares	(500,405)	27,689
Shares outstanding at end of period	**139,923**	**640,328**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$12.56**	**$11.32**	**$ 9.84**	**$ 9.46**	**$ 7.06**	**$10.22**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.03)	(.06)[d]	(.05)	(.01)	(.05)	(.01)
Net realized and unrealized gain (loss) on investment transactions	1.57	1.30	1.53	.39	2.45	(3.11)
Total from investment operations	1.54	1.24	1.48	.38	2.40	(3.12)
Less distributions from:						
Net investment income	—	—	—	—	—	(.04)
Net asset value, end of period	**$14.10**	**$12.56**	**$11.32**	**$ 9.84**	**$ 9.46**	**$ 7.06**
Total Return (%)	12.26[c]**	10.95[c,d]	15.04[c]	4.02[c]	33.99[c]	(30.66)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	56	53	57	53	56	44
Ratio of expenses before expense reductions (%)	1.03*	1.03	1.01	1.02	.98	.81
Ratio of expenses after expense reductions (%)	.89*	.93	.95	.95	.95	.81
Ratio of net investment income (loss) (%)	(.38)*	(.51)[d]	(.45)	(.11)	(.57)	(.19)
Portfolio turnover rate (%)	25**	46	104	103	91	71

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
d *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.003 per share and an increase in the ratio of net investment income of 0.03%. Excluding this non-recurring income, total return would have been 0.03% lower.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$12.37**	**$11.19**	**$ 9.76**	**$ 9.42**	**$ 7.06**	**$ 7.43**
Income (loss) from investment operations:						
Net investment income (loss)[c]	(.05)	(.10)[e]	(.09)	(.05)	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	1.54	1.28	1.52	.39	2.45	(.35)
Total from investment operations	1.49	1.18	1.43	.34	2.36	(.37)
Net asset value, end of period	**$13.86**	**$12.37**	**$11.19**	**$ 9.76**	**$ 9.42**	**$ 7.06**
Total Return (%)	12.05[d]**	10.55[d,e]	14.65[d]	3.61[d]	33.43[d]	(4.98)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	2	8	7	6	4	.1
Ratio of expenses before expense reductions (%)	1.42*	1.42	1.40	1.41	1.37	1.06*
Ratio of expenses after expense reductions (%)	1.27*	1.29	1.32	1.34	1.34	1.06*
Ratio of net investment income (loss) (%)	(.76)*	(.87)[e]	(.82)	(.50)	(.96)	(.47)*
Portfolio turnover rate (%)	25**	46	104	103	91	71

a *For the six months ended June 30, 2007 (Unaudited).*
b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
e *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.003 per share and an increase in the ratio of net investment income of 0.03%. Excluding this non-recurring income, total return would have been 0.03% lower.*
* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Money Market VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had they not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,024.70	$1,023.00
Expenses Paid per $1,000*	$ 2.26	$ 4.06
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,022.56	$1,020.78
Expenses Paid per $1,000*	$ 2.26	$ 4.06

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Money Market VIP	.45%	.81%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

Management Summary

June 30, 2007

DWS Money Market VIP

In the first quarter of 2007, increasing defaults by subprime mortgage borrowers sparked volatility in the financial markets as investors wondered to what degree Wall Street and the banking community would be hurt by a retrenchment in this market. At its May Federal Open Market Committee (FOMC) meeting the US Federal Reserve Board (the Fed) held short-term rates steady but expressed concern that inflation might not moderate as expected due to inflationary pressures such as tight resource utilization. With oil prices once again rising but consumers seemingly unfazed, the economy appears poised to maintain a moderate growth rate. As of June 30, 2007, the one-year London Interbank Offered Rate (LIBOR rate), an industry standard for measuring one-year money market rates, stood at 5.41%.

During the six-month period ended June 30, 2007, the Portfolio's Class A shares, unadjusted for contract charges, outperformed the 2.39% average return for the 108 funds in the Lipper Money Market Variable Annuity Funds category for the same period, according to Lipper Inc.

As the money market curve inverted late last year (i.e., securities with the shortest maturities offered higher yields), we refocused our purchases on one- to three-month maturities. Our decision to maintain a significant allocation in floating-rate securities helped performance during the 12-month period, while our cautious approach to average maturity during the third quarter of 2006 was a slight detractor. Despite a trend toward higher money market yields by the close of the period, we are maintaining a cautious strategy, because unexpectedly strong inflationary signals might cause the Fed to increase short-term rates. Going forward, we will continue to monitor economic data and Fed statements carefully, and look for opportunities to extend maturity and pick up additional yield.

A group of investment professionals is responsible for the day-to-day management of the Portfolio. These investment professionals have a broad range of experience managing money market funds.

Deutsche Investment Management Americas Inc.

Risk Considerations

An investment in this Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or by any other government agency. Although the Portfolio seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Portfolio. Please read this Portfolio's prospectus for specific details regarding its investment and risk profile.

The Lipper Money Market Variable Annuity Funds category includes funds that invest in high-quality financial instruments rated in the top two grades with dollar-weighted average maturities of less than 90 days and that intend to keep a constant net asset value. It is not possible to invest directly in a Lipper category.

LIBOR, or the London Interbank Offered Rate, is the most widely used benchmark or reference rate for short-term interest rates. LIBOR is the rate of interest at which banks borrow funds from other banks, in large volume, in the international market.

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Money Market VIP

Asset Allocation	6/30/07	12/31/06
Short-Term Notes	36%	37%
Commercial Paper	33%	32%
Certificates of Deposit and Bank Notes	14%	19%
Repurchase Agreements	10%	6%
Funding Agreement	3%	3%
Promissory Notes	3%	2%
Asset Backed	1%	1%
	100%	100%

Weighted Average Maturity*		
DWS Variable Series II — DWS Money Market VIP	35 days	35 days
First Tier Retail Money Fund Average	43 days	42 days

* *The Fund is compared to its respective iMoneyNet Category: First Tier Retail Money Fund Average — Category includes a widely-recognized composite of money market funds that invest in only first tier (highest rating) securities. Portfolio Holdings of First Tier funds include US Treasury, US Other, Repos, Time Deposits, Domestic Bank Obligations, Foreign Bank Obligations, First Tier Commercial Paper, Floating Rate Notes and Asset Backed Commercial Paper.*

Asset allocation and weighted average maturity are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 134. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Money Market VIP

	Principal Amount ($)	Value ($)
Certificates of Deposit and Bank Notes 14.3%		
Banco Bilbao Vizcaya Argentaria SA, 5.305%, 7/23/2007	3,000,000	3,000,009
Bank of America NA, 5.25%, 9/7/2007	1,700,000	1,700,000
Bank of Montreal, 5.315%, 8/14/2007	9,000,000	9,000,000
Bank of Tokyo-Mitsubishi-UFJ, Ltd.:		
5.34%, 7/19/2007	10,000,000	10,000,000
5.35%, 7/25/2007	3,000,000	3,000,000
Barclays Bank PLC, 5.31%, 8/16/2007	7,000,000	7,000,000
Calyon, 5.325%, 8/31/2007	2,000,000	2,000,225
Credit Agricole SA, 5.31%, 11/13/2007	1,500,000	1,499,945
Credit Industrial Et Commercial, 5.34%, 9/28/2007	3,500,000	3,499,786
Depfa Bank PLC, 5.31%, 8/9/2007	2,500,000	2,500,000
Mizuho Corporate Bank, 5.33%, 8/20/2007	2,500,000	2,500,000
Norinchukin Bank, 5.27%, 9/10/2007	1,500,000	1,500,000
Societe Generale, 5.34%, 7/19/2007	3,500,000	3,500,000
Total Certificates of Deposit and Bank Notes (Cost $50,699,965)		**50,699,965**
Commercial Paper 33.5%**		
Alliance & Leicester PLC, 5.235%, 8/10/2007	2,000,000	1,988,367
AstraZeneca PLC:		
5.22%, 12/12/2007	3,000,000	2,928,660
5.255%, 9/18/2007	3,500,000	3,459,639
5.275%, 9/28/2007	4,000,000	3,947,836
Bank of America Corp., 5.23%, 8/15/2007	3,000,000	2,980,388
Beta Finance, Inc., 5.21%, 7/27/2007	3,500,000	3,486,830
Caisse Nationale Des Caisses D'Epargne et Prevoyan, 5.168%, 11/13/2007	3,000,000	2,941,860
Cancara Asset Securitization LLC, 5.32%, 7/24/2007	4,000,000	3,986,404
CC (USA), Inc., 5.24%, 7/27/2007	2,500,000	2,490,539
Cedar Springs Capital Co., LLC:		
5.255%, 7/20/2007	4,000,000	3,988,906
5.28%, 9/17/2007	3,500,000	3,459,960
Cobbler Funding LLC, 5.245%, 7/25/2007	9,000,000	8,968,530
Compass Securitization LLC:		
5.3%, 7/20/2007	3,000,000	2,991,608
5.35%, 7/25/2007	3,500,000	3,487,517
Grampian Funding Ltd., 5.175%, 10/10/2007	1,500,000	1,478,222
Greyhawk Funding LLC, 5.31%, 7/20/2007	7,000,000	6,980,382
K2 (USA) LLC, 5.45%, 7/2/2007	4,000,000	3,999,394
Liberty Street Funding, 5.28%, 7/9/2007	3,000,000	2,996,480
Morrigan TRR Funding LLC, 5.355%, 7/23/2007	3,500,000	3,488,546
Nationwide Building Society, 5.24%, 7/5/2007	3,500,000	3,497,962
North Sea Funding LLC, 5.35%, 7/25/2007	3,000,000	2,989,300
Northern Rock PLC, 5.29%, 9/26/2007	2,500,000	2,468,040
Pepsico, Inc., 5.375%, 7/13/2007	2,500,000	2,495,521
Perry Global Funding LLC:		
Series A, 5.17%, 10/25/2007	1,500,000	1,475,012
Series A, 5.27%, 9/26/2007	3,000,000	2,961,793
Siemens Captal Co., LLC, 5.27%, 9/27/2007	3,000,000	2,961,353
Simba Funding Corp.:		
5.24%, 8/17/2007	3,250,000	3,227,766
5.26%, 9/10/2007	6,500,000	6,432,570
Stony Point Capital LLC:		
5.32%, 7/2/2007	3,000,000	2,999,557
5.33%, 7/9/2007	3,000,000	2,996,447
5.33%, 7/13/2007	1,500,000	1,497,335
SwedBank AB, 5.19%, 10/11/2007	2,000,000	1,970,590
UBS Finance LLC, 5.19%, 10/5/2007	3,000,000	2,958,480
Valcour Bay Capital Co., LLC:		
5.3%, 7/13/2007	2,000,000	1,996,467
5.31%, 8/16/2007	3,300,000	3,277,609
Westpac Banking Corp., 5.165%, 11/7/2007	3,000,000	2,944,476
Total Commercial Paper (Cost $119,200,346)		**119,200,346**
Funding Agreement 3.4%		
New York Life Insurance Co., 5.42%*, 9/18/2007 (Cost $12,000,000)	12,000,000	**12,000,000**
Asset Backed 0.9%		
Steers Mercury III Trust, 144A, 5.34%*, 5/27/2048 (Cost $2,974,542)	2,974,542	**2,974,542**
Promissory Notes 2.5%		
The Goldman Sachs Group, Inc., 5.37%*, 1/18/2008 (Cost $9,000,000)	9,000,000	**9,000,000**
Short-Term Notes* 35.5%		
American Express Bank FSB, 5.29%, 11/8/2007	8,000,000	7,999,721
American Honda Finance Corp.:		
5.326%, 11/9/2007	4,000,000	4,000,000
5.375%, 1/23/2008	3,000,000	3,000,817
Banco Bilbao Vizcaya Argentaria SA, 5.376%, 4/17/2008	3,500,000	3,501,200
Banco Espanol de Credito SA, 144A, 5.334%, 4/18/2008	3,700,000	3,700,000
Bank of America NA, 5.315%, 5/16/2008	2,500,000	2,500,000

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
BellSouth Corp., 5.485%, 11/15/2007	7,000,000	7,003,538
BNP Paribas:		
5.29%, 10/3/2007	10,000,000	9,999,051
5.31%, 7/25/2008	3,000,000	3,000,000
Caja de Ahorros y Monte de Piedad de Madrid, 5.359%, 5/12/2008	1,000,000	1,000,000
Calyon, 144A, 5.33%, 7/21/2008	3,000,000	3,000,000
Canadian Imperial Bank of Commerce:		
5.39%, 10/26/2007	3,000,000	2,999,769
5.41%, 6/9/2008	1,000,000	1,000,000
Danske Bank AS, 144A, 5.29%, 7/18/2008	3,200,000	3,199,741
DNB NOR Bank ASA, 5.32%, 5/23/2008	9,500,000	9,500,000
Five Finance, Inc., 144A, 5.7%, 7/3/2007	3,500,000	3,500,000
General Electric Capital Corp., 5.28%, 8/19/2011	10,000,000	10,000,000
International Business Machine Corp., 5.33%, 12/8/2010	3,000,000	3,000,000
Intesa Bank Ireland PLC, 5.32%, 7/25/2011	500,000	500,000
K2 (USA) LLC, 144A, 5.36%, 2/26/2008	8,000,000	8,001,535
Links Finance LLC:		
5.315%, 4/28/2008	3,000,000	2,999,760
144A, 5.33%, 2/25/2008	4,000,000	3,999,861
M&I Marshall & Ilsley Bank, 5.32%, 6/13/2008	4,000,000	4,000,000
Merrill Lynch & Co., Inc., 5.3%, 7/17/2008	3,500,000	3,500,000
Morgan Stanley:		
5.34%, 9/5/2007	4,500,000	4,500,000
5.34%, 12/14/2007	1,500,000	1,500,000
Natixis SA, 5.42%, 8/31/2007	3,000,000	3,000,000
Northern Rock PLC, 5.34%, 11/5/2007	3,500,000	3,500,000
Skandinaviska Enskilda Banken, 5.32%, 7/16/2010	4,000,000	4,000,000
UniCredito Italiano Bank (Ireland) PLC:		
5.33%, 6/13/2008	1,000,000	1,000,000
5.34%, 3/9/2011	4,000,000	4,000,000
Total Short-Term Notes (Cost $126,404,993)		**126,404,993**

Repurchase Agreements 10.2%

	Principal Amount ($)	Value ($)
JPMorgan Securites, Inc., 5.25%, dated 6/29/2007, to be repurchased at $1,300,569 on 7/2/2007 (a)	1,300,000	1,300,000
JPMorgan Securites, Inc., 5.4%, dated 6/29/2007, to be repurchased at $34,868,280 on 7/2/2007 (b)	34,852,596	34,852,596
State Street Bank & Trust Co., 3.8%, dated 6/29/2007, to be repurchased at $201,064 on 7/2/2007 (c)	201,000	201,000
Total Repurchase Agreements (Cost $36,353,596)		**36,353,596**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $356,633,442)†	100.3	**356,633,442**
Other Assets and Liabilities, Net	(0.3)	**(913,813)**
Net Assets	100.0	**355,719,629**

* *Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury Bill rate. These securities are shown at their current rate as of June 30, 2007.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $356,633,442.*

(a) *Collateralized by $1,375,000 Federal Home Loan Mortgage Corp., 5.5%, maturing on 6/1/2037 with a value of $1,328,231.*

(b) *Collateralized by $36,805,000 Federal Home Loan Mortgage Corp., 5.5%, maturing on 6/1/2037 with a value of $35,553,117.*

(c) *Collateralized by $215,000 Federal Home Loan Mortgage Corp., Zero coupon, maturing on 5/14/2008 with a value of $205,594.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, valued at amortized cost (cost $320,279,846)	$	320,279,846
Repurchase agreements, valued at amortized cost (cost $36,353,596)		36,353,596
Total investments in securities, valued at amortized cost (cost $356,633,442)		356,633,442
Cash		820
Interest receivable		1,798,683
Receivable for Portfolio shares sold		68,889
Other assets		4,532
Total assets		358,506,366
Liabilities		
Payable for Portfolio shares redeemed		1,972,411
Distributions payable		608,009
Accrued management fee		99,239
Other accrued expenses and payables		107,078
Total liabilities		2,786,737
Net assets, at value	**$**	**355,719,629**
Net Assets		
Net assets consist of:		
Accumulated distributions in excess of net investment income		(39,115)
Accumulated net realized gain (loss)		(1,791)
Paid-in capital		355,760,535
Net assets, at value	**$**	**355,719,629**
Class A		
Net Asset Value, offering and redemption price per share ($334,104,996 ÷ 334,129,122 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**1.00**
Class B		
Net Asset Value, offering and redemption price per share ($21,614,633 ÷ 21,619,095 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**1.00**

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Interest	$	9,306,542
Expenses:		
Management fee		666,171
Custodian fee		15,610
Distribution service fee (Class B)		57,930
Record keeping fees (Class B)		31,504
Auditing		19,819
Legal		14,265
Trustees' fee and expenses		10,819
Reports to shareholders and shareholder meeting		78,468
Other		7,010
Total expenses, before expense reductions		901,596
Expense reductions		(30,623)
Total expenses, after expense reductions		870,973
Net investment income		**8,435,569**
Net realized gain (loss) on investment transactions		**22**
Net increase (decrease) in net assets resulting from operations	**$**	**8,435,591**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income	$ 8,435,569	$ 14,558,077
Net realized gain (loss) on investment transactions	22	5,373
Net increase (decrease) in net assets resulting from operations	8,435,591	14,563,450
Distributions to shareholders from:		
Net investment income:		
Class A	(7,377,871)	(12,054,423)
Class B	(1,062,023)	(2,502,064)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	118,549,731	168,824,740
Net assets acquired in tax-free reorganization	—	56,965,779
Reinvestment of distributions	7,365,297	11,880,927
Cost of shares redeemed	(85,560,790)	(178,891,004)
Net increase (decrease) in net assets from Class A share transactions	40,354,238	58,780,442
Class B		
Proceeds from shares sold	23,988,408	63,581,378
Reinvestment of distributions	1,059,959	2,487,387
Cost of shares redeemed	(61,805,631)	(65,942,247)
Net increase (decrease) in net assets from Class B share transactions	(36,757,264)	126,518
Increase (decrease) in net assets	3,592,671	58,913,923
Net assets at beginning of period	352,126,958	293,213,035
Net assets at end of period (including accumulated distributions in excess of net investment income of $39,115 and $34,790, respectively)	**$ 355,719,629**	**$ 352,126,958**

Other Information		
Class A		
Shares outstanding at beginning of period	293,774,884	235,000,612
Shares sold	118,549,731	168,824,740
Shares acquired in tax-free reorganization	—	56,959,609
Shares issued to shareholders in reinvestment of distributions	7,365,297	11,880,927
Shares redeemed	(85,560,790)	(178,891,004)
Net increase (decrease) in Class A shares	40,354,238	58,774,272
Shares outstanding at end of period	**334,129,122**	**293,774,884**
Class B		
Shares outstanding at beginning of period	58,376,359	58,249,841
Shares sold	23,988,408	63,581,378
Shares issued to shareholders in reinvestment of distributions	1,059,959	2,487,387
Shares redeemed	(61,805,631)	(65,942,247)
Net increase (decrease) in Class B shares	(36,757,264)	126,518
Shares outstanding at end of period	**21,619,095**	**58,376,359**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Income from investment operations:						
Net investment income	.024	.046	.028	.009	.007	.013
Total from investment operations	.024	.046	.028	.009	.007	.013
Less distributions from:						
Net investment income	(.024)	(.046)	(.028)	(.009)	(.007)	(.013)
Net asset value, end of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Total Return (%)	2.47[b]**	4.65[b]	2.80	.91	.72	1.35
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	334	294	235	241	326	570
Ratio of expenses before expense reductions (%)	.47*	.52	.52	.53	.54	.54
Ratio of expenses after expense reductions (%)	.45*	.51	.52	.53	.54	.54
Ratio of net investment income (%)	4.93*	4.58	2.77	.88	.73	1.35

a *For the six months ended June 30, 2007 (Unaudited).*
b *Total return would have been lower had certain expenses not been reduced.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Income from investment operations:						
Net investment income	.023	.042	.024	.005	.004	.007
Total from investment operations	.023	.042	.024	.005	.004	.007
Less distributions from:						
Net investment income	(.023)	(.042)	(.024)	(.005)	(.004)	(.007)
Net asset value, end of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Total Return (%)	2.30[c]**	4.25[c]	2.42	.52	.42[c]	.67[c]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	22	58	58	53	66	3
Ratio of expenses before expense reductions (%)	.84*	.90	.89	.91	.93	.79*
Ratio of expenses after expense reductions (%)	.81*	.89	.89	.91	.92	.64*
Ratio of net investment income (%)	4.57*	4.20	2.40	.50	.35	1.11*

a *For the six months ended June 30, 2007 (Unaudited).*
b *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Total return would have been lower had certain expenses not been reduced.*
* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Small Cap Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,112.80	$1,111.00
Expenses Paid per $1,000*	$ 3.77	$ 5.71
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,021.22	$1,019.39
Expenses Paid per $1,000*	$ 3.61	$ 5.46

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Small Cap Growth VIP	.72%	1.09%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Small Cap Growth VIP

In the first quarter of 2007, we witnessed some of the largest short-term declines in the Dow Jones Industrial Average (the Dow) in nearly four years.[1] For example, on February 27, a 9% drop in the Shanghai stock market triggered a worldwide retreat and the Dow plunged 3.3%. In the second quarter, inflation fears, rising global interest rates, increases in energy prices and subprime mortgage woes contributed to volatility. In sharp contrast, strong rallies were driven by better-than-expected corporate earnings and a rush of merger and acquisition activity. Long-term bond yields hit a five-year high, and the yield curve regained its upward slope. At its June 2007 meeting, the US Federal Reserve Board (the Fed) held short-term interest rates steady at 5.25%, the eighth consecutive meeting where the Fed did not alter rates. Although the Fed acknowledged a slight improvement in inflationary pressures, it continued to look for additional moderation in inflation.

For the semiannual period ended June 30, 2007, the Portfolio's Class A shares, unadjusted for contract charges, outperformed the 9.33% return of the Russell 2000® Growth Index.

During the six-month period, positive contributors to performance included stock selection in the consumer discretionary, financials, and energy sectors; underweights to financials and consumer staples; and an overweight to energy compared with the benchmark.[2] Detractors from performance included stock selection in the information technology and health care sectors, an underweight to industrials, and an overweight to consumer discretionary relative to the benchmark. We continue to maintain a long-term perspective, investing in quality small-cap growth stocks.

Robert S. Janis	Joseph Axtell, CFA
Lead Portfolio Manager	*Portfolio Manager*

Deutsche Investment Management Americas Inc.

Risk Considerations

This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, stocks of small companies involve greater risk than securities of larger, more-established companies, as they often have limited product lines, markets or financial resources and may be subject to more erratic and abrupt market movements. Finally, derivatives may be more volatile and less liquid than traditional securities and the Portfolio could suffer losses on its derivatives positions. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Russell 2000 Growth Index is an unmanaged, capitalization-weighted measure of 2,000 of the smallest capitalized US companies with a greater-than-average growth orientation and whose common stocks trade on the NYSE, AMEX and Nasdaq.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *The Dow Jones Industrial Average (Dow) is an unmanaged index of common stocks of major industrial companies. Index returns assume reinvestment of all dividends and, unlike portfolio returns, do not reflect fees or expenses. It is not possible to invest directly in an index.*

2 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Small Cap Growth VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	97%	97%
Cash Equivalents	3%	3%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/07**	**12/31/06**
Consumer Discretionary	34%	22%
Information Technology	25%	26%
Health Care	17%	23%
Energy	11%	12%
Industrials	7%	4%
Financials	5%	8%
Materials	1%	—
Consumer Staples	—	3%
Telecommunication Services	—	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 142. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Small Cap Growth VIP

	Shares	Value ($)
Common Stocks 97.6%		
Consumer Discretionary 33.3%		
Hotels Restaurants & Leisure 12.2%		
Buffalo Wild Wings, Inc.* (a)	164,600	6,845,714
Chipotle Mexican Grill, Inc. "A"* (a)	89,900	7,666,672
Einstein Noah Restaurant Group, Inc.* (a)	110,600	1,868,034
McCormick & Schmick's Seafood Restaurants, Inc.*	145,200	3,766,488
Orient-Express Hotels Ltd. "A"	117,600	6,279,840
		26,426,748
Internet & Catalog Retail 2.9%		
NutriSystem, Inc.* (a)	89,200	**6,229,728**
Specialty Retail 13.0%		
bebe stores, inc. (a)	224,100	3,587,841
Citi Trends, Inc.* (a)	62,300	2,364,908
Guess?, Inc.	334,000	16,045,360
J. Crew Group, Inc.*	56,800	3,072,312
Zumiez, Inc.* (a)	83,600	3,158,408
		28,228,829
Textiles, Apparel & Luxury Goods 5.2%		
Under Armour, Inc. "A"* (a)	100,700	4,596,955
Volcom, Inc.*	132,100	6,622,173
		11,219,128
Energy 10.4%		
Energy Equipment & Services 2.9%		
Atwood Oceanics, Inc.* (a)	92,200	**6,326,764**
Oil, Gas & Consumable Fuels 7.5%		
Carrizo Oil & Gas, Inc.* (a)	201,100	8,339,617
Clean Energy Fuels Corp.*	135,100	1,696,856
EXCO Resources, Inc.*	175,900	3,067,696
Western Refining, Inc.	54,600	3,155,880
		16,260,049
Financials 5.1%		
Commercial Banks 2.4%		
Signature Bank*	152,900	**5,213,890**
Diversified Financial Services 2.7%		
Portfolio Recovery Associates, Inc. (a)	95,370	**5,724,108**
Health Care 16.8%		
Health Care Equipment & Supplies 6.8%		
Hologic, Inc.*	114,100	6,310,871
Kyphon, Inc.*	47,600	2,291,940
Orthofix International NV*	62,800	2,824,116
West Pharmaceutical Services, Inc.	69,000	3,253,350
		14,680,277
Health Care Providers & Services 6.7%		
inVentiv Health, Inc.*	134,200	4,913,062
Nighthawk Radiology Holdings, Inc.* (a)	128,000	2,310,400
Providence Service Corp.* (a)	178,200	4,761,504
Radiation Therapy Services, Inc.* (a)	71,700	1,888,578
Skilled Healthcare Group, Inc. "A"*	45,500	705,705
		14,579,249
Health Care Technology 3.3%		
Allscripts Healthcare Solutions, Inc.* (a)	179,300	4,568,564
Systems Xcellence, Inc.*	86,800	2,497,236
		7,065,800
Industrials 7.1%		
Aerospace & Defense 2.8%		
BE Aerospace, Inc.*	145,900	**6,025,670**
Commercial Services & Supplies 1.1%		
Huron Consulting Group, Inc.*	32,200	**2,350,922**
Construction & Engineering 1.1%		
Aecom Technology Corp.*	100,200	**2,485,962**
Machinery 0.9%		
Watts Water Technologies, Inc. "A" (a)	53,200	**1,993,404**
Trading Companies & Distributors 1.2%		
H&E Equipment Services, Inc.*	91,800	**2,546,532**
Information Technology 23.8%		
Electronic Equipment & Instruments 2.9%		
Itron, Inc.* (a)	80,200	**6,250,788**
Internet Software & Services 7.7%		
Bankrate, Inc.* (a)	87,100	4,173,832
CyberSource Corp.* (a)	218,200	2,631,492
Digital River, Inc.* (a)	166,600	7,538,650
Perficient, Inc.*	113,000	2,339,100
		16,683,074
IT Services 4.2%		
Euronet Worldwide, Inc.* (a)	223,700	6,523,092
Forrester Research, Inc.*	93,200	2,621,716
		9,144,808
Semiconductors & Semiconductor Equipment 7.3%		
FEI Co.* (a)	158,300	5,138,418
FormFactor, Inc.*	160,600	6,150,980
Standard Microsystems Corp.*	72,100	2,475,914
Tessera Technologies, Inc.*	49,900	2,023,445
		15,788,757
Software 1.7%		
THQ, Inc.*	122,750	**3,746,330**
Materials 1.1%		
Metals & Mining		
A.M. Castle & Co.	22,800	818,748
Haynes International, Inc.*	18,100	1,528,183
		2,346,931
Total Common Stocks (Cost $149,357,626)		**211,317,748**
Securities Lending Collateral 32.7%		
Daily Assets Fund Institutional, 5.36% (b) (c) (Cost $70,904,250)	70,904,250	**70,904,250**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Cash Equivalents 2.6%		
Cash Management QP Trust, 5.34% (b) (Cost $5,556,704)	5,556,704	**5,556,704**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $225,818,580)†	132.9	**287,778,702**
Other Assets and Liabilities, Net	(32.9)	**(71,205,538)**
Net Assets	100.0	**216,573,164**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $225,990,989. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $61,787,713. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $64,289,445 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,501,732.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $69,300,577 which is 32.0% of net assets.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $149,357,626) — including $69,300,577 of securities loaned	$	211,317,748
Investment in Daily Assets Fund Institutional (cost $70,904,250)*		70,904,250
Investment in Cash Management QP Trust (cost $5,556,704)		5,556,704
Total investments in securities, at value (cost $225,818,580)		287,778,702
Receivable for investments sold		201,767
Dividends receivable		23,316
Interest receivable		81,149
Receivable for Portfolio shares sold		673
Other assets		2,315
Total assets		288,087,922

Liabilities		
Payable for Portfolio shares redeemed		238,147
Payable for investments purchased		157,350
Payable upon return of securities loaned		70,904,250
Accrued management fee		116,976
Other accrued expenses and payables		98,035
Total liabilities		71,514,758
Net assets, at value	**$**	**216,573,164**

Net Assets		
Net assets consist of:		
Accumulated net investment loss		(212,389)
Net unrealized appreciation (depreciation) on investments		61,960,122
Accumulated net realized gain (loss)		(109,354,659)
Paid-in capital		264,180,090
Net assets, at value	**$**	**216,573,164**
Class A		
Net Asset Value, offering and redemption price per share ($209,146,541 ÷ 13,249,061 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**15.79**
Class B		
Net Asset Value, offering and redemption price per share ($7,426,623 ÷ 478,965 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**15.51**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends	$	201,548
Interest — Cash Management QP Trust		139,049
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		338,181
Total Income		678,778
Expenses:		
Management fee		753,713
Custodian fee		7,819
Distribution service fee (Class B)		33,965
Record keeping fees (Class B)		18,683
Auditing		28,742
Legal		8,046
Trustees' fees and expenses		11,460
Reports to shareholders		47,240
Other		8,345
Total expenses before expense reductions		918,013
Expense reductions		(36,374)
Total expenses after expense reductions		881,639
Net investment income (loss)		**(202,861)**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		7,935,051
Net unrealized appreciation (depreciation) during the period on investments		17,064,453
Net gain (loss) on investment transactions		**24,999,504**
Net increase (decrease) in net assets resulting from operations	**$**	**24,796,643**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ (202,861)	$ (999,550)
Net realized gain (loss) on investment transactions	7,935,051	18,324,595
Net unrealized appreciation (depreciation) during the period on investment transactions	17,064,453	(3,666,288)
Net increase (decrease) in net assets resulting from operations	24,796,643	13,658,757
Portfolio share transactions:		
Class A		
Proceeds from shares sold	4,638,932	11,831,161
Cost of shares redeemed	(25,737,003)	(58,380,185)
Net increase (decrease) in net assets from Class A share transactions	(21,098,071)	(46,549,024)
Class B		
Proceeds from shares sold	549,122	2,945,973
Cost of shares redeemed	(32,879,939)	(6,685,805)
Net increase (decrease) in net assets from Class B share transactions	(32,330,817)	(3,739,832)
Increase (decrease) in net assets	(28,632,245)	(36,630,099)
Net assets at beginning of period	245,205,409	281,835,508
Net assets at end of period (including accumulated net investment loss of $212,389 and $9,528, respectively)	**$ 216,573,164**	**$ 245,205,409**

Other Information		
Class A		
Shares outstanding at beginning of period	14,686,087	18,035,147
Shares sold	312,397	837,139
Shares redeemed	(1,749,423)	(4,186,199)
Net increase (decrease) in Class A shares	(1,437,026)	(3,349,060)
Shares outstanding at end of period	**13,249,061**	**14,686,087**
Class B		
Shares outstanding at beginning of period	2,636,495	2,908,589
Shares sold	36,741	216,737
Shares redeemed	(2,194,271)	(488,831)
Net increase (decrease) in Class B shares	(2,157,530)	(272,094)
Shares outstanding at end of period	**478,965**	**2,636,495**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$14.19**	**$13.48**	**$12.59**	**$11.34**	**$ 8.53**	**$12.80**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.01)	(.04)[d]	(.06)	(.05)	(.04)	(.02)
Net realized and unrealized gain (loss) on investment transactions	1.61	.75	.95	1.30	2.85	(4.25)
Total from investment operations	1.60	.71	.89	1.25	2.81	(4.27)
Net asset value, end of period	**$15.79**	**$14.19**	**$13.48**	**$12.59**	**$11.34**	**$ 8.53**
Total Return (%)	11.28[e]**	5.27[d,e]	7.07[c]	11.02	32.94	(33.36)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	209	208	243	210	210	154
Ratio of expenses before expense reductions (%)	.75*	.73	.72	.71	.69	.71
Ratio of expenses after expense reductions (%)	.72*	.72	.72	.71	.69	.71
Ratio of net investment income (loss) (%)	(.13)*	(.32)[d]	(.47)	(.47)	(.41)	(.24)
Portfolio turnover rate (%)	31**	73	94	117	123	68

a *For the six months ended June 30, 2007 (Unaudited).*

b *Based on average shares outstanding during the period.*

c *In 2005, the Portfolio realized a gain of $49,496 on the disposal of an investment not meeting the Portfolio's investment restrictions. This violation had no negative impact on the total return.*

d *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.008 per share and an increase in the ratio of net investment income of 0.06%. Excluding this non-recurring income, total return would have been 0.06% lower.*

e *Total return would have been lower had certain expenses been reduced.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$13.96**	**$13.32**	**$12.48**	**$11.29**	**$ 8.52**	**$ 9.39**
Income (loss) from investment operations:						
Net investment income (loss)[c]	(.04)	(.09)[f]	(.11)	(.10)	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	1.59	.73	.95	1.29	2.86	(.85)
Total from investment operations	1.55	.64	.84	1.19	2.77	(.87)
Net asset value, end of period	**$15.51**	**$13.96**	**$13.32**	**$12.48**	**$11.29**	**$ 8.52**
Total Return (%)	11.10[d]**	4.80[d,f]	6.73[d,e]	10.54d	32.51	(9.27)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	7	37	39	28	15	.5
Ratio of expenses before expense reductions (%)	1.14*	1.12	1.12	1.10	1.08	.96*
Ratio of expenses after expense reductions (%)	1.09*	1.09	1.09	1.09	1.08	.96*
Ratio of net investment income (loss) (%)	(.50)*	(.69)[f]	(.84)	(.85)	(.80)	(.39)*
Portfolio turnover rate (%)	31**	73	94	117	123	68

a *For the six months ended June 30, 2007 (Unaudited).*

b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

c *Based on average shares outstanding during the period.*

d *Total return would have been lower had certain expenses not been reduced.*

e *In 2005, the Portfolio realized a gain of $49,496 on the disposal of an investment not meeting the Portfolio's investment restrictions. This violation had no negative impact on the total return.*

f *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.008 per share and an increase in the ratio of net investment income of 0.06%. Excluding this non-recurring income, total return would have been 0.06% lower.*

* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Strategic Income VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. In the most recent six-month period, the Portfolio limited these expenses; had it not done so, expenses would have been higher. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 20, 2007

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,017.40	$1,015.40
Expenses Paid per $1,000*	$ 4.25	$ 6.10
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,020.58	$1,018.74
Expenses Paid per $1,000*	$ 4.26	$ 6.11

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Strategic Income VIP	.85%	1.22%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Strategic Income VIP

The global bond markets produced modestly positive performance during the first half of the year. High-yield and emerging-market bonds delivered the best performance, while the bonds of developed market nations generally lagged. In this environment, the Portfolio's Class A shares (unadjusted for contract charges) outperformed the benchmarks' returns of 0.58% for the JP Morgan Emerging Markets Bond Index Plus, 1.01% for the Lehman Brothers US Treasury Index, and –0.41% for the Citigroup World Government Bond Index (US dollar terms — Unhedged). The Portfolio underperformed the 3.00% return of the Merrill Lynch High Yield Master Cash Pay Only Index.

The Portfolio's positions in high-yield bonds and the emerging markets both added value. In the high-yield segment, the top contributors were North Atlantic Trading Co. and Young Broadcasting, Inc. In the emerging markets, an overweight in Brazil made the largest contribution. Notable detractors were the Portfolio's overweight in Argentina and its lack of a position in Ecuador.[1] Turning to the developed markets, performance was helped by a decision to maintain below-benchmark interest rate exposures at a time when strong global growth is prompting most central banks to raise rates. The Portfolio's currency positioning had a neutral impact on performance.

While we remain wary of inflation, we do not expect the more extreme scenarios regarding interest rates to unfold. Accordingly, the Portfolio remains positioned for an environment of stable global growth. In addition, we will continue to opportunistically add to, or subtract from, the Portfolio's exposure to both high-yield and emerging-markets debt in an effort to deliver strong risk-adjusted returns. Despite narrow yield spreads, both asset classes continue to offer a yield advantage over US, foreign government and corporate securities.

Gary Sullivan, CFA
William Chepolis, CFA
Matthew F. MacDonald
Thomas Picciochi
Robert Wang

Portfolio Managers, Deutsche Investment Management Americas Inc.

Risk Considerations

The Portfolio 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 such that when interest rates rise, the prices of the bonds, and thus the value of the bond investment, can decline and the investor can lose principal value. Additionally, investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. Finally, investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic changes and market risks. All of these factors may result in greater share price volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

The JP Morgan Emerging Markets Bond Index Plus is an unmanaged foreign securities index of US dollar and other external-currency-denominated Brady bonds, loans, Eurobonds and local market debt instruments traded in emerging markets.

The Merrill Lynch High Yield Master Cash Pay Only Index is an unmanaged index which tracks the performance of below-investment-grade US dollar-denominated corporate bonds publicly issued in the US domestic market.

The Lehman Brothers US Treasury Index is an unmanaged index reflecting the performance of all public obligations and does not focus on one particular segment of the Treasury market.

The Citigroup World Government Bond Index is an unmanaged index comprised of government bonds from 18 developed countries, including the US, with maturities greater than one year.

Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Strategic Income VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Government & Agency Obligations	49%	56%
Corporate Bonds	35%	36%
Cash Equivalents	13%	7%
Commercial and Non-Agency Mortgage-Backed Securities	3%	—
Other	—	1%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
AAA*	31%	30%
AA	2%	1%
A	5%	6%
BBB	6%	5%
BB	22%	25%
B	20%	20%
CCC	5%	5%
Not Rated	9%	8%
	100%	100%

* *Includes cash equivalents*

Interest Rate Sensitivity	**6/30/07**	**12/31/06**
Average maturity	7.1 years	7.6 years
Average duration	5.8 years	5.4 years

Asset allocation, quality and interest rate sensitivity are subject to change.

The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings. The ratings of Moody's and S&P represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality. The Portfolio's credit quality does not remove market risk.

For more complete details about the Portfolio's investment portfolio, see page 150. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Strategic Income VIP

	Principal Amount ($)(a)	Value ($)
Corporate Bonds 33.9%		
Consumer Discretionary 7.6%		
AAC Group Holding Corp., 14.75%, 10/1/2012 (PIK) (b)	44,277	48,594
Affinia Group, Inc., 9.0%, 11/30/2014	90,000	88,200
AMC Entertainment, Inc., 8.0%, 3/1/2014	145,000	142,100
American Achievement Corp., 8.25%, 4/1/2012	30,000	30,225
American Media Operations, Inc., Series B, 10.25%, 5/1/2009 (b)	40,000	38,000
Asbury Automotive Group, Inc.:		
144A, 7.625%, 3/15/2017	65,000	64,025
8.0%, 3/15/2014 (b)	30,000	30,300
Ashtead Holdings PLC, 144A, 8.625%, 8/1/2015	45,000	45,900
Buffets, Inc., 12.5%, 11/1/2014 (b)	40,000	38,300
Burlington Coat Factory Warehouse Corp., 11.125%, 4/15/2014 (b)	55,000	53,625
Cablevision Systems Corp., Series B, 9.82%**, 4/1/2009	25,000	26,125
Caesars Entertainment, Inc., 8.875%, 9/15/2008	65,000	66,787
Canwest Mediaworks LP, 144A, 9.25%, 8/1/2015	50,000	50,000
Charter Communications Holdings LLC:		
10.25%, 9/15/2010	325,000	339,625
Series B, 10.25%, 9/15/2010	80,000	83,500
11.0%, 10/1/2015	261,000	272,419
Claire's Stores, Inc., 144A, 9.25%, 6/1/2015	65,000	61,750
Cooper-Standard Automotive, Inc., 8.375%, 12/15/2014 (b)	70,000	65,275
CSC Holdings, Inc.:		
7.25%, 7/15/2008 (b)	50,000	50,375
7.875%, 12/15/2007	150,000	150,937
Series B, 8.125%, 7/15/2009	20,000	20,400
Series B, 8.125%, 8/15/2009	25,000	25,500
Denny's Corp. Holdings, Inc., 10.0%, 10/1/2012	20,000	21,100
Dex Media East LLC/Financial, 12.125%, 11/15/2012 (b)	411,000	442,339
Dollarama Group LP, 144A, 11.16%**, 8/15/2012	42,000	41,580
EchoStar DBS Corp.:		
6.625%, 10/1/2014	65,000	62,075
7.125%, 2/1/2016	80,000	78,200
Fontainebleau Las Vegas Holdings LLC, 144A, 10.25%, 6/15/2015	80,000	78,800
Foot Locker, Inc., 8.5%, 1/15/2022	20,000	20,300
Ford Motor Co., 7.45%, 7/16/2031 (b)	55,000	43,931
French Lick Resorts & Casinos, 144A, 10.75%, 4/15/2014 (b)	210,000	179,550
General Motors Corp.:		
7.2%, 1/15/2011 (b)	140,000	134,575
7.4%, 9/1/2025 (b)	60,000	50,550
8.375%, 7/15/2033 (b)	140,000	127,750
Golden Nugget, 7.36%, 6/16/2014***	15,000	15,000
Goodyear Tire & Rubber Co., 11.25%, 3/1/2011	340,000	369,325
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015	55,000	54,725
Gregg Appliances, Inc., 9.0%, 2/1/2013	25,000	26,625
Group 1 Automotive, Inc., 8.25%, 8/15/2013 (b)	30,000	30,975
Hanesbrands, Inc., Series B, 8.784%**, 12/15/2014	85,000	86,275
Hertz Corp.:		
8.875%, 1/1/2014	80,000	83,400
10.5%, 1/1/2016 (b)	35,000	38,675
ION Media Networks, Inc., 144A, 11.606%**, 1/15/2013	55,000	56,925
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014	195,000	184,519
Jacobs Entertainment, Inc., 9.75%, 6/15/2014	100,000	103,875
Jarden Corp., 7.5%, 5/1/2017	50,000	49,375
Liberty Media LLC:		
5.7%, 5/15/2013 (b)	10,000	9,399
8.25%, 2/1/2030 (b)	50,000	48,491
8.5%, 7/15/2029	95,000	94,874
Majestic Star Casino LLC, 9.5%, 10/15/2010	10,000	10,400
MediMedia USA, Inc., 144A, 11.375%, 11/15/2014	30,000	32,175
Metaldyne Corp.:		
10.0%, 11/1/2013 (b)	45,000	47,700
11.0%, 6/15/2012 (b)	20,000	20,400
MGM MIRAGE:		
6.75%, 9/1/2012	25,000	23,875
8.375%, 2/1/2011	50,000	51,125
Michaels Stores, Inc., 144A, 10.0%, 11/1/2014 (b)	85,000	87,125
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010	95,000	98,800
NCL Corp., 10.625%, 7/15/2014 (b)	20,000	19,300
Norcraft Holdings/Capital, Step-up Coupon, 0% to 9/1/2008, 9.75% to 9/1/2012 (b)	155,000	141,825
OSI Restaurant Partners, Inc., 144A, 10.0%, 6/15/2015 (b)	65,000	62,075
Penske Automotive Group, Inc., 7.75%, 12/15/2016	140,000	139,300
Pinnacle Entertainment, Inc., 8.75%, 10/1/2013 (b)	60,000	62,700
Premier Entertainment Biloxi LLC/Finance, 10.75%, 2/1/2012	380,000	395,200
PRIMEDIA, Inc., 8.875%, 5/15/2011 (b)	60,000	61,800
Quebecor World, Inc., 144A, 9.75%, 1/15/2015	45,000	45,563
Reader's Digest Association, Inc., 144A, 9.0%, 2/15/2017	40,000	37,400
Sabre Holdings Corp., 8.35%, 3/15/2016	50,000	45,000
Sbarro, Inc., 10.375%, 2/1/2015 (b)	35,000	34,081
Seminole Hard Rock Entertainment, Inc., 144A, 7.86%**, 3/15/2014	65,000	65,487

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
Shingle Springs Tribal Gaming Authority, 144A, 9.375%, 6/15/2015		50,000	50,438
Simmons Co.:			
Step-up Coupon, 0% to 12/15/2009, 10.0% to 12/15/2014 (b)		185,000	155,400
7.875%, 1/15/2014 (b)		20,000	19,900
Sinclair Broadcast Group, Inc., 8.0%, 3/15/2012		29,000	29,870
Sirius Satellite Radio, Inc., 9.625%, 8/1/2013 (b)		85,000	83,300
Six Flags, Inc., 9.75%, 4/15/2013		25,000	23,531
Sonic Automotive, Inc., Series B, 8.625%, 8/15/2013		55,000	56,650
Station Casinos, Inc., 6.5%, 2/1/2014		75,000	66,375
Telenet Group Holding NV, 144A, Step-up Coupon, 0% to 12/15/2008, 11.5% to 6/15/2014		288,000	272,160
The Bon-Ton Department Stores, Inc., 10.25%, 3/15/2014 (b)		60,000	60,750
Toys "R" Us, Inc., 7.375%, 10/15/2018		45,000	37,913
Travelport LLC:			
9.875%, 9/1/2014		25,000	26,500
9.985%**, 9/1/2014		45,000	46,125
11.875%, 9/1/2016 (b)		25,000	27,594
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015		125,000	124,062
TRW Automotive, Inc., 144A, 7.0%, 3/15/2014 (b)		35,000	33,338
United Components, Inc., 9.375%, 6/15/2013		10,000	10,325
Univision Communications, Inc., 144A, 9.75%, 3/15/2015 (PIK) (b)		225,000	222,187
Vitro, SAB de CV:			
144A, 8.625%, 2/1/2012		40,000	40,600
144A, 9.125%, 2/1/2017		75,000	76,875
Series A, 11.75%, 11/1/2013		25,000	27,625
Wheeling Island Gaming, Inc., 10.125%, 12/15/2009		40,000	40,500
XM Satellite Radio, Inc., 9.75%, 5/1/2014 (b)		115,000	112,700
Young Broadcasting, Inc., 8.75%, 1/15/2014		265,000	250,425
			7,701,644
Consumer Staples 1.2%			
Alliance One International, Inc., 144A, 8.5%, 5/15/2012		20,000	20,450
Cerveceria Nacional Dominicana, 144A, 8.0%, 3/27/2014		100,000	103,000
Constellation Brands, Inc., 144A, 7.25%, 5/15/2017		45,000	43,875
Del Laboratories, Inc., 8.0%, 2/1/2012 (b)		50,000	48,000
Delhaize America, Inc.:			
8.05%, 4/15/2027		20,000	20,882
9.0%, 4/15/2031		132,000	159,476
General Nutrition Centers, Inc., 144A, 9.796%, 3/15/2014 (PIK) (b)		65,000	62,725
Harry & David Holdings, Inc., 10.36%**, 3/1/2012		60,000	60,600
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012		223,000	223,000
Pilgrim's Pride Corp., 7.625%, 5/1/2015		25,000	24,938
Rite Aid Corp.:			
7.5%, 3/1/2017		95,000	91,675
144A, 9.5%, 6/15/2017		50,000	48,000
Smithfield Foods, Inc., 7.75%, 7/1/2017 (b)		65,000	65,000
Tereos Europe SA, 144A, 6.375%, 4/15/2014	EUR	50,000	66,657
Viskase Cos., Inc., 11.5%, 6/15/2011		225,000	225,000
			1,263,278
Energy 3.9%			
Belden & Blake Corp., 8.75%, 7/15/2012		255,000	261,375
Chaparral Energy, Inc., 8.5%, 12/1/2015		65,000	63,538
Chesapeake Energy Corp.:			
6.25%, 1/15/2018 (b)		35,000	32,681
6.875%, 1/15/2016		170,000	166,175
7.75%, 1/15/2015 (b)		25,000	25,438
Cimarex Energy Co., 7.125%, 5/1/2017		45,000	43,875
Complete Production Services, Inc., 144A, 8.0%, 12/15/2016		85,000	85,850
Delta Petroleum Corp., 7.0%, 4/1/2015 (b)		125,000	108,437
Denbury Resources, Inc., 7.5%, 12/15/2015		20,000	19,950
Dynegy Holdings, Inc.:			
6.875%, 4/1/2011 (b)		15,000	14,738
144A, 7.75%, 6/1/2019		95,000	88,350
8.375%, 5/1/2016		105,000	102,637
Energy Partners Ltd., 144A, 9.75%, 4/15/2014		35,000	34,738
Frontier Oil Corp., 6.625%, 10/1/2011 (b)		40,000	39,000
GAZ Capital (Gazprom), 144A, 6.51%, 3/7/2022		230,000	227,010
Mariner Energy, Inc., 8.0%, 5/15/2017		40,000	39,700
OPTI Canada, Inc.:			
144A, 7.875%, 12/15/2014		75,000	75,000
144A, 8.25%, 12/15/2014		55,000	55,825
Peabody Energy Corp., 7.375%, 11/1/2016		40,000	40,800
Pemex Project Funding Master Trust:			
8.0%, 11/15/2011 (b)		330,000	358,050
9.5%, 9/15/2027		205,000	275,315
Petronas Capital Ltd., Series REG S, 7.875%, 5/22/2022		115,000	135,017
Plains Exploration & Production Co., 7.0%, 3/15/2017		30,000	28,425
Quicksilver Resources, Inc., 7.125%, 4/1/2016		35,000	33,775
Reliant Energy, Inc., 7.875%, 6/15/2017 (b)		95,000	92,387
Sabine Pass LNG LP:			
144A, 7.25%, 11/30/2013		100,000	99,250
144A, 7.5%, 11/30/2016		200,000	199,000
Secunda International Ltd., 13.356%**, 9/1/2012		75,000	77,812
Seitel, Inc., 144A, 9.75%, 2/15/2014		95,000	94,050
Stone Energy Corp.:			
6.75%, 12/15/2014		160,000	147,200
144A, 8.11%**, 7/15/2010		85,000	85,000

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
Tennessee Gas Pipeline Co., 7.625%, 4/1/2037		45,000	49,379
Tesoro Corp., 144A, 6.5%, 6/1/2017		75,000	73,312
VeraSun Energy Corp., 144A, 9.375%, 6/1/2017		40,000	37,200
Whiting Petroleum Corp.:			
7.0%, 2/1/2014		55,000	51,700
7.25%, 5/1/2012 (b)		40,000	38,000
7.25%, 5/1/2013		20,000	19,000
Williams Companies, Inc.:			
8.125%, 3/15/2012		180,000	191,025
8.75%, 3/15/2032		280,000	324,100
Williams Partners LP, 7.25%, 2/1/2017		45,000	45,225
			3,979,339
Financials 5.2%			
Alamosa Delaware, Inc., 11.0%, 7/31/2010		60,000	63,568
Algoma Acquistion Corp., 144A, 9.875%, 6/15/2015		145,000	144,275
Ashton Woods USA LLC, 9.5%, 10/1/2015		145,000	134,125
Buffalo Thunder Development Authority, 144A, 9.375%, 12/15/2014		30,000	30,000
CEVA Group PLC, 144A, 10.0%, 12/1/2016	EUR	50,000	66,319
Conproca SA de CV, Series REG S, 12.0%, 6/16/2010		300,000	333,000
E*TRADE Financial Corp.:			
7.375%, 9/15/2013		35,000	35,525
7.875%, 12/1/2015 (b)		30,000	31,238
8.0%, 6/15/2011		65,000	66,625
Ford Motor Credit Co. LLC:			
7.25%, 10/25/2011		125,000	120,304
7.375%, 10/28/2009		690,000	684,933
7.8%, 6/1/2012		50,000	48,776
7.875%, 6/15/2010		205,000	204,961
8.0%, 12/15/2016 (b)		100,000	95,785
8.11%**, 1/13/2012		100,000	99,746
GMAC LLC:			
6.875%, 9/15/2011		800,000	786,923
8.0%, 11/1/2031 (b)		346,000	353,813
Hawker Beechcraft Acquisition Co., LLC:			
144A, 8.5%, 4/1/2015		35,000	36,138
144A, 8.875%, 4/1/2015 (PIK) (b)		100,000	103,000
144A, 9.75%, 4/1/2017 (b)		70,000	73,150
Hexion US Financial, 9.75%, 11/15/2014		40,000	41,400
Hub International Holdings, Inc., 144A, 9.0%, 12/15/2014		40,000	39,200
Idearc, Inc., 8.0%, 11/15/2016		280,000	282,800
Inmarsat Finance PLC, Step-up Coupon, 0% to 11/15/2008, 10.375% to 11/15/2012		55,000	52,456
iPayment, Inc., 9.75%, 5/15/2014 (b)		45,000	45,000
K&F Acquisition, Inc., 7.75%, 11/15/2014		20,000	21,200
KAR Holdings, Inc.:			
144A, 8.75%, 5/1/2014		50,000	49,000
144A, 10.0%, 5/1/2015		65,000	63,375

	Principal Amount ($)(a)	Value ($)
Local TV Finance LLC, 144A, 9.25%, 6/15/2015 (PIK)	50,000	49,500
New ASAT (Finance) Ltd., 9.25%, 2/1/2011	60,000	51,300
Petroplus Finance Ltd., 144A, 7.0%, 5/1/2017	75,000	72,187
Pinnacle Foods Finance LLC:		
144A, 9.25%, 4/1/2015 (b)	35,000	33,775
144A, 10.625%, 4/1/2017 (b)	20,000	19,250
R.H. Donnelly, Inc., 10.875%, 12/15/2012	190,000	202,587
Realogy Corp., 144A, 12.375%, 4/15/2015 (b)	40,000	36,500
Sally Holdings LLC, 144A, 9.25%, 11/15/2014	55,000	55,138
Triad Acquisition Corp., Series B, 11.125%, 5/1/2013	80,000	76,400
U.S.I. Holdings Corp.:		
144A, 9.23%**, 11/15/2014	25,000	24,875
144A, 9.75%, 5/15/2015	40,000	39,800
UCI Holdingco., Inc., 144A, 12.36%**, 12/15/2013 (PIK)	58,654	59,534
Universal City Development Partners, 11.75%, 4/1/2010	235,000	249,100
Wimar Opco LLC, 144A, 9.625%, 12/15/2014	220,000	211,750
Yankee Acquisition Corp.:		
Series B, 8.5%, 2/15/2015	40,000	38,800
Series B, 9.75%, 2/15/2017 (b)	30,000	29,025
		5,356,156
Health Care 1.5%		
Advanced Medical, 7.11%, 4/2/2014	30,000	29,906
Advanced Medical Optics, Inc., 144A, 7.5%, 5/1/2017	30,000	28,350
Community Health Systems, Inc., 144A, 8.875%, 7/15/2015***	355,000	359,881
HCA, Inc.:		
6.5%, 2/15/2016 (b)	100,000	84,625
144A, 9.125%, 11/15/2014	95,000	99,869
144A, 9.25%, 11/15/2016	135,000	143,775
HEALTHSOUTH Corp.:		
10.75%, 6/15/2016 (b)	90,000	97,650
11.409%**, 6/15/2014 (b)	20,000	21,600
Iasis Healthcare LLC, 8.75%, 6/15/2014	20,000	20,000
Omnicare, Inc., 6.125%, 6/1/2013 (b)	20,000	18,625
Psychiatric Solutions, Inc., 144A, 7.75%, 7/15/2015	50,000	49,437
PTS Acquisition Corp., 144A, 9.5%, 4/15/2015 (PIK)	35,000	34,388
Sun Healthcare Group, Inc., 144A, 9.125%, 4/15/2015	45,000	46,800
Surgical Care Affiliates, Inc., 144A, 8.875%, 7/15/2015 (PIK)	55,000	54,725
Tenet Healthcare Corp., 9.25%, 2/1/2015 (b)	175,000	166,250
The Cooper Companies, Inc., 144A, 7.125%, 2/15/2015	95,000	94,050
Universal Hospital Services, Inc., 144A, 8.5%, 6/1/2015 (PIK)	35,000	34,650
Vanguard Health Holding Co. II, LLC, 9.0%, 10/1/2014	150,000	148,500
		1,533,081

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
Industrials 3.9%			
Actuant Corp., 144A, 6.875%, 6/15/2017 (b)		40,000	39,600
Aleris International, Inc., 144A, 9.0%, 12/15/2014 (PIK)		65,000	65,569
Alion Science and Technology, 10.25%, 2/1/2015		40,000	41,300
Allied Security Escrow Corp., 11.375%, 7/15/2011		85,000	85,425
Allied Waste North America, Inc., Series B, 9.25%, 9/1/2012		187,000	196,116
American Color Graphics, Inc., 10.0%, 6/15/2010		80,000	64,000
ARAMARK Corp.:			
144A, 8.5%, 2/1/2015		75,000	76,312
144A, 8.86%**, 2/1/2015		65,000	65,975
Baldor Electric Co., 8.625%, 2/15/2017		45,000	47,588
Belden, Inc., 144A, 7.0%, 3/15/2017		45,000	44,325
Bombardier, Inc., 144A, 6.75%, 5/1/2012		100,000	98,500
Bristow Group, Inc., 144A, 7.5%, 9/15/2017 (b)		55,000	55,137
Browning-Ferris Industries, Inc., 7.4%, 9/15/2035		165,000	155,100
Building Materials Corp. of America, 7.75%, 8/1/2014 (b)		65,000	63,050
Cenveo Corp., 7.875%, 12/1/2013		120,000	117,600
Congoleum Corp., 8.625%, 8/1/2008*		125,000	114,375
DRS Technologies, Inc.:			
6.625%, 2/1/2016		25,000	24,125
6.875%, 11/1/2013		135,000	130,950
7.625%, 2/1/2018 (b)		165,000	166,650
Education Management LLC, 8.75%, 6/1/2014		45,000	46,125
Esco Corp., 144A, 8.625%, 12/15/2013		95,000	99,750
General Cable Corp.:			
144A, 7.125%, 4/1/2017		55,000	54,450
144A, 7.725%**, 4/1/2015 (b)		55,000	55,000
Great Lakes Dredge & Dock Co., 7.75%, 12/15/2013 (b)		40,000	39,400
Harland Clarke Holdings Corp., 144A, 9.5%, 5/15/2015 (b)		45,000	43,200
Iron Mountain, Inc., 8.75%, 7/15/2018 (b)		35,000	36,050
K. Hovnanian Enterprises, Inc.:			
6.25%, 1/15/2016 (b)		175,000	148,750
8.875%, 4/1/2012 (b)		170,000	156,400
Kansas City Southern de Mexico:			
144A, 7.375%, 6/1/2014		40,000	39,700
144A, 7.625%, 12/1/2013		155,000	154,612
9.375%, 5/1/2012		85,000	90,950
Kansas City Southern Railway Co.:			
7.5%, 6/15/2009		30,000	29,775
9.5%, 10/1/2008		325,000	336,375
Mobile Services Group, Inc., 144A, 9.75%, 8/1/2014		85,000	90,525
Navios Maritime Holdings, Inc., 144A, 9.5%, 12/15/2014 (b)		75,000	79,500
Panolam Industries International, Inc., 144A, 10.75%, 10/1/2013		30,000	31,350
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014		20,000	21,950
RBS Global & Rexnord Corp., 9.5%, 8/1/2014		45,000	46,125
Saint Acquisition Corp., 144A, 12.5%, 5/15/2017		40,000	37,800
Ship Finance International Ltd., 8.5%, 12/15/2013		45,000	46,350
Steel Dynamics, Inc., 144A, 6.75%, 4/1/2015		75,000	73,500
Terex Corp., 7.375%, 1/15/2014		30,000	30,000
The Manitowoc Co., Inc., 7.125%, 11/1/2013		15,000	15,038
Titan International, Inc., 8.0%, 1/15/2012		140,000	143,850
TransDigm, Inc., 144A, 7.75%, 7/15/2014		30,000	30,300
Tribune Co., 7.86%, 5/24/2014		90,000	87,900
U.S. Concrete, Inc., 8.375%, 4/1/2014 (b)		55,000	54,863
United Rentals North America, Inc., 7.0%, 2/15/2014 (b)		95,000	92,625
Vangent, Inc., 144A, 9.625%, 2/15/2015		35,000	35,390
Xerox Capital Trust I, 8.0%, 2/1/2027 (b)		35,000	35,931
			3,935,231
Information Technology 1.2%			
Freescale Semiconductor, Inc., 144A, 8.875%, 12/15/2014		45,000	42,975
L-3 Communications Corp.:			
5.875%, 1/15/2015		160,000	148,400
Series B, 6.375%, 10/15/2015		80,000	75,600
Lucent Technologies, Inc., 6.45%, 3/15/2029		310,000	269,700
MasTec, Inc., 144A, 7.625%, 2/1/2017		65,000	65,163
Sanmina-SCI Corp.:			
144A, 8.11%**, 6/15/2010 (b)		40,000	40,100
8.125%, 3/1/2016 (b)		65,000	60,450
Seagate Technology HDD Holdings, 6.8%, 10/1/2016		90,000	86,400
SunGard Data Systems, Inc., 10.25%, 8/15/2015 (b)		170,000	179,775
Unisys Corp., 7.875%, 4/1/2008		280,000	280,000
			1,248,563
Materials 4.0%			
Appleton Papers, Inc., Series B, 8.125%, 6/15/2011		25,000	25,750
ARCO Chemical Co., 9.8%, 2/1/2020		460,000	499,100
Associated Materials, Inc., Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014 (b)		95,000	70,775
Cascades, Inc., 7.25%, 2/15/2013		140,000	136,150
Chemtura Corp., 6.875%, 6/1/2016		90,000	85,050
Clondalkin Acquisition BV:			
144A, 6.147%**, 12/15/2013	EUR	50,000	70,243
144A, 7.359%**, 12/15/2013		75,000	74,997
CPG International I, Inc.:			
10.5%, 7/1/2013		130,000	133,250
12.117%**, 7/1/2012		30,000	30,750

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
Equistar Chemical Funding, 10.625%, 5/1/2011		66,000	69,465
Exopack Holding Corp., 11.25%, 2/1/2014		160,000	168,800
Freeport-McMoRan Copper & Gold, Inc., 8.375%, 4/1/2017		75,000	80,062
GEO Specialty Chemicals, Inc., 144A, 13.349%**, 12/31/2009 (f)		283,000	232,414
Georgia-Pacific Corp., 144A, 7.125%, 1/15/2017		35,000	33,600
Gibraltar Industries, Inc., Series B, 8.0%, 12/1/2015		45,000	44,100
Hexcel Corp., 6.75%, 2/1/2015		195,000	189,150
Huntsman LLC, 11.625%, 10/15/2010		243,000	261,225
Ineos Group Holdings PLC, 144A, 7.875%, 2/15/2016	EUR	50,000	63,443
International Coal Group, Inc., 10.25%, 7/15/2014 (b)		65,000	67,194
Jefferson Smurfit Corp., 8.25%, 10/1/2012		25,000	24,813
Koppers Holdings, Inc., Step-up Coupon, 0% to 11/15/2009, 9.875% to 11/15/2014		130,000	111,150
Lyondell Chemical Co.:			
6.875%, 6/15/2017 (b)		235,000	226,775
10.5%, 6/1/2013 (b)		30,000	32,400
MacDermid, Inc., 144A, 9.5%, 4/15/2017		45,000	45,225
Massey Energy Co.:			
6.625%, 11/15/2010 (b)		65,000	64,025
6.875%, 12/15/2013 (b)		105,000	96,206
Metals USA Holding Corp.:			
144A, 11.36%**, 7/1/2012 (PIK)		70,000	64,400
144A, 11.356%**, 1/15/2012 (PIK)		55,000	55,000
Millar Western Forest Products Ltd., 7.75%, 11/15/2013 (b)		50,000	43,063
Momentive Performance Materials, Inc.:			
144A, 9.75%, 12/1/2014		75,000	75,750
144A, 11.5%, 12/1/2016 (b)		30,000	30,300
Mueller Water Products, Inc., 144A, 7.375%, 6/1/2017		50,000	49,581
Neenah Foundry Co., 9.5%, 1/1/2017		45,000	43,200
NewMarket Corp., 7.125%, 12/15/2016		110,000	106,425
OI European Group BV, 144A, 6.875%, 3/31/2017	EUR	65,000	88,414
Oxford Automotive, Inc., 144A, 12.0%, 10/15/2010*		157,024	2,355
Pliant Corp., 11.625%, 6/15/2009 (PIK)		10	11
Radnor Holdings Corp., 11.0%, 3/15/2010*		25,000	94
Smurfit-Stone Container Enterprises, Inc.:			
8.0%, 3/15/2017		90,000	87,300
8.375%, 7/1/2012		45,000	45,056
Terra Capital, Inc., Series B, 7.0%, 2/1/2017		140,000	135,100
The Mosaic Co., 144A, 7.375%, 12/1/2014 (b)		85,000	85,850
TriMas Corp., 9.875%, 6/15/2012		100,000	102,750
Witco Corp., 6.875%, 2/1/2026		35,000	29,050
Wolverine Tube, Inc., 10.5%, 4/1/2009		85,000	84,787
			4,064,598

Telecommunication Services 2.9%

		Principal Amount ($)(a)	Value ($)
American Cellular Corp., Series B, 10.0%, 8/1/2011		13,000	13,618
BCM Ireland, (Preferred), 144A, 11.061%, 2/15/2017 (PIK)	EUR	56,470	77,003
Cell C Property Ltd., 144A, 11.0%, 7/1/2015		180,000	168,750
Centennial Communications Corp.:			
10.0%, 1/1/2013 (b)		110,000	117,975
10.125%, 6/15/2013		40,000	42,900
Cincinnati Bell, Inc.:			
7.25%, 7/15/2013		190,000	194,750
8.375%, 1/15/2014		55,000	55,550
Citizens Communications Co., 6.625%, 3/15/2015		65,000	61,750
Cricket Communications, Inc., 144A, 9.375%, 11/1/2014		140,000	144,550
Dobson Cellular Systems, 9.875%, 11/1/2012		75,000	80,812
Dobson Communications Corp., 8.875%, 10/1/2013 (b)		70,000	73,150
Embratel, Series B, 11.0%, 12/15/2008		20,000	21,250
Grupo Iusacell SA de CV, Series B, 10.0%, 7/15/2004*		30,000	30,300
Insight Midwest LP, 9.75%, 10/1/2009 (b)		26,000	26,195
Intelsat Bermuda Ltd.:			
8.872%**, 1/15/2015		10,000	10,213
9.25%, 6/15/2016		35,000	37,188
11.25%, 6/15/2016		95,000	106,400
Intelsat Corp., 9.0%, 6/15/2016		40,000	41,900
Intelsat Ltd., 5.25%, 11/1/2008		35,000	34,475
Intelsat Subsidiary Holding Co., Ltd., 8.25%, 1/15/2013		80,000	81,200
iPCS, Inc., 144A, 7.48%**, 5/1/2013		25,000	25,031
MetroPCS Wireless, Inc., 144A, 9.25%, 11/1/2014		150,000	154,875
Millicom International Cellular SA, 10.0%, 12/1/2013		75,000	81,187
Mobifon Holdings BV, 12.5%, 7/31/2010		195,000	208,162
Nextel Communications, Inc., Series D, 7.375%, 8/1/2015 (b)		270,000	269,884
Nortel Networks Ltd.:			
144A, 9.61%**, 7/15/2011		85,000	90,419
144A, 10.125%, 7/15/2013		100,000	107,250
144A, 10.75%, 7/15/2016 (b)		55,000	60,775
Qwest Corp., 7.25%, 9/15/2025		20,000	19,950
Rural Cellular Corp., 9.875%, 2/1/2010		85,000	88,825
Stratos Global Corp., 9.875%, 2/15/2013		30,000	31,875
SunCom Wireless Holdings, Inc., 8.5%, 6/1/2013 (b)		100,000	102,250
US Unwired, Inc., Series B, 10.0%, 6/15/2012		110,000	119,114

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
Virgin Media Finance PLC, 8.75%, 4/15/2014		160,000	164,800
West Corp., 9.5%, 10/15/2014		55,000	56,375
			3,000,701

Utilities 2.5%

		Principal Amount ($)(a)	Value ($)
AES Corp., 144A, 8.75%, 5/15/2013		465,000	490,575
Allegheny Energy Supply Co. LLC, 144A, 8.25%, 4/15/2012		370,000	394,050
CMS Energy Corp., 8.5%, 4/15/2011 (b)		225,000	239,314
Edison Mission Energy, 144A, 7.0%, 5/15/2017		85,000	80,113
Intergas Finance BV, Series REG S, 6.875%, 11/4/2011		375,000	380,891
Mirant Americas Generation LLC, 8.3%, 5/1/2011		40,000	41,300
Mirant North America LLC, 7.375%, 12/31/2013		30,000	30,675
NRG Energy, Inc.:			
7.25%, 2/1/2014		165,000	165,413
7.375%, 2/1/2016		310,000	310,775
PSE&G Energy Holdings LLC, 10.0%, 10/1/2009		190,000	204,276
Regency Energy Partners LP, 144A, 8.375%, 12/15/2013		100,000	103,000
Sierra Pacific Resources:			
6.75%, 8/15/2017		105,000	103,221
8.625%, 3/15/2014		25,000	26,833
			2,570,436
Total Corporate Bonds (Cost $34,306,920)			**34,653,027**

Commercial and Non-Agency Mortgage-Backed Securities 3.2%

		Principal Amount ($)(a)	Value ($)
Credit Suisse Mortgage Capital Certificates Trust, "A2", Series 2007-C1, 5.268%, 2/15/2040		1,174,000	1,155,746
Greenwich Capital Commercial Funding Corp., "A4", Series 2007-GG9, 5.444%, 3/10/2039		1,498,000	1,450,241
Morgan Stanley Capital I Trust, "A4", Series 2007-HQ11, 5.447%, 2/12/2044		720,000	696,137
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $3,409,261)			**3,302,124**

Government & Agency Obligations 48.0%

Sovereign Bonds 36.8%

		Principal Amount ($)(a)	Value ($)
Aries Vermogensverwaltung GmbH, Series C, REG S, 9.6%, 10/25/2014		250,000	307,920
Bundesrepublic Deutschland, Series 06, 4.0%, 7/4/2016	EUR	1,350,000	1,753,266
Dominican Republic, Series REG S, 9.5%, 9/27/2011		254,920	271,490
Egypt Government AID Bonds, 4.45%, 9/15/2015		5,050,000	4,735,233
Federative Republic of Brazil:			
6.0%, 1/17/2017		940,000	921,200
7.125%, 1/20/2037 (b)		310,000	334,800
7.875%, 3/7/2015 (b)		235,000	259,910
8.75%, 2/4/2025		260,000	321,750
8.875%, 10/14/2019		610,000	740,540
11.0%, 8/17/2040 (b)		655,000	859,032
12.5%, 1/5/2016	BRL	250,000	149,999
Government of Malaysia, Series 1/04, 4.305%, 2/27/2009	MYR	1,650,000	485,639
Government of Ukraine:			
Series REG S, 4.95%, 10/13/2015	EUR	130,000	165,391
Series REG S, 7.65%, 6/11/2013		150,000	158,745
Kingdom of Spain, 3.15%, 1/31/2016	EUR	1,900,000	2,309,924
Province of Ontario, 3.5%, 9/17/2007		1,500,000	1,494,937
Republic of Argentina:			
5.475%**, 8/3/2012 (PIK)		830,000	592,080
5.83%, 12/31/2033 (PIK)	ARS	375	167
7.82%, 12/31/2033 (PIK)	EUR	761,727	946,286
Republic of Colombia:			
8.25%, 12/22/2014		145,000	162,183
10.0%, 1/23/2012		290,000	334,225
Republic of El Salvador, 144A, 7.65%, 6/15/2035		576,000	658,080
Republic of Greece:			
2.9%, 6/21/2008	EUR	2,100,000	2,801,116
4.5%, 9/20/2037	EUR	1,200,000	1,488,199
Republic of Indonesia, 144A, 6.875%, 3/9/2017 (b)		340,000	351,900
Republic of Panama:			
7.125%, 1/29/2026		141,000	150,165
9.375%, 1/16/2023		570,000	718,200
Republic of Peru, 7.35%, 7/21/2025		975,000	1,085,175
Republic of Philippines:			
7.75%, 1/14/2031		100,000	110,250
8.0%, 1/15/2016		540,000	593,298
8.375%, 2/15/2011		20,000	21,350
9.375%, 1/18/2017		150,000	180,375
Republic of Serbia, 144A, Step-up Coupon, 3.75% to 11/1/2009, 6.75% to 11/1/2024		115,000	108,100
Republic of Turkey:			
7.0%, 9/26/2016 (b)		425,000	429,781
7.25%, 3/15/2015		70,000	72,188
11.75%, 6/15/2010		405,000	468,544
20.0%, 10/17/2007	TRY	35	27
Republic of Uruguay:			
7.625%, 3/21/2036 (b)		101,000	110,595
8.0%, 11/18/2022		265,000	294,150
9.25%, 5/17/2017		105,000	125,475
Republic of Venezuela:			
6.0%, 12/9/2020		430,000	347,870
7.65%, 4/21/2025		50,000	45,675
10.75%, 9/19/2013		650,000	721,825
Russian Federation, Series REG S, 7.5%, 3/31/2030		1,422,850	1,567,269
Russian Ministry of Finance, Series VII, 3.0%, 5/14/2011		250,000	225,148
Socialist Republic of Vietnam, 144A, 6.875%, 1/15/2016 (b)		540,000	561,600
United Kingdom Treasury Bond:			
5.0%, 3/7/2008	GBP	2,250,000	4,499,024
5.0%, 3/7/2025	GBP	1,000,000	1,967,973

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
United Mexican States:		
5.625%, 1/15/2017 (b)	510,000	499,290
Series A, 6.75%, 9/27/2034	83,000	88,828
		37,596,187

US Government Sponsored Agencies 3.9%

Farmer Mac Gaurenteed Trust, Series 2007-1, 144A, 5.125%, 4/19/2017	1,400,000	1,343,874
Federal Home Loan Mortgage Corp., 5.0%, 6/11/2009	1,000,000	996,346
Tennessee Valley Authority, Series A, 6.79%, 5/23/2012	1,500,000	1,594,283
		3,934,503

US Treasury Obligations 7.3%

US Treasury Bill, 4.845%****, 7/19/2007 (c)	616,000	614,508
US Treasury Bond, 6.25%, 8/15/2023	2,250,000	2,498,380
US Treasury Note, 4.75%, 2/28/2009	4,350,000	4,336,745
		7,449,633
Total Government & Agency Obligations (Cost $48,350,992)		**48,980,323**

Loan Participations 0.3%

Export-Import Bank of Ukraine, 6.8%, 10/4/2012	205,000	201,474
Sabre, Inc., 7.682%**, 9/30/2014	50,000	49,479
Total Loan Participations (Cost $250,243)		**250,953**

	Shares	Value ($)
Warrants 0.0%		
Dayton Superior Corp., 144A, Expiration 6/15/2009* (Cost $0)	10	**0**

	Units	Value ($)
Other Investments 0.2%		
Hercules, Inc., (Bond Unit), 6.5%, 6/30/2029	85,000	74,800
IdleAire Technologies Corp. (Bond Unit), 144A, Step-up Coupon, 0% to 6/15/2008, 13.0% to 12/15/2012	160,000	108,800
Total Other Investments (Cost $190,895)		**183,600**

	Shares	Value ($)
Common Stocks 0.0%		
GEO Specialty Chemicals, Inc.* (Cost $19,822)	2,058	**1,574**

Convertible Preferred Stocks 0.0%

Consumer Discretionary

ION Media Networks, Inc.:		
144A, 9.75% (PIK)	2	11,800
Series AI, 144A, 9.75% (PIK)	4	23,600
Total Convertible Preferred Stocks (Cost $41,950)		**35,400**

	Contracts	Value ($)
Options Purchased 0.0%		
Call Swaptions		
3 Month LIBOR, 6.08% fixed rate, Expiring 6/22/2012, Strike Rate 6.08%	650,000	**13,469**
Put Swaptions		
3 Month LIBOR, 6.08% fixed rate, Expiring 6/22/2012, Strike Rate 6.08%	650,000	**17,266**
Total Options Purchased (Cost $30,810)		**30,735**

	Shares	Value ($)
Securities Lending Collateral 8.4%		
Daily Assets Fund Institutional, 5.36% (d) (e) (Cost $8,560,925)	8,560,925	**8,560,925**
Cash Equivalents 12.2%		
Cash Management QP Trust, 5.34% (d) (Cost $12,491,241)	12,491,241	**12,491,241**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $107,653,059)†	106.2	**108,489,902**
Other Assets and Liabilities, Net	(6.2)	**(6,314,071)**
Net Assets	100.0	**102,175,831**

* *Non-income producing security. In the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or interest. The following table represents bonds that are in default.*

Securities	Coupon	Maturity Date	Principal Amount		Acquisition Cost ($)	Value ($)
Congoleum Corp.	8.625%	8/1/2008	125,000	USD	105,994	114,375
Grupo Iusacell SA de CV	10.0%	7/15/2004	30,000	USD	21,475	30,300
Oxford Automotive, Inc.	12.0%	10/15/2010	157,024	USD	14,689	2,355
Radnor Holdings Corp.	11.0%	3/15/2010	25,000	USD	17,152	94
					159,310	**147,124**

The accompanying notes are an integral part of the financial statements.

** Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate. These securities are shown at their current rate as of June 30, 2007.

*** When issued/delay delivery security included.

**** Annualized yield at time of purchase; not a coupon rate.

† The cost for federal income tax purposes was $107,865,512. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $624,390. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $1,822,671 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $1,198,281.

(a) Principal amount stated in US dollars unless otherwise noted.

(b) All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $8,400,985 which is 8.2% of net assets.

(c) At June 30, 2007, this security, in part or in whole, has been segregated to cover initial margin requirements for open future contracts.

(d) Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

(e) Represents collateral held in connection with securities lending.

(f) Security has a deferred interest payment of $9,219 from April 1, 2006.

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

PIK: Denotes that all or a portion of the income is paid in-kind.

LIBOR: Represents the London InterBank Offered Rate.

At June 30, 2007, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Depreciation ($)
10 Year Japanese Government Bond	9/10/2007	11	11,811,581	11,793,787	(17,794)
10 Year US Treasury Note	9/19/2007	116	12,334,275	12,261,563	(72,712)
United Kingdom Treasury Bond	9/26/2007	28	5,942,903	5,832,408	(110,495)
Total net unrealized depreciation					**(201,001)**

At June 30, 2007, open futures contracts sold were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation ($)
10 Year Germany Bond	9/6/2007	82	12,406,077	12,291,349	114,728
10 Year Australian Bond	9/17/2007	75	6,255,237	6,239,299	15,938
10 Year Canada Government Bond	9/19/2007	15	1,575,056	1,560,479	14,577
Total net unrealized appreciation					**145,243**

At June 30, 2007, open written options contracts were as follows:

Written Options	Number of Contracts	Expiration Date	Strike Rate (%)	Value ($)
Call Swaptions				
3 Month LIBOR, 6.3% fixed rate	130,000	9/22/2007	6.3	(66)
Put Swaptions				
3 Month LIBOR, 5.3% fixed rate	130,000	9/22/2007	5.3	(374)
Total Written Options (Premium received $390)				**(440)**

At June 30, 2007, the open credit default swap contract purchased were as follows:

Effective/Expiration Date	Notional Amount ($)	Cash Flows Paid by the Portfolio	Underlying Debt Obligation	Unrealized Depreciation ($)
3/30/2007 6/20/2012	2,100,000[†]	Fixed — 2.75%	Dow Jones CDX High Yield	(32,881)
6/28/2007 6/20/2012	720,000[†]	Fixed — 0.75%	Dow Jones CDX High Yield	(431)
Total net unrealized depreciation on open interest rate swaps				**(33,312)**

Counterparty:

† JPMorgan Chase

The accompanying notes are an integral part of the financial statements.

At June 30, 2007, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)
EUR	3,700,000	USD	5,006,026	7/6/2007	2,793
USD	2,469,195	AUD	2,966,000	9/19/2007	39,738
USD	7,011,028	EUR	5,260,000	9/19/2007	127,122
USD	4,910,881	GBP	2,498,000	9/19/2007	99,482
USD	3,170,395	SGD	4,855,000	9/19/2007	21,443
JPY	1,501,516,000	USD	12,337,594	9/19/2007	15,299
Total unrealized appreciation					**305,877**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)
GBP	2,475,000	USD	4,929,086	7/6/2007	(35,510)
USD	4,122,351	JPY	500,000,000	7/6/2007	(67,497)
EUR	1,182,000	USD	1,599,900	7/11/2007	(492)
CAD	2,361,000	USD	2,216,641	9/19/2007	(3,791)
CHF	6,773,000	USD	5,476,671	9/19/2007	(101,369)
NOK	6,449,000	USD	1,059,384	9/19/2007	(35,697)
Total unrealized depreciation					**(244,356)**

Currency Abbreviations

ARS	Argentine Peso
AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
CHF	Swiss Franc
EUR	Euro
GBP	Great British Pound
JPY	Japanese Yen
MYR	Malaysian Ringgit
NOK	Norwegian Krone
SGD	Singapore Dollar
TRY	Turkish Lira
USD	United States Dollar

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $86,600,893) — including $8,400,985 of securities loaned	$	87,437,736
Investment in Daily Assets Fund Institutional (cost $8,560,925)*		8,560,925
Investment in Cash Management QP Trust (cost $12,491,241)		12,491,241
Total investments in securities, at value (cost $107,653,059)		108,489,902
Cash		110,861
Foreign currency, at value (cost $992,254)		996,859
Receivable for investments sold		237,506
Interest receivable		1,648,467
Receivable for Portfolio shares sold		144,226
Receivable for variation margin on open futures		93,873
Open credit default swap contract receivable		4,204
Foreign taxes recoverable		591
Unrealized appreciation on forward foreign currency exchange contracts		305,877
Other assets		132
Total assets		112,032,498
Liabilities		
Payable upon return of securities loaned		8,560,925
Payable for investments purchased		493,106
Payable for when issued and forward delivery securities		367,494
Payable for Portfolio shares redeemed		16,096
Unrealized depreciation on forward foreign currency exchange contracts		244,356
Unrealized depreciation on credit default swap contracts		33,312
Options written, at value (premium received $390)		440
Accrued management fee		46,642
Other accrued expenses and payables		94,296
Total liabilities		9,856,667
Net assets, at value	**$**	**102,175,831**
Net Assets		
Net assets consist of:		
Undistributed net investment income		3,107,664
Net unrealized appreciation (depreciation) on:		
Investments		836,843
Credit default swaps		(33,312)
Written options		(50)
Futures		(55,758)
Foreign currency related transactions		86,710
Accumulated net realized gain (loss)		631,701
Paid-in capital		97,602,033
Net assets, at value	**$**	**102,175,831**
Class A		
Net Asset Value, offering and redemption price per share ($93,157,401 ÷ 8,256,769 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.28**
Class B		
Net Asset Value, offering and redemption price per share ($9,018,430 ÷ 802,344 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.24**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Interest (net of foreign taxes withheld of $2,865)	$	3,219,409
Interest — Cash Management QP Trust		271,489
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		9,562
Total Income		3,500,460
Expenses:		
Management fee		356,194
Custodian fee		16,803
Distribution service fee (Class B)		24,948
Record keeping fees (Class B)		12,720
Auditing		30,770
Legal		12,835
Trustees' fees and expenses		10,350
Reports to shareholders		17,085
Other		24,715
Total expenses before expense reductions		506,420
Expense reductions		(4,535)
Total expenses after expense reductions		501,885
Net investment income (loss)		**2,998,575**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		789,914
Credit default swaps		82,119
Futures		71,792
Foreign currency related transactions		(96,179)
Net increase from payments by affiliates and net losses realized on trades executed incorrectly		—
		847,646
Net unrealized appreciation (depreciation) during the period on:		
Investments		(1,885,273)
Credit default swaps		(95,579)
Written options		(50)
Futures		(68,183)
Foreign currency related transactions		266,101
		(1,782,984)
Net gain (loss) on investment transactions		**(935,338)**
Net increase (decrease) in net assets resulting from operations	**$**	**2,063,237**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income	$ 2,998,575	$ 5,491,929
Net realized gain (loss) on investment transactions	847,646	1,616,533
Net unrealized appreciation (depreciation) during the period on investment transactions	(1,782,984)	1,741,758
Net increase (decrease) in net assets resulting from operations	2,063,237	8,850,220
Distributions to shareholders from:		
Net investment income:		
Class A	(5,451,249)	(3,447,308)
Class B	(1,430,805)	(1,139,329)
Net realized gains:		
Class A	—	(665,270)
Class B	—	(235,620)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	13,450,971	23,655,231
Reinvestment of distributions	5,451,249	4,112,578
Cost of shares redeemed	(7,577,540)	(15,500,783)
Net increase (decrease) in net assets from Class A share transactions	11,324,680	12,267,026
Class B		
Proceeds from shares sold	1,812,743	3,743,282
Reinvestment of distributions	1,430,805	1,374,949
Cost of shares redeemed	(18,039,854)	(7,442,604)
Net increase (decrease) in net assets from Class B share transactions	(14,796,306)	(2,324,373)
Increase (decrease) in net assets	(8,290,443)	13,305,346
Net assets at beginning of period	110,466,274	97,160,928
Net assets at end of period (including undistributed net investment income of $3,107,664 and $6,991,143, respectively)	**$ 102,175,831**	**$ 110,466,274**

Other Information		
Class A		
Shares outstanding at beginning of period	7,267,545	6,158,201
Shares sold	1,160,537	2,099,310
Shares issued to shareholders in reinvestment of distributions	483,267	375,578
Shares redeemed	(654,580)	(1,365,544)
Net increase (decrease) in Class A shares	989,224	1,109,344
Shares outstanding at end of period	**8,256,769**	**7,267,545**
Class B		
Shares outstanding at beginning of period	2,104,567	2,304,696
Shares sold	156,075	329,869
Shares issued to shareholders in reinvestment of distributions	127,296	125,911
Shares redeemed	(1,585,594)	(655,909)
Net increase (decrease) in Class B shares	(1,302,223)	(200,129)
Shares outstanding at end of period	**802,344**	**2,104,567**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$11.80**	**$11.50**	**$12.25**	**$11.82**	**$11.10**	**$10.27**
Income (loss) from investment operations:						
Net investment income[b]	.32	.62	.65	.58	.41	.45
Net realized and unrealized gain (loss) on investment transactions	(.12)	.36	(.39)	.39	.47	.68
Total from investment operations	.20	.98	.26	.97	.88	1.13
Less distributions from:						
Net investment income	(.72)	(.57)	(.98)	—	(.15)	(.30)
Net realized gain on investment transactions	—	(.11)	(.03)	(.54)	(.01)	—
Total distributions	(.72)	(.68)	(1.01)	(.54)	(.16)	(.30)
Net asset value, end of period	**$11.28**	**$11.80**	**$11.50**	**$12.25**	**$11.82**	**$11.10**
Total Return (%)	1.74[c]**	8.98	2.38	8.60	7.85	11.30
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	93	86	71	62	62	60
Ratio of expenses before expense reductions (%)	.86*	.85	.88	.84	.83	.73
Ratio of expenses after expense reductions (%)	.85*	.85	.88	.84	.83	.73
Ratio of net investment income (loss) (%)	5.55*	5.47	5.61	4.99	3.60	4.26
Portfolio turnover rate (%)	77**	143	120	210	160	65

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total return would have been lower had certain expenses not been reduced.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003[b]
Selected Per Share Data					
Net asset value, beginning of period	**$11.74**	**$11.44**	**$12.17**	**$11.78**	**$11.44**
Income (loss) from investment operations:					
Net investment income[c]	.30	.59	.61	.53	.17
Net realized and unrealized gain (loss) on investment transactions	(.12)	.35	(.38)	.40	.17
Total from investment operations	.18	.94	.23	.93	.34
Less distributions from:					
Net investment income	(.68)	(.53)	(.93)	—	—
Net realized gain on investment transactions	—	(.11)	(.03)	(.54)	—
Total distributions	(.68)	(.64)	(.96)	(.54)	—
Net asset value, end of period	**$11.24**	**$11.74**	**$11.44**	**$12.17**	**$11.78**
Total Return (%)	1.54[d]**	8.75[d]	1.92[d]	8.27	2.97**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period ($ millions)	9	25	26	21	8
Ratio of expenses before expense reductions (%)	1.23*	1.24	1.25	1.22	1.26*
Ratio of expenses after expense reductions (%)	1.22*	1.18	1.21	1.22	1.26*
Ratio of net investment income (loss) (%)	5.18*	5.14	5.28	4.61	1.80*
Portfolio turnover rate (%)	77**	143	120	210	160

a *For the six months ended June 30, 2007 (Unaudited).*
b *For the period from May 1, 2003 (commencement of operations of Class B shares) to December 31, 2003.*
c *Based on average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Technology VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,081.10	$1,078.90
Expenses Paid per $1,000*	$ 4.75	$ 6.75
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,020.23	$1,018.30
Expenses Paid per $1,000*	$ 4.61	$ 6.56

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Technology VIP	.92%	1.31%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Technology VIP

The technology sector performed well during the first half of 2007. The Goldman Sachs Technology Index — the Portfolio's benchmark — gained 10.40%, compared with a return of 6.96% for the Standard & Poor's 500® (S&P 500) Index. The DWS Technology VIP Class A shares, unadjusted for contract charges, underperformed the Goldman Sachs Technology Index, and underperformed the Russell 1000® Growth Index.

The Portfolio's gradual move away from large-cap stocks into mid-caps and foreign equities produced positive results during the first half of the year. Underweight positions in most of the sector's large caps positively contributed to performance, and many of our mid-cap stock picks outperformed.[1] The top individual contributor was the mid-cap aQuantive, Inc., which was taken over by Microsoft Corp. at an 85% premium. Also making positive contributions were an overweight in Corning, Inc., which is benefiting from increased demand for LCD televisions, and an underweight in Motorola, Inc.,* whose dated product portfolio contributed to lower earnings estimates. Additional positives were an underweight in Microsoft and an overweight in Apple, Inc. Among the most notable detractors from performance were SiRF Technology Holdings, Inc. and Spansion, Inc.* in semiconductors; Cheng Uei Precision Industry Co., Ltd.* in electronic equipment; the lack of a position in Amazon.com, Inc. in the Internet sector; and QLogic Corp., Network Appliance, Inc, and Rackable Systems, Inc.* in computers and peripherals.

We believe we have made positive progress by moving down the market cap scale and looking for opportunities outside of the United States. We also have maintained the approach of holding large positions in our highest-conviction ideas, while at the same time sticking to our valuation-based sell discipline. In the second half of the year, we will continue to look for opportunities in individual companies with strong product cycles, robust organic growth opportunities and high barriers to entry.

Kelly P. Davis	Brian S. Peters, CFA
Lead Portfolio Manager	*Portfolio Manager*

Deutsche Investment Management Americas Inc.

Risk Considerations

Investments by the Portfolio in small companies present greater risk of loss than investments in larger, more established companies. Concentration of the Portfolio's investment in technology stocks may present a greater risk than investments in a more diversified portfolio. Investments by the Portfolio in emerging technology companies present greater risk than investments in more established technology companies. This Portfolio is non-diversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Goldman Sachs Technology Index is an unmanaged capitalization-weighted index based on a universe of technology-related stocks.

The Standard & Poor's 500 (S&P 500) Index is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 1000 Growth Index is an unmanaged capitalization-weighted index containing those securities in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values.

Index returns assume reinvestment of all dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the Portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the Portfolio holds a lower weighting.*

* *As of June 30, 2007, the positions were sold.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Technology VIP

Asset Allocation (Excludes Securities Lending Collateral)	**6/30/07**	**12/31/06**
Common Stocks	99%	99%
Cash Equivalents	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/07**	**12/31/06**
Information Technology:		
Computers & Peripherals	23%	19%
Communications Equipment	19%	16%
Software	19%	23%
Semiconductors & Semiconductor Equipment	17%	18%
Internet Software & Services	12%	13%
IT Services	5%	6%
Electronic Equipment & Instruments	4%	2%
Electronic Equipment	—	1%
Consumer Discretionary	1%	—
Industrials	—	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 165. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

Investment Portfolio

DWS Technology VIP

	Shares	Value ($)
Common Stocks 98.2%		
Consumer Discretionary 1.0%		
Media		
Focus Media Holding Ltd. (ADR)* (a)	29,200	**1,474,600**
Information Technology 97.2%		
Communications Equipment 18.6%		
Cisco Systems, Inc.*	502,200	13,986,270
Corning, Inc.*	110,900	2,833,495
Nokia Oyj (ADR)	56,500	1,588,215
QUALCOMM, Inc.	174,616	7,576,588
Starent Networks Corp.*	4,500	66,150
Telefonaktiebolaget LM Ericsson (ADR)	84,800	3,382,672
		29,433,390
Computers & Peripherals 22.7%		
Apple, Inc.*	43,700	5,333,148
Asustek Computer, Inc.	750,000	2,062,171
Brocade Communications Systems, Inc.* (a)	129,900	1,015,818
Data Domain, Inc.*	2,100	48,300
EMC Corp.*	201,900	3,654,390
Foxconn Technology Co., Ltd.	103,000	1,233,241
Hewlett-Packard Co.	169,000	7,540,780
International Business Machines Corp. (a)	48,600	5,115,150
Network Appliance, Inc.*	86,800	2,534,560
QLogic Corp.*	202,720	3,375,288
SanDisk Corp.* (a)	30,600	1,497,564
Sun Microsystems, Inc.*	478,000	2,514,280
		35,924,690
Electronic Equipment & Instruments 3.8%		
Brightpoint, Inc.* (a)	87,900	1,212,141
Hon Hai Precision Industry Co., Ltd.	455,200	3,931,414
Phoenix Precision Technology Corp.*	644,000	838,329
		5,981,884
Internet Software & Services 11.5%		
Akamai Technologies, Inc.* (a)	37,300	1,814,272
aQuantive, Inc.* (a)	23,000	1,467,400
eBay, Inc.*	113,500	3,652,430
Google, Inc. "A"*	15,500	8,112,390
Yahoo!, Inc.*	118,100	3,204,053
		18,250,545
IT Services 5.4%		
Automatic Data Processing, Inc.	30,930	1,499,177
BearingPoint, Inc.* (a)	103,300	755,123
Global Payments, Inc.	69,400	2,751,710
Paychex, Inc.	89,400	3,497,328
		8,503,338
Semiconductors & Semiconductor Equipment 16.9%		
Advanced Micro Devices, Inc.* (a)	145,000	2,073,500
Advanced Semiconductor Engineering, Inc.*	1,005,000	1,369,595
ASML Holding NV (NY Registered Shares)* (a)	95,800	2,629,710
Intel Corp.	380,489	9,040,419
Marvell Technology Group Ltd.* (a)	96,300	1,753,623
NVIDIA Corp.*	42,100	1,739,151
PMC-Sierra, Inc.* (a)	106,400	822,472
SiRF Technology Holdings, Inc.* (a)	80,500	1,669,570
Taiwan Semiconductor Manufacturing Co., Ltd. (ADR)	142,107	1,581,649
Texas Instruments, Inc.	109,200	4,109,196
		26,788,885
Software 18.3%		
Activision, Inc.*	142,700	2,664,209
Adobe Systems, Inc.*	91,200	3,661,680
Autodesk, Inc.*	51,600	2,429,328
Cadence Design Systems, Inc.* (a)	48,500	1,065,060
Citrix Systems, Inc.* (a)	135,800	4,572,386
Electronic Arts, Inc.*	46,300	2,190,916
Microsoft Corp.	234,846	6,920,912
Oracle Corp.*	162,600	3,204,846
Salesforce.com, Inc.*	26,500	1,135,790
Take-Two Interactive Software, Inc.* (a)	56,200	1,122,314
		28,967,441
Total Common Stocks (Cost $125,482,909)		**155,324,773**

	Contracts	Value ($)
Call Options Purchased 0.0%		
Yahoo!, Inc., Expiring 7/20/2007, Strike Price, $32.5 (Cost $179,912)	1,046	**10,460**

	Shares	Value ($)
Securities Lending Collateral 12.3%		
Daily Assets Fund Institutional, 5.36% (b) (c) (Cost $19,509,283)	19,509,283	**19,509,283**
Cash Equivalents 0.7%		
Cash Management QP Trust, 5.34% (b) (Cost $1,065,355)	1,065,355	**1,065,355**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $146,237,459)†	111.2	**175,909,871**
Other Assets and Liabilities, Net	(11.2)	**(17,677,941)**
Net Assets	100.0	**158,231,930**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $159,877,960. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $16,031,911 This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $33,225,610 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $17,193,699.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $19,022,154 which is 12.0% of net assets.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

ADR: American Depositary Receipt

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $125,662,821) — including $19,022,154 of securities loaned	$	155,335,233
Investment in Daily Assets Fund Institutional (cost $19,509,283)*		19,509,283
Investment in Cash Management QP Trust (cost $1,065,355)		1,065,355
Total investments in securities, at value (cost $146,237,459)		175,909,871
Foreign currency, at value (cost $976,538)		973,303
Receivable for investments sold		1,885,616
Interest receivable		8,455
Dividends receivable		73,542
Receivable for Portfolio shares sold		47,593
Foreign taxes recoverable		274
Other assets		3,071
Total assets		178,901,725

Liabilities		
Payable upon return of securities loaned		19,509,283
Payable for investments purchased		662,850
Payable for Portfolio shares redeemed		305,854
Accrued management fee		96,057
Other accrued expenses and payables		95,751
Total liabilities		20,669,795
Net assets, at value	**$**	**158,231,930**

Net Assets		
Net assets consist of:		
Accumulated net investment loss		(259,273)
Net unrealized appreciation (depreciation) on:		
Investments		29,672,412
Foreign currency related transactions		(3,235)
Accumulated net realized gain (loss)		(256,165,964)
Paid-in capital		384,987,990
Net assets, at value	**$**	**158,231,930**
Class A		
Net Asset Value, offering and redemption price per share ($155,157,611 ÷ 15,310,443 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.13**
Class B		
Net Asset Value, offering and redemption price per share ($3,074,319 ÷ 308,023 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.98**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $18,160)	$	427,903
Interest		598
Interest — Cash Management QP Trust		73,422
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		31,565
Total Income		533,488
Expenses:		
Management fee		625,598
Custodian and accounting fees		44,020
Distribution service fee (Class B)		12,953
Record keeping fees (Class B)		7,047
Auditing		24,176
Legal		3,287
Trustees' fees and expenses		12,117
Reports to shareholders		50,321
Other		12,573
Total expenses before expense reductions		792,092
Expense reductions		(1,795)
Total expenses after expense reductions		790,297
Net investment income (loss)		**(256,809)**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		9,393,846
Written options		(58,736)
Foreign currency related transactions		(10,339)
		9,324,771
Net unrealized appreciation (depreciation) during the period on:		
Investments		3,813,168
Written options		(46,329)
Foreign currency related transactions		(3,889)
		3,762,950
Net gain (loss) on investment transactions		**13,087,721**
Net increase (decrease) in net assets resulting from operations	**$**	**12,830,912**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ (256,809)	$ (294,773)
Net realized gain (loss)	9,324,771	6,112,890
Net unrealized appreciation (depreciation) during the period on investment transactions	3,762,950	(5,955,121)
Net increase (decrease) in net assets resulting from operations	12,830,912	(137,004)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	1,927,082	6,300,268
Cost of shares redeemed	(23,637,153)	(40,707,874)
Net increase (decrease) in net assets from Class A share transactions	(21,710,071)	(34,407,606)
Class B		
Proceeds from shares sold	379,296	2,069,789
Cost of shares redeemed	(12,065,050)	(4,331,077)
Net increase (decrease) in net assets from Class B share transactions	(11,685,754)	(2,261,288)
Increase (decrease) in net assets	(20,564,913)	(36,805,898)
Net assets at beginning of period	178,796,843	215,602,741
Net assets at end of period (including accumulated net investment loss of $259,273 and $2,464, respecitvely)	**$ 158,231,930**	**$ 178,796,843**

Other Information		
Class A		
Shares outstanding at beginning of period	17,575,288	21,420,473
Shares sold	204,350	695,699
Shares redeemed	(2,469,195)	(4,540,884)
Net increase (decrease) in Class A shares	(2,264,845)	(3,845,185)
Shares outstanding at end of period	**15,310,443**	**17,575,288**
Class B		
Shares outstanding at beginning of period	1,525,054	1,782,726
Shares sold	40,296	234,259
Shares redeemed	(1,257,327)	(491,931)
Net increase (decrease) in Class B shares	(1,217,031)	(257,672)
Shares outstanding at end of period	**308,023**	**1,525,054**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$ 9.37**	**$ 9.30**	**$ 9.01**	**$ 8.84**	**$ 6.02**	**$ 9.36**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.01)	(.01)[c]	(.03)	.04	(.04)	(.03)
Net realized and unrealized gain (loss) on investment transactions	.77	.08	.36	.13	2.86	(3.30)
Total from investment operations	.76	.07	.33	.17	2.82	(3.33)
Less distributions from:						
Net investment income	—	—	(.04)	—	—	(.01)
Net asset value, end of period	**$10.13**	**$ 9.37**	**$ 9.30**	**$ 9.01**	**$ 8.84**	**$ 6.02**
Total Return (%)	8.11**	.75[c]	3.74	1.92	46.84	(35.52)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	155	165	199	230	257	219
Ratio of expenses (%)	.92*	.89	.86	.83	.86	.80
Ratio of net investment income (loss) (%)	(.28)*	(.12)[c]	(.36)	.43	(.50)	(.37)
Portfolio turnover rate (%)	44**	49	135	112	66	64

[a] *For the six months ended June 30, 2007 (Unaudited).*

[b] *Based on average shares outstanding during the period.*

[c] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.017 per share and an increase in the ratio of net investment income of 0.18%. Excluding this non-recurring income, total return would have been 0.19% lower.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$ 9.25**	**$ 9.21**	**$ 8.93**	**$ 8.80**	**$ 6.01**	**$ 6.32**
Income (loss) from investment operations:						
Net investment income (loss)[c]	(.03)	(.04)[e]	(.07)	.01	(.07)	(.02)
Net realized and unrealized gain (loss) on investment transactions	.76	.08	.36	.12	2.86	(.29)
Total from investment operations	.73	.04	.29	.13	2.79	(.31)
Less distributions from:						
Net investment income	—	—	(.01)	—	—	—
Net asset value, end of period	**$ 9.98**	**$ 9.25**	**$ 9.21**	**$ 8.93**	**$ 8.80**	**$ 6.01**
Total Return (%)	7.89**	.43[e]	3.27	1.48[d]	46.42	(4.75)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	3	14	16	16	11	.3
Ratio of expenses before expense reductions (%)	1.31	1.28	1.26	1.22	1.25	1.06
Ratio of expenses after expense reductions (%)	1.31*	1.28	1.26	1.21	1.25	1.06*
Ratio of net investment income (loss) (%)	(.67)*	(.51)[e]	(.76)	.05	(.89)	(.79)*
Portfolio turnover rate (%)	44**	49	135	112	66	64

[a] *For the six months ended June 30, 2007 (Unaudited).*

[b] *For the period from July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*

[c] *Based on average shares outstanding during the period.*

[d] *Total return would have been lower had certain expenses not been reduced.*

[e] *Includes non-recurring income from the Advisor recorded as a result of an administrative proceeding regarding disclosure of brokerage allocation practices in connection with sales of DWS Scudder Funds (see Note J). The non-recurring income resulted in an increase in net investment income of $0.017 per share and an increase in the ratio of net investment income of 0.18%. Excluding this non-recurring income, total return would have been 0.19% lower.*

* *Annualized* ** *Not annualized*

Information About Your Portfolio's Expenses

DWS Turner Mid Cap Growth VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2007 to June 30, 2007).

The tables illustrate your Portfolio's expenses in two ways:

- **Actual Portfolio Return.** This helps you estimate the actual dollar amount of ongoing expenses (but not transaction costs) paid on a $1,000 investment in the Portfolio using the Portfolio's actual return during the period. To estimate the expenses you paid over the period, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Expenses Paid per $1,000" line under the share class you hold.
- **Hypothetical 5% Portfolio Return.** This helps you to compare your Portfolio's ongoing expenses (but not transaction costs) with those of other mutual funds using the Portfolio's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. Examples using a 5% hypothetical Portfolio return may be found in the shareholder reports of other mutual funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Please note that the expenses shown in these tables are meant to highlight your ongoing expenses only and do not reflect any transaction costs. The "Expenses Paid per $1,000" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. If these transaction costs had been included, your costs would have been higher.

Expenses and Value of a $1,000 Investment for the six months ended June 30, 2007

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,143.30	$1,140.00
Expenses Paid per $1,000*	$ 5.26	$ 7.27
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/07	$1,000.00	$1,000.00
Ending Account Value 6/30/07	$1,019.89	$1,018.00
Expenses Paid per $1,000*	$ 4.96	$ 6.85

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Turner Mid Cap Growth VIP	.99%	1.37%

For more information, please refer to the Portfolio's prospectus.

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Turner Mid Cap Growth VIP

In a reversal to a trend that has prevailed for most of the decade, the stock market favored growth stocks in the first six months of 2007; it was powered generally by the shares of companies with the greatest earnings power. DWS Turner Mid Cap Growth VIP's Class A shares, unadjusted for contract charges, produced a solid gain that outperformed its benchmark, the Russell Midcap™ Growth Index, which had a return of 10.97%.

During the six-month period, eight of the Portfolio's 10 sector positions beat their corresponding index sectors. Adding the most value to results were consumer discretionary, materials and energy. In consumer discretionary, aQuantive, Inc.* and Guess? Inc. were strong performers. Overweight positions in Owens-Illinois, Inc., Precision Castparts Corp., National-Oilwell Varco, Inc. and Range Resources Corp. contributed to relative outperformance in the materials and energy sectors.[1]

Subpar returns in the technology and health care sectors impaired results. In technology, Isilon Systems Inc.,* NVIDIA Corp. and Akamai Technologies, Inc. were the biggest relative detractors. In health care, Sepracor, Inc.,* MedImmune, Inc. and Psychiatric Solutions, Inc. were impediments.

Management continues to anticipate that 2007 will prove a year in which price/earnings ratios expand, typically boding well for growth stocks. Any multiple expansion could help to offset the decelerating rate of corporate earnings growth. Although the stock market shows potential to be higher at the end of the year than it is now, a number of risks could confound that outlook: consumer spending is softening, petroleum prices threaten to spike higher and a large loss in the suddenly unsteady Chinese stock market could have an adverse impact on the US market. But the management does not assign a high probability to any of those risks. In managing the Portfolio, the focus remains always on owning stocks that we think have superior earnings prospects.

	Tara Hedlund
Christopher K. McHugh	Jason Schrotberger
Lead Manager	*Portfolio Managers*

Turner Investment Partners, Inc., Subadvisor to the Portfolio

Risk Considerations

The Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods of time due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Stocks of medium-sized companies involve greater risk than securities of larger, more established companies, as they often have limited product lines, markets or financial resources and may be subject to more-erratic and more-abrupt market movements. Additionally, it is nondiversified and can take larger positions in fewer companies, increasing its overall potential risk. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

The Russell Midcap Growth Index is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000® Growth Index. Index returns assume reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *"Overweight" means the portfolio holds a higher weighting in a given sector or security than the benchmark. "Underweight" means the portfolio holds a lower weighting.*

* *As of June 30, 2007, the positions were sold.*

Portfolio management market commentary is as of June 30, 2007, and may not come to pass. This information is subject to change at any time based on market and other conditions. Past performance does not guarantee future results.

Portfolio Summary

DWS Turner Mid Cap Growth VIP

Asset Allocation (Excludes Securities Lending Collateral)	6/30/07	12/31/06
Common Stocks	100%	99%
Cash Equivalents	—	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	6/30/07	12/31/06
Information Technology	24%	23%
Consumer Discretionary	16%	21%
Health Care	13%	16%
Industrials	12%	11%
Financials	11%	10%
Energy	9%	7%
Telecommunication Services	8%	6%
Materials	4%	2%
Consumer Staples	3%	3%
Utilities	—	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 172. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-scudder.com on or after the last day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-scudder.com as of the calendar quarter-end on or after the 15th day following quarter-end.

Following the Portfolio's fiscal first and third quarter-end, a complete portfolio holdings listing is filed with the SEC on Form N-Q. The form will be available on the SEC's Web site at www.sec.gov, and it also may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) SEC-0330.

DWS Turner Mid Cap Growth VIP

	Shares	Value ($)
Common Stocks 97.9%		
Consumer Discretionary 16.0%		
Auto Components 1.2%		
Goodyear Tire & Rubber Co.* (a)	42,930	**1,492,247**
Hotels Restaurants & Leisure 5.3%		
Hilton Hotels Corp.	41,710	1,396,034
International Game Technology	36,250	1,439,125
Starwood Hotels & Resorts Worldwide, Inc.	15,120	1,014,098
WMS Industries, Inc.* (a)	45,345	1,308,657
Wynn Resorts Ltd. (a)	15,000	1,345,350
		6,503,264
Household Durables 0.5%		
Jarden Corp.*	14,530	**624,935**
Internet & Catalog Retail 0.8%		
Expedia, Inc.* (a)	35,080	**1,027,493**
Specialty Retail 4.3%		
GameStop Corp. "A"* (a)	43,880	1,715,708
Guess?, Inc.	36,500	1,753,460
O'Reilly Automotive, Inc.*	25,390	928,004
Urban Outfitters, Inc.* (a)	35,700	857,871
		5,255,043
Textiles, Apparel & Luxury Goods 3.9%		
Coach, Inc.*	37,730	1,788,025
Polo Ralph Lauren Corp.	17,520	1,718,887
Under Armour, Inc. "A"* (a)	26,720	1,219,768
		4,726,680
Consumer Staples 3.2%		
Beverages 0.7%		
Hansen Natural Corp.* (a)	19,770	**849,715**
Food Products 1.1%		
William Wrigley Jr. Co.	24,520	**1,356,201**
Personal Products 1.4%		
Avon Products, Inc.	31,080	1,142,190
Bare Escentuals, Inc.* (a)	18,000	614,700
		1,756,890
Energy 9.3%		
Energy Equipment & Services 3.4%		
Cameron International Corp.*	24,470	1,748,871
Diamond Offshore Drilling, Inc.	5,920	601,235
National-Oilwell Varco, Inc.*	17,770	1,852,345
		4,202,451
Oil, Gas & Consumable Fuels 5.9%		
Arch Coal, Inc. (a)	19,950	694,260
Frontier Oil Corp.	21,780	953,310
Quicksilver Resources, Inc.* (a)	22,780	1,015,532
Range Resources Corp.	49,714	1,859,801
Southwestern Energy Co.* (a)	21,240	945,180
Williams Companies, Inc.	53,790	1,700,840
		7,168,923
Financials 10.5%		
Capital Markets 6.5%		
Affiliated Managers Group, Inc.* (a)	13,464	1,733,625
Greenhill & Co., Inc. (a)	12,130	833,452
Lazard Ltd. "A" (a)	11,600	522,348
Northern Trust Corp.	22,810	1,465,314
T. Rowe Price Group, Inc.	48,530	2,518,222
TD Ameritrade Holding Corp.* (a)	44,720	894,400
		7,967,361
Diversified Financial Services 2.5%		
IntercontinentalExchange, Inc.*	12,820	1,895,437
Nymex Holdings, Inc. (a)	10,060	1,263,838
		3,159,275
Real Estate Investment Trusts 0.5%		
Digital Realty Trust, Inc. (REIT) (a)	15,800	**595,344**
Real Estate Management & Development 1.0%		
CB Richard Ellis Group, Inc. "A"*	33,890	**1,236,985**
Health Care 12.1%		
Biotechnology 0.8%		
Alexion Pharmaceuticals, Inc.* (a)	22,570	**1,017,004**
Health Care Equipment & Supplies 4.1%		
C.R. Bard, Inc.	7,830	646,993
DENTSPLY International, Inc.	14,900	570,457
Hologic, Inc.* (a)	11,490	635,512
Intuitive Surgical, Inc.*	5,180	718,828
Kyphon, Inc.* (a)	18,310	881,626
St. Jude Medical, Inc.*	40,110	1,664,164
		5,117,580
Health Care Providers & Services 4.1%		
Express Scripts, Inc.*	19,520	976,195
Health Net, Inc.*	10,580	558,624
Henry Schein, Inc.*	17,160	916,859
Manor Care, Inc.	16,010	1,045,293
Psychiatric Solutions, Inc.* (a)	17,050	618,233
Universal Health Services, Inc. "B"	15,330	942,795
		5,057,999
Life Sciences Tools & Services 1.0%		
Thermo Fisher Scientific, Inc.*	23,010	**1,190,077**
Pharmaceuticals 2.1%		
Allergan, Inc.	15,220	877,281
Shire PLC (ADR) (a)	22,460	1,664,960
		2,542,241
Industrials 11.9%		
Aerospace & Defense 1.8%		
Precision Castparts Corp.	17,970	**2,180,839**
Air Freight & Logistics 1.4%		
C.H. Robinson Worldwide, Inc. (a)	32,190	**1,690,619**
Commercial Services & Supplies 1.5%		
Corrections Corp. of America*	15,490	977,574
Monster Worldwide, Inc.*	20,150	828,165
		1,805,739
Construction & Engineering 0.5%		
Quanta Services, Inc.* (a)	16,700	512,189
Shaw Group, Inc.*	3,530	163,404
		675,593
Electrical Equipment 5.0%		
AMETEK, Inc.	30,040	1,191,987
Baldor Electric Co. (a)	22,400	1,103,872

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
First Solar, Inc.* (a)	13,880	1,239,345
General Cable Corp.* (a)	13,650	1,033,988
Roper Industries, Inc.	28,170	1,608,507
		6,177,699
Machinery 1.7%		
Harsco Corp.	27,250	1,417,000
Oshkosh Truck Corp.	10,150	638,638
		2,055,638
Information Technology 23.7%		
Communications Equipment 4.7%		
BigBand Networks, Inc.* (a)	29,020	380,452
F5 Networks, Inc.*	27,220	2,193,932
Juniper Networks, Inc.*	41,420	1,042,541
Polycom, Inc.*	25,590	859,824
Riverbed Technology, Inc.* (a)	15,240	667,817
Sonus Networks, Inc.* (a)	82,240	700,685
		5,845,251
Internet Software & Services 5.6%		
Akamai Technologies, Inc.* (a)	38,090	1,852,698
SAVVIS, Inc.*	18,490	915,440
SINA Corp.*	21,730	909,618
VeriSign, Inc.*	70,250	2,229,032
VistaPrint Ltd.* (a)	25,470	974,227
		6,881,015
IT Services 2.5%		
Fiserv, Inc.*	32,270	1,832,936
VeriFone Holdings, Inc.* (a)	34,260	1,207,665
		3,040,601
Semiconductors & Semiconductor Equipment 9.8%		
Altera Corp. (a)	67,270	1,488,685
Atheros Communications* (a)	37,050	1,142,622
Intersil Corp. "A"	50,530	1,589,674
KLA-Tencor Corp.	38,750	2,129,312
Maxim Integrated Products, Inc.	54,670	1,826,525
NVIDIA Corp.*	42,950	1,774,265
ON Semiconductor Corp.*	75,200	806,144
Varian Semiconductor Equipment Associates, Inc.*	33,390	1,337,603
		12,094,830

	Shares	Value ($)
Software 1.1%		
Salesforce.com, Inc.*	30,380	**1,302,087**
Materials 3.8%		
Chemicals 0.8%		
Celanese Corp. "A"	26,350	**1,021,853**
Containers & Packaging 1.8%		
Owens-Illinois, Inc.*	62,790	**2,197,650**
Metals & Mining 1.2%		
Allegheny Technologies, Inc. (a)	9,360	981,677
Sterlite Industries (India) Ltd.* (a)	35,810	525,333
		1,507,010
Telecommunication Services 7.4%		
Diversified Telecommunication Services 0.8%		
Cogent Communications Group, Inc.*	31,920	**953,451**
Wireless Telecommunication Services 6.6%		
American Tower Corp. "A"*	38,930	1,635,060
Crown Castle International Corp.* (a)	26,260	952,450
Leap Wireless International, Inc.*	18,620	1,573,390
Metropcs Communications, Inc.*	19,140	632,385
NII Holdings, Inc.*	41,270	3,332,141
		8,125,426
Total Common Stocks (Cost $88,000,298)		**120,403,009**
Securities Lending Collateral 24.0%		
Daily Assets Fund Institutional, 5.36% (b) (c) (Cost $29,449,942)	29,449,942	**29,449,942**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $117,450,240)†	121.9	**149,852,951**
Other Assets and Liabilities, Net	(21.9)	**(26,922,305)**
Net Assets	100.0	**122,930,646**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $117,552,443. At June 30, 2007, net unrealized appreciation for all securities based on tax cost was $32,300,508. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $32,929,926 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $629,418.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2007 amounted to $29,145,789 which is 23.7% of net assets.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending.*

ADR: American Depositary Receipt

REIT: Real Estate Investment Trust

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2007 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $88,000,298) — including $29,145,789 of securities loaned	$	120,403,009
Investment in Daily Assets Fund Institutional (cost $29,449,942)*		29,449,942
Total investments in securities, at value (cost $117,450,240)		149,852,951
Cash		146,708
Receivable for investments sold		1,984,661
Dividends receivable		34,206
Interest receivable		8,576
Receivable for Portfolio shares sold		1,573,112
Other assets		2,319
Total assets		153,602,533

Liabilities		
Payable upon return of securities loaned		29,449,942
Payable for investments purchased		620,504
Notes payable		400,000
Payable for Portfolio shares redeemed		20,843
Accrued management fee		83,110
Other accrued expenses and payables		97,488
Total liabilities		30,671,887
Net assets, at value	**$**	**122,930,646**

Net Assets		
Net assets consist of:		
Accumulated net investment loss		(425,858)
Net unrealized appreciation (depreciation) on investments		32,402,711
Accumulated net realized gain (loss)		13,233,988
Paid-in capital		77,719,805
Net assets, at value	**$**	**122,930,646**
Class A		
Net Asset Value, offering and redemption price per share ($118,090,718 ÷ 10,352,057 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.41**
Class B		
Net Asset Value, offering and redemption price per share ($4,839,928 ÷ 433,489 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.17**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2007 (Unaudited)

Investment Income		
Income:		
Dividends	$	239,790
Interest — Cash Management QP Trust		12,788
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		26,711
Total Income		279,289
Expenses:		
Management fee		540,959
Custodian and accounting fees		58,791
Distribution service fee (Class B)		24,123
Record keeping fees (Class B)		13,301
Auditing		22,653
Legal		5,579
Trustees' fees and expenses		14,627
Reports to shareholders		11,571
Interest expense		7,811
Other		5,422
Total expenses before expense reductions		704,837
Expense reductions		(1,779)
Total expenses after expense reductions		703,058
Net investment income (loss)		**(423,769)**

Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from investments		13,422,821
Net unrealized appreciation (depreciation) during the period on investments		5,198,242
Net gain (loss) on investment transactions		**18,621,063**
Net increase (decrease) in net assets resulting from operations	**$**	**18,197,294**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2007 (Unaudited)	Year Ended December 31, 2006
Operations:		
Net investment income (loss)	$ (423,769)	$ (189,600)
Net realized gain (loss) on investment transactions	13,422,821	11,845,281
Net unrealized appreciation (depreciation) during the period on investment transactions	5,198,242	(2,726,806)
Net increase (decrease) in net assets resulting from operations	18,197,294	8,928,875
Distributions to shareholders from:		
Net realized gains:		
Class A	(9,828,253)	(9,522,910)
Class B	(2,183,905)	(2,156,952)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	3,469,764	8,775,738
Reinvestment of distributions	9,828,253	9,522,910
Cost of shares redeemed	(17,793,137)	(20,986,374)
Net increase (decrease) in net assets from Class A share transactions	(4,495,120)	(2,687,726)
Class B		
Proceeds from shares sold	224,021	3,506,164
Reinvestment of distributions	2,183,905	2,156,952
Cost of shares redeemed	(23,880,253)	(6,329,936)
Net increase (decrease) in net assets from Class B share transactions	(21,472,327)	(666,820)
Increase (decrease) in net assets	(19,782,311)	(6,105,533)
Net assets at beginning of period	142,712,957	148,818,490
Net assets at end of period (including accumulated net investment loss of $425,858 and $2,089, respectively)	**$ 122,930,646**	**$ 142,712,957**

Other Information		
Class A		
Shares outstanding at beginning of period	10,696,292	11,034,621
Shares sold	304,994	775,698
Shares issued to shareholders in reinvestment of distributions	950,508	829,522
Shares redeemed	(1,599,737)	(1,943,549)
Net increase (decrease) in Class A shares	(344,235)	(338,329)
Shares outstanding at end of period	**10,352,057**	**10,696,292**
Class B		
Shares outstanding at beginning of period	2,410,110	2,497,836
Shares sold	20,306	324,988
Shares issued to shareholders in reinvestment of distributions	215,588	190,543
Shares redeemed	(2,212,515)	(603,257)
Net increase (decrease) in Class B shares	(1,976,621)	(87,726)
Shares outstanding at end of period	**433,489**	**2,410,110**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002
Selected Per Share Data						
Net asset value, beginning of period	**$10.92**	**$11.02**	**$ 9.86**	**$ 8.88**	**$ 5.98**	**$ 8.82**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.03)	(.01)	(.05)	(.07)	(.06)	(.06)
Net realized and unrealized gain (loss) on investment transactions	1.49	.77	1.21	1.05	2.96	(2.78)
Total from investment operations	1.46	.76	1.16	.98	2.90	(2.84)
Less distributions from:						
Net realized gain on investment transactions	(.97)	(.86)	—	—	—	—
Net asset value, end of period	**$11.41**	**$10.92**	**$11.02**	**$ 9.86**	**$ 8.88**	**$ 5.98**
Total Return (%)	14.33**	6.52	11.76	11.04	48.49	(32.20)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	118	117	122	118	110	61
Ratio of expenses (%)	.99*	.97	1.11	1.19	1.18	1.13
Ratio of net investment income (loss) (%)	(.58)*	(.06)	(.56)	(.82)	(.90)	(.82)
Portfolio turnover rate (%)	59**	148	151	174	155	225

a *For the six months ended June 30, 2007 (Unaudited).*
b *Based on average shares outstanding during the period.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2007[a]	2006	2005	2004	2003	2002[b]
Selected Per Share Data						
Net asset value, beginning of period	**$10.73**	**$10.88**	**$ 9.78**	**$ 8.84**	**$ 5.97**	**$ 6.60**
Income (loss) from investment operations:						
Net investment income (loss)[c]	(.05)	(.05)	(.09)	(.10)	(.09)	(.02)
Net realized and unrealized gain (loss) on investment transactions	1.46	.76	1.19	1.04	2.96	(.61)
Total from investment operations	1.41	.71	1.10	.94	2.87	(.63)
Less distributions from:						
Net realized gain on investment transactions	(.97)	(.86)	—	—	—	—
Net asset value, end of period	**$11.17**	**$10.73**	**$10.88**	**$ 9.78**	**$ 8.84**	**$ 5.97**
Total Return (%)	14.00**	6.21	11.25[d]	10.63	48.07	(9.55)**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	5	26	27	23	13	.6
Ratio of expenses before expense reductions (%)	1.37*	1.37	1.51	1.56	1.57	1.38*
Ratio of expenses after expense reductions (%)	1.37*	1.37	1.48	1.56	1.57	1.38*
Ratio of net investment income (loss) (%)	(.96)*	(.46)	(.93)	(1.19)	(1.29)	(.81)*
Portfolio turnover rate (%)	59**	148	151	174	155	225

a *For the six months ended June 30, 2007 (Unaudited).*
b *For the period July 1, 2002 (commencement of operations of Class B shares) to December 31, 2002.*
c *Based on an average shares outstanding during the period.*
d *Total return would have been lower had certain expenses not been reduced.*
* *Annualized* ** *Not annualized*

Notes to Financial Statements

A. Significant Accounting Policies

DWS Variable Series II (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end, diversified management investment company organized as a Massachusetts business trust. The Trust offers twenty-one portfolios (individually or collectively hereinafter referred to as a "Portfolio" or the "Portfolios").

Multiple Classes of Shares of Beneficial Interest. The Trust offers two classes of shares (Class A shares and Class B shares). Sales of Class B shares are subject to record keeping fees up to 0.15% and Rule 12b-1 fees under the 1940 Act equal to an annual rate of 0.25%, of the average daily net assets of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable 12b-1 fee and record keeping fee). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Trust's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Trust in the preparation of its financial statements.

Security Valuation. DWS Money Market VIP values all securities utilizing the amortized cost method permitted in accordance with Rule 2a-7 under the 1940 Act and certain conditions therein. Under this method, which does not take into account unrealized capital gains or losses on securities, an instrument is initially valued at its cost and thereafter assumes a constant accretion/amortization rate to maturity of any discount or premium.

Investments in securities are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading. Equity securities are valued at the most recent sale price or official closing price reported on the exchange (US or foreign) or over-the-counter market on which the security is traded most extensively. Securities for which no sales are reported are valued at the calculated mean between the most recent bid and asked quotations on the relevant market or, if a mean cannot be determined, at the most recent bid quotation.

Debt securities are valued by independent pricing services approved by the Trustees of the Portfolios. If the pricing services are unable to provide valuations, the securities are valued at the most recent bid quotation or evaluated price, as applicable, obtained from a broker-dealer. Such services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost. Investments in open-end investment companies and Cash Management QP Trust are valued at their net asset value each business day.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures approved by the Trustees. The Trust may use a fair valuation model to value international equity securities in order to adjust for events which may occur between the close of the foreign exchanges and the close of the New York Stock Exchange.

In September 2006, the Financial Accounting Standards Board (FASB) released Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 is effective for fiscal years beginning after November 15, 2007. As of June 30, 2007, management does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements, however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal period.

Foreign Currency Translations. The books and records of the Trust are maintained in US dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into US dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into US dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies and the difference between the amount of net investment income accrued and the US dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Repurchase Agreements. Each Portfolio may enter into repurchase agreements with certain banks and broker/dealers whereby each Portfolio, through its custodian or sub-custodian bank, receives delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the value is equal to at least the principal amount of the repurchase price plus accrued interest. The custodian bank holds the collateral in a separate account until the agreement matures. If the value of the securities falls below the principal amount of the repurchase agreement plus accrued interest, the financial institution deposits additional collateral by the following business day. If the financial institution either fails to deposit the required additional collateral or fails to repurchase the securities as agreed, the Portfolio has the right to sell the securities and recover any resulting loss from the financial institution. If the financial institution enters into bankruptcy, the Portfolio's claim on the collateral may be subject to legal proceedings.

Securities Lending. Each Portfolio, except DWS Money Market VIP, may lend securities to financial institutions. The Portfolio retains beneficial ownership of the securities it has loaned and continues to receive interest and dividends paid by the issuer of securities and to participate in any changes in their market value. The Portfolio requires the borrowers of the securities to maintain collateral with the Portfolio consisting of liquid, unencumbered assets having a value at least equal to the value of the securities loaned. The Portfolio may invest the cash collateral into a joint trading account in an affiliated money market fund pursuant to Exemptive Orders issued by the SEC. The Portfolio receives compensation for lending its securities either in the form of fees or by earning interest on invested cash collateral net of borrower rebates and fees paid to a lending agent. Either the Portfolio or the borrower may terminate the loan. The Portfolio is subject to all investment risks associated with the value of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Swap Agreements. DWS Balanced VIP, DWS Government & Agency Securities VIP and DWS Strategic Income VIP may enter into interest rate swap transactions to reduce the interest rate risk inherent in the Portfolio's underlying investments. The use of interest rate swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an interest rate swap, the Portfolio would agree to pay to the other party to the interest rate swap (which is known as the "counterparty") a fixed rate payment in exchange for the counterparty agreeing to pay to the Portfolio a variable rate payment, or the Portfolio would agree to receive from the counterparty a fixed rate payment in exchange for the counterparty agreeing to receive from the Portfolio a variable rate payment. The payment obligations would be based on the notional amount of the swap. Certain risks may arise when entering into swap transactions including counterparty default, liquidity or unfavorable changes in interest rates. Payments received or made at the end of the measurement period are recorded as realized gain or loss in the Statement of Operations. The value of the swap is adjusted daily based upon a price supplied by the counterparty and the change in value is recorded as unrealized appreciation or depreciation.

Credit Default Swap Contracts. A credit default swap is a contract between a buyer and a seller of protection against a pre-defined credit event. DWS Balanced VIP, DWS High Income VIP and DWS Strategic Income VIP may buy or sell credit default swap contracts to seek to increase the Portfolio's income, to add leverage to the Portfolio, or to hedge the risk of default on portfolio securities. As a seller in the credit default swap contract, the Portfolio would be required to pay the par (or other agreed-upon) value of the referenced debt obligation to the counterparty in the event of a default by a third party, such as a US or foreign corporate issuer, on the debt obligation, which would likely result in a loss to the Portfolio. In return, the Portfolio would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Portfolio would keep the stream of payments and would have no payment obligations. The Portfolio may also buy credit default swap contracts in order to hedge against the risk of default of debt securities, in which case the Portfolio would function as the counterparty referenced above. This would involve the risk that the contract may expire worthless. It would also involve credit risk — that the seller may fail to satisfy its payment obligations to the Portfolio in the event of a default. When the Portfolio sells a credit default swap contract it will "cover" its commitment. This may be achieved by, among other methods, maintaining cash or liquid assets equal to the aggregate notional value of the underlying debt obligations for all outstanding credit default swap contracts sold by the Portfolio.

Credit default swap contracts are marked to market daily based upon quotations from the counterparty and the change in value, if any, is recorded daily as unrealized gain or loss. An upfront payment made by the Portfolio is recorded as an asset on the statement of assets and liabilities. An upfront payment received by the Portfolio is recorded as a liability on the statement of assets and liabilities. Under the terms of the credit default swap contracts, the Portfolio receives or makes payments semi-annually based on a specified interest rate on a fixed notional amount. These payments are recorded as a realized gain or loss on the statement of operations. Payments received or made as a result of a credit event or termination of the contract are recognized, net of a proportional amount of the upfront payment, as realized gains or losses.

Options. An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices, will require cash settlement by the Portfolio if the option is exercised. Each Portfolio, except for DWS Money Market VIP, may enter into option contracts in order to hedge against potential adverse price movements in the value of portfolio assets; as a temporary substitute for selling selected investments; to lock in the purchase price of a security or currency which it expects to purchase in the near future; as a temporary substitute for purchasing selected investments; and to enhance potential gain.

The liability representing the Portfolio's obligation under an exchange traded written option or investment in a purchased option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid and asked price are available. Over-the-counter written or purchased options are valued using dealer-supplied quotations. Gain or loss is recognized when the option contract expires or is closed.

If the Portfolio writes a covered call option, the Portfolio foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the Portfolio writes a put option it accepts the risk of a decline in the value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The Portfolio's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the Portfolio's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities or currencies hedged.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). Each Portfolio, except for DWS Money Market VIP, may enter into futures contracts as a hedge against anticipated interest rate, currency or equity market changes and for duration management, risk management and return enhancement purposes.

Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary an amount ("initial margin") equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the Portfolio dependent upon the daily fluctuations in the value of the underlying security and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. When entering into a closing transaction, the Portfolio will realize a gain or loss equal to the difference between the value of the futures contract to sell and the futures contract to buy. Futures contracts are valued at the most recent settlement price.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid secondary market will limit the Portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the securities or currencies hedged. When utilizing futures contracts to hedge, the Portfolio gives up the opportunity to profit from favorable price movements in the hedged positions during the term of the contract.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract (forward currency contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. Each Portfolio, except for DWS Money Market VIP, may enter into forward currency contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Sales and purchases of forward currency contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward currency contract to buy and a forward currency contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward currency contracts to hedge, the Portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

Loan Participations/Assignments. DWS Balanced VIP, DWS High Income VIP and DWS Strategic Income VIP may invest in US dollar-denominated fixed and floating rate loans ("Loans") arranged through private negotiations between a foreign sovereign entity and one or more financial institutions ("Lenders"). The Portfolio invests in such Loans in the form of participations in Loans ("Participations") or assignments of all or a portion of loans from third parties ("Assignments"). Participations typically result in the Portfolio having a contractual relationship only with the Lender, not with the sovereign borrower. The Portfolio has the right to receive payments of principal, interest and any fees to which they are entitled from the Lender selling the Participation and only upon receipt by the Lender of the payments from the borrower. In connection with purchasing Participations, the Portfolio generally has no right to enforce compliance by the borrower with the terms of the loan agreement relating to the Loan, nor any rights of set-off against the borrower, and the Portfolio will not benefit directly from any collateral supporting the Loan in which it has purchased the Participation. As a result, the Portfolio assumes the credit risk of both the borrower and the Lender that is selling the Participation.

Mortgage Dollar Rolls. DWS Balanced VIP, DWS Core Fixed Income VIP and DWS Government & Agency Securities VIP and may enter into mortgage dollar rolls in which the Portfolio sells to a bank or broker/dealer (the "counterparty") mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase similar, but not identical, securities on a fixed date. The counterparty receives all principal and interest payments, including prepayments, made on the security while it is the holder. The Portfolio receives compensation as consideration for entering into the commitment to repurchase. The compensation is paid in the form of a lower price for the security upon its repurchase, or alternatively, a fee. Mortgage dollar rolls may be renewed with a new sale and repurchase price and a cash settlement made at each renewal without physical delivery of the securities subject to the contract.

Certain risks may arise upon entering into mortgage dollar rolls from the potential inability of counterparties to meet the terms of their commitments. Additionally, the value of such securities may change adversely before the Portfolio is able to repurchase them. There can be no assurance that the Portfolio's use of the cash that it receives from a mortgage dollar roll will provide a return that exceeds its costs.

When-Issued/Delayed Delivery Securities. Several of the Portfolios may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Portfolios enter into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Portfolios until payment takes place. At the time the Portfolios enter into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Federal Income Taxes. Each Portfolio's policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Accordingly, each Portfolio paid no federal income taxes and no federal income tax provision was required.

At December 31, 2006, the following Portfolios had an approximate net tax basis capital loss carryforward which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the following expiration dates, whichever occurs first:

Portfolio	Capital Loss Carryforward ($)	Expiration Date
DWS Balanced VIP*	(6,757,000)	12/31/2010
	(43,407,000)	12/31/2011
DWS Core Fixed Income VIP	(3,813,000)	12/31/2014
DWS Government & Agency Securities VIP	(14,000)	12/31/2013
	(1,337,000)	12/31/2014
DWS High Income VIP	(3,945,000)	12/31/2007
	(16,114,000)	12/31/2008
	(22,935,000)	12/31/2009
	(55,108,000)	12/31/2010
	(13,877,000)	12/31/2011
	(3,843,000)	12/31/2014
DWS Janus Growth & Income VIP	(8,721,000)	12/31/2010
	(6,934,000)	12/31/2011

Portfolio	Capital Loss Carryforward ($)	Expiration Date
DWS Mid Cap Growth VIP	(4,535,000)	12/31/2010
	(23,999,000)	12/31/2011
DWS Money Market VIP	(1,800)	12/31/2009–12/31/2014
DWS Small Cap Growth VIP	(41,074,200)	12/31/2009
	(71,888,400)	12/31/2010
	(4,154,700)	12/31/2011
DWS Strategic Income VIP	(23,340)	12/31/2014
DWS Technology VIP	(86,694,000)	12/31/2009
	(93,499,000)	12/31/2010
	(71,516,000)	12/31/2011

* *Certain of these losses may be subject to limitations under Sections 381–384 of the Internal Revenue Code.*

In July 2006, FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" (the "Interpretation"). The Interpretation establishes for each Portfolio a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns. Management has evaluated the application of FIN 48 and has determined there is no impact on the Portfolios' financial statements.

Distribution of Income and Gains. Distributions of net investment income, if any, for each Portfolio, except DWS Money Market VIP, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to each Portfolio if not distributed and, therefore, will be distributed to shareholders at least annually. All of the net investment income of DWS Money Market VIP is declared as a daily dividend and is distributed to shareholders monthly.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences primarily relate to net operating losses, investments in foreign denominated investments, investments in forward foreign currency exchange contracts, income received from Passive Foreign Investment Companies and Real Estate Investment Trusts and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, each Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

The tax character of current year distributions, if any, will be determined at year end.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between each Portfolio in proportion to its relative net assets.

Contingencies. In the normal course of business, each Portfolio may enter into contracts with service providers that contain general indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet been made. However, based on experience, the Portfolio expects the risk of loss to be remote.

Other. Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis. All discounts and premiums are accreted/amortized for both tax and financial reporting purposes for each Portfolio, with the exception of securities in default of principal.

B. Purchases and Sales of Securities

During the six months ended June 30, 2007, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Balanced VIP		
excluding US Treasury Obligations and mortgage dollar roll transactions	377,526,489	475,559,401
US Treasury Obligations	133,357,820	106,910,045
mortgage dollar roll transactions	42,765,078	38,019,289
DWS Blue Chip VIP	602,853,933	678,317,940

Portfolio	Purchases ($)	Sales ($)
DWS Core Fixed Income VIP excluding US Treasury Obligations and mortgage dollar roll transactions	140,589,031	128,540,363
US Treasury Obligations	209,281,680	201,984,961
mortgage dollar roll transactions	28,935,388	23,952,135
DWS Davis Venture Value VIP	17,289,254	81,912,204
DWS Dreman High Return Equity VIP	126,831,165	345,993,018
DWS Dreman Small Mid Cap Value VIP	525,719,104	656,266,855
DWS Global Thematic VIP	149,981,845	166,641,739
DWS Government & Agency Securities VIP excluding US Treasury Obligations and mortgage dollar roll transactions	611,145,415	632,994,869
US Treasury Obligations	2,371,458	14,587,594
mortgage dollar roll transactions	154,235,039	148,500,209
DWS High Income VIP	146,922,312	204,496,758
DWS International Select Equity VIP	141,109,020	208,010,865
DWS Janus Growth & Income VIP	57,554,218	100,884,016
DWS Large Cap Value VIP	156,997,094	210,220,954
DWS Mid Cap Growth VIP	14,569,627	26,067,858
DWS Small Cap Growth VIP	70,201,968	121,496,959
DWS Strategic Income VIP excluding US Treasury Securities	52,281,371	54,322,127
US Treasury Securities	23,134,259	32,706,275
DWS Technology VIP	72,097,767	105,489,366
DWS Turner Mid Cap Growth VIP	79,900,397	120,204,502

For the six months ended June 30, 2007, transactions for written options on swaps were as follows for DWS Balanced VIP:

	Number of Contracts	Premium
Outstanding, beginning of period	—	—
Options written	1,160,000	1,740
Options closed	—	—
Options exercised	—	—
Options expired	—	—
Outstanding, end of period	**1,160,000**	**$ 1,740**

For the six months ended June 30, 2007, transactions for written options on swaps were as follows for DWS Government & Agency Securities VIP:

	Number of Contracts	Premium
Outstanding, beginning of period	—	—
Options written	1,480,000	2,220
Options closed	—	—
Options exercised	—	—
Options expired	—	—
Outstanding, end of period	**1,480,000**	**$ 2,220**

For the six months ended June 30, 2007, transactions for written options on swaps were as follows for DWS Strategic Income VIP:

	Number of Contracts	Premium
Outstanding, beginning of period	—	—
Options written	260,000	390
Options closed	—	—
Options exercised	—	—
Options expired	—	—
Outstanding, end of period	**260,000**	**$ 390**

For the six months ended June 30, 2007, transactions for written options on securities were as follows for DWS Technology VIP:

	Number of Contracts	Premium
Outstanding, beginning of period	536	$ 100,465
Options written	1,405	204,956
Options closed	(1,767)	(259,833)
Options exercised	—	—
Options expired	(174)	(45,588)
Outstanding, end of period	**—**	**$ —**

C. Related Parties

Management Agreement. Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of each Portfolio in accordance with its investment objectives, policies and restrictions. The Advisor determines the securities, instruments and other contracts relating to investments to be purchased, sold or entered into by each Portfolio or delegates such responsibility to each Portfolio's subadvisor. In addition to portfolio management services, the Advisor provides certain administrative services in accordance with the Investment Management Agreement. Accordingly, for the six months ended June 30, 2007, the fees pursuant to the Investment Management Agreement were equivalent to the annual rates shown below of each Portfolio's average daily net assets, accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
DWS Balanced VIP $0–$250 million	.470%
next $750 million	.445%
over $1 billion	.410%
DWS Blue Chip VIP $0–$250 million	.650%
next $750 million	.620%
next $1.5 billion	.600%
next $2.5 billion	.580%
next $2.5 billion	.550%
next $2.5 billion	.530%
next $2.5 billion	.510%
over $12.5 billion	.490%

Portfolio	Annual Management Fee Rate
DWS Core Fixed Income VIP	
$0–$250 million	.600%
next $750 million	.570%
next $1.5 billion	.550%
next $2.5 billion	.530%
next $2.5 billion	.500%
next $2.5 billion	.480%
next $2.5 billion	.460%
over $12.5 billion	.440%
DWS Davis Venture Value VIP	
$0–$250 million	.950%
next $250 million	.925%
next $500 million	.900%
next $1.5 billion	.875%
over $2.5 billion	.850%
DWS Dreman High Return Equity VIP	
$0–$250 million	.750%
next $750 million	.720%
next $1.5 billion	.700%
next $2.5 billion	.680%
next $2.5 billion	.650%
next $2.5 billion	.640%
next $2.5 billion	.630%
over $12.5 billion	.620%
DWS Dreman Small Mid Cap Value VIP	
$0–$250 million	.750%
next $750 million	.720%
next $1.5 billion	.700%
next $2.5 billion	.680%
next $2.5 billion	.650%
next $2.5 billion	.640%
next $2.5 billion	.630%
over $12.5 billion	.620%
DWS Global Thematic VIP	
$0–$250 million	1.000%
next $500 million	.950%
next $750 million	.900%
next $1.5 billion	.850%
over $3 billion	.800%
DWS Government & Agency Securities VIP	
$0–$250 million	.550%
next $750 million	.530%
next $1.5 billion	.510%
next $2.5 billion	.500%
next $2.5 billion	.480%
next $2.5 billion	.460%
next $2.5 billion	.440%
over $12.5 billion	.420%

Portfolio	Annual Management Fee Rate
DWS High Income VIP	
$0–$250 million	.600%
next $750 million	.570%
next $1.5 billion	.550%
next $2.5 billion	.530%
next $2.5 billion	.500%
next $2.5 billion	.480%
next $2.5 billion	.460%
over $12.5 billion	.440%
DWS International Select Equity VIP	
$0–$1.5 billion	.750%
next $1.75 billion	.735%
next $1.75 billion	.720%
over $5 billion	.705%
DWS Janus Growth & Income VIP	
$0–$250 million	.750%
next $750 million	.725%
next $1.5 billion	.700%
over $2.5 billion	.675%
DWS Mid Cap Growth VIP	
$0–$250 million	.750%
next $750 million	.720%
next $1.5 billion	.700%
next $2.5 billion	.680%
next $2.5 billion	.650%
next $2.5 billion	.640%
next $2.5 billion	.630%
over $12.5 billion	.620%
DWS Money Market VIP	
$0–$500 million	.385%
next $500 million	.370%
next $1.0 billion	.355%
over $2.0 billion	.340%
DWS Small Cap Growth VIP	
$0–$250 million	.650%
next $750 million	.625%
over $1 billion	.600%
DWS Strategic Income VIP	
$0–$250 million	.650%
next $750 million	.620%
next $1.5 billion	.600%
next $2.5 billion	.580%
next $2.5 billion	.550%
next $2.5 billion	.530%
next $2.5 billion	.510%
over $12.5 billion	.490%

Portfolio	Annual Management Fee Rate
DWS Technology VIP	
$0–$250 million	.750%
next $750 million	.720%
next $1.5 billion	.700%
next $2.5 billion	.680%
next $2.5 billion	.650%
next $2.5 billion	.640%
next $2.5 billion	.630%
over $12.5 billion	.620%
DWS Turner Mid Cap Growth VIP	
$0–$250 million	.800%
next $250 million	.785%
next $500 million	.770%
over $1 billion	.755%

In addition, for the period from January 1, 2007 through April 10, 2007, the fee pursuant to the Investment Management Agreement was equivalent to the annual rates shown below of DWS Large Cap Value VIP's average daily net assets, accrued daily and payable monthly:

	Annual Management Fee Rate
$0–$250 million	.750%
next $750 million	.725%
next $1.5 billion	.700%
next $2.5 billion	.675%
next $2.5 billion	.650%
next $2.5 billion	.625%
next $2.5 billion	.600%
over $12.5 billion	.575%

Effective April 11, 2007, the fee pursuant to the Investment Management Agreement was equivalent to the annual rates shown below of DWS Large Cap Value VIP's average daily net assets, accrued daily and payable monthly:

	Annual Management Fee Rate
$0–$250 million	.650%
next $750 million	.625%
next $1.5 billion	.600%
next $2.5 billion	.575%
next $2.5 billion	.550%
next $2.5 billion	.525%
next $2.5 billion	.500%
over $12.5 billion	.475%

In addition, under a separate administrative services agreement between DWS Large Cap Value VIP and the Advisor, DWS Large Cap Value VIP pays the Advisor for providing most of the Portfolio's administrative services. (See Administration Fee below.)

Aberdeen Asset Management PLC serves as subadvisor to DWS Core Fixed Income VIP and is paid by the Advisor for its services.

Dreman Value Management, L.L.C. serves as sub-advisor to DWS Dreman High Return Equity VIP and DWS Dreman Small Mid Cap Value VIP and is paid by the Advisor for its services.

Janus Capital Management, L.L.C. serves as sub-advisor to DWS Janus Growth & Income VIP and is paid by the Advisor for its services.

Turner Investment Partners, Inc. serves as sub-advisor to DWS Turner Mid Cap Growth VIP and is paid by the Advisor for its services.

Davis Selected Advisers, L.P., serves as sub-advisor to DWS Davis Venture Value VIP and is paid by the Advisor for its services.

Effective February 5, 2007, Deutsche Asset Management International GmbH ("DeAMi") serves as subadvisor to DWS Large Cap Value VIP and is paid by the Advisor for its services.

For the period from January 1, 2007 through January 31, 2007, the Advisor, the underwriter and accounting agent contractually agreed to waive all or a portion of their respective fees and reimburse or pay certain operating expenses to the extent necessary to maintain the operating expenses of each class for the period (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and organizational and offering expenses) as follows:

Portfolio	Annual Rate
DWS Davis Venture Value VIP	
Class A	.85%
Class B	1.25%
DWS Global Thematic VIP	
Class A	1.05%
Class B	1.49%
DWS Mid Cap Growth VIP	
Class A	.86%
Class B	1.26%

For the period from January 1, 2007 through May 6, 2007, the Advisor, the underwriter and the accounting agent contractually agreed to waive all or a portion of their respective fees and reimburse or pay certain operating expenses to the extent necessary to maintain the operating expenses of each class for the period (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and organizational and offering expenses) as follows:

Portfolio	Annual Rate
DWS Dreman High Return Equity VIP	
Class B	1.15%
DWS Money Market VIP	
Class B	.81%

For the period from May 7, 2007 through April 30, 2010, the Advisor, the underwriter and the accounting agent contractually agreed to waive all or a portion of their respective fees and reimburse or pay certain operating expenses to the extent necessary to maintain the operating expenses of each class for the period (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and organizational and offering expenses) as follows:

Portfolio	Annual Rate
DWS Dreman High Return Equity VIP	
Class B	1.11%
DWS Money Market VIP	
Class B	.79%

For the period from January 1, 2007 through September 30, 2007, the Advisor, the underwriter and accounting agent contractually agreed to waive all or a portion of their respective fees and reimburse or pay certain operating expenses to the extent necessary to maintain the operating expenses of each class for the period (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and organizational and offering expenses) as follows:

Portfolio	Annual Rate
DWS Dreman High Return Equity VIP	
Class A	.78%

For the period from January 1, 2007 through April 30, 2008, the Advisor, the underwriter and accounting agent contractually agreed to waive all or a portion of their respective fees and reimburse or pay certain operating expenses to the extent necessary to maintain the operating expenses of each class for the period (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and organizational and offering expenses) as follows:

Portfolio	Annual Rate
DWS Balanced VIP	
Class A	.51%
Class B	.89%
DWS Small Cap Growth VIP	
Class A	.72%
Class B	1.09%

For the period from January 1, 2007 through April 30, 2010, the Advisor, the underwriter and accounting agent contractually agreed to waive all or a portion of their respective fees and reimburse or pay certain operating expenses to the extent necessary to maintain the operating expenses of each class for the period (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and organizational and offering expenses) as follows:

Portfolio	Annual Rate
DWS Money Market VIP	
Class A	.44%

For the period from February 1, 2007 through September 30, 2007, the Advisor, the underwriter and accounting agent contractually agreed to waive all or a portion of their respective fees and reimburse or pay certain operating expenses to the extent necessary to maintain the operating expenses of each class for the period (excluding certain expenses such as extraordinary expenses, taxes, brokerage, interest and organizational and offering expenses) as follows:

Portfolio	Annual Rate
DWS Davis Venture Value VIP	
Class A	.89%
Class B	1.29%
DWS Global Thematic VIP	
Class A	1.12%
Class B	1.52%
DWS Government & Agency Securities VIP	
Class A	.63%
DWS Mid Cap Growth VIP	
Class A	.90%
Class B	1.30%

Accordingly, for the six months ended June 30, 2007, the total management fees charged, management fees waived and effective management fees are as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Balanced VIP	1,382,831	68,994	.43%
DWS Blue Chip VIP	1,101,844	—	.64%
DWS Core Fixed Income VIP	1,096,515	—	.60%
DWS Davis Venture Value VIP	1,939,148	294,435	.80%
DWS Dreman High Return Equity VIP	3,975,210	—	.73%
DWS Dreman Small Mid Cap Value VIP	2,349,043	—	.74%
DWS Global Thematic VIP	871,172	266,475	.69%
DWS Government & Agency Securities VIP	637,328	40,356	.52%
DWS High Income VIP	1,057,123	—	.59%
DWS International Select Equity VIP	1,062,092	—	.75%
DWS Janus Growth & Income VIP	784,186	—	.75%
DWS Large Cap Value VIP	1,055,114	—	.70%
DWS Mid Cap Growth VIP	226,405	43,811	.61%
DWS Money Market VIP	666,171	22,944	.37%
DWS Small Cap Growth VIP	753,713	31,705	.62%
DWS Strategic Income VIP	356,194	—	.65%

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Technology VIP	625,598	—	.75%
DWS Turner Mid Cap Growth VIP	540,959	—	.80%

In addition, for the six months ended June 30, 2007, the Advisor waived record keeping expenses of Class B shares of each Portfolio as follows:

Portfolio	Waived ($)
DWS Balanced VIP	1,072
DWS Dreman High Return Equity VIP	13,696
DWS Money Market VIP	5,029
DWS Small Cap Growth VIP	2,583
DWS Technology VIP	7,047

Service Provider Fees. DWS Scudder Fund Accounting Corporation ("DWS-SFAC"), a subsidiary of the Advisor, is responsible for determining the daily net asset value per share and maintaining the portfolio and general accounting records of each Portfolio, except DWS Large Cap Value VIP effective April 11, 2007 (see Administration Fee below). DWS-SFAC receives no fee for its services to each Portfolio, other than the Portfolios noted below. In turn, DWS-SFAC has delegated certain fund accounting functions to a third-party service provider. For the six months ended June 30, 2007, DWS-SFAC received a fee for its services as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2007 ($)
DWS Davis Venture Value VIP	46,117	5,841
DWS Dreman High Return Equity VIP	71,408	12,648
DWS Global Thematic VIP	120,774	17,236
DWS Janus Growth & Income VIP	34,834	2,248
DWS Mid Cap Growth VIP	29,189	4,931
DWS Technology VIP	27,408	5,089
DWS Turner Mid Cap Growth VIP	47,106	12,469

Administration Fee. Effective April 11, 2007, DWS Large Cap Value VIP entered into an Administrative Services Agreement with DIMA, pursuant to which the Advisor provides most administrative services to the Portfolio. For all services provided under the Administrative Services Agreement, the Portfolio pays DIMA an annual fee ("Administration Fee") of 0.10% of the Portfolio's average daily net assets, computed and accrued daily and payable monthly. For the period from April 11, 2007 through June 30, 2007, DIMA received an Administration Fee of $65,107, of which $28,264 is unpaid.

Distribution Service Agreement. Under the Distribution Service Agreement, in accordance with Rule 12b-1 under the 1940 Act, DWS Scudder Distributors, Inc. ("DWS-SDI") receives a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the six months ended June 30, 2007, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2007 ($)
DWS Balanced VIP	28,783	1,445
DWS Blue Chip VIP	44,317	2,201
DWS Core Fixed Income VIP	98,610	13,973
DWS Davis Venture Value VIP	76,906	4,364
DWS Dreman High Return Equity VIP	175,619	7,833
DWS Dreman Small Mid Cap Value VIP	87,908	4,649
DWS Global Thematic VIP	26,084	1,768
DWS Government & Agency Securities VIP	31,695	1,857
DWS High Income VIP	49,735	2,321
DWS International Select Equity VIP	68,315	2,602
DWS Janus Growth & Income VIP	28,502	891
DWS Large Cap Value VIP	36,959	1,457
DWS Mid Cap Growth VIP	7,859	430
DWS Money Market VIP	57,930	4,601
DWS Small Cap Growth VIP	33,965	1,354

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2007 ($)
DWS Strategic Income VIP	24,948	1,246
DWS Technology VIP	12,953	594
DWS Turner Mid Cap Growth VIP	24,123	853

Typesetting and Filing Service Fees. Under an agreement with DIMA, DIMA is compensated for providing typesetting and certain regulatory filing services to each Portfolio. For the six months ended June 30, 2007, the amount charged to each Portfolio by DIMA included in the Statement of Operations under "reports to shareholders and shareholder meeting" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2007 ($)
DWS Balanced VIP	6,968	3,675
DWS Blue Chip VIP	5,224	3,597
DWS Core Fixed Income VIP	6,096	5,985
DWS Davis Venture Value VIP	3,144	2,857
DWS Dreman High Return Equity VIP	3,068	2,812
DWS Dreman Small Mid Cap Value VIP	5,909	6,064
DWS Global Thematic VIP	5,169	4,728
DWS Government & Agency Securities VIP	6,125	5,976
DWS High Income VIP	5,708	5,442
DWS International Select Equity VIP	4,960	3,499
DWS Janus Growth & Income VIP	4,363	3,764
DWS Large Cap Value VIP	7,133	6,969
DWS Mid Cap Growth VIP	2,166	2,249
DWS Money Market VIP	2,580	2,233
DWS Small Cap Growth VIP	4,405	3,058
DWS Strategic Income VIP	3,410	3,250
DWS Technology VIP	3,592	3,327
DWS Turner Mid Cap Growth VIP	6,055	5,982

Trustees' Fees and Expenses. The Portfolios paid each Trustee not affiliated with the Advisor retainer fees plus specified amounts for various committee services and for the Board Chairperson.

Cash Management QP Trust. Pursuant to an Exemptive Order issued by the SEC, each Portfolio may invest in the Cash Management QP Trust (the "QP Trust") and other affiliated funds managed by the Advisor. The QP Trust seeks to provide as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The QP Trust does not pay the Advisor a management fee for the affiliated funds' investments in the QP Trust.

D. Investing in High Yield Securities

Investing in high yield securities may involve greater risks and considerations not typically associated with investing in US Government bonds and other high quality fixed-income securities. These securities are non-investment grade securities, often referred to as "junk bonds." Economic downturns may disrupt the high yield market and impair the ability of issuers to repay principal and pay interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high yield securities may be less liquid due to the extent that there is no established retail secondary market and because of a decline in the value of such securities.

E. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls or delayed settlements and may have prices more volatile than those of comparable securities of issuers in the United States of America.

F. Fee Reductions

For the six months ended June 30, 2007, the Advisor agreed to reimburse the Portfolios a portion of the fee savings expected to be realized by the Advisor related to the outsourcing by the Advisor of certain administrative services to an unaffiliated service provider in the following amounts:

Portfolio	Amount ($)
DWS Balanced VIP	4,094
DWS Blue Chip VIP	2,820
DWS Core Fixed Income VIP	2,707
DWS Davis Venture Value VIP	3,089
DWS Dreman High Return Equity VIP	6,781
DWS Dreman Small Mid Cap Value VIP	4,214
DWS Global Thematic VIP	1,686
DWS Government & Agency Securities VIP	1,985
DWS High Income VIP	2,558
DWS International Select Equity VIP	2,348
DWS Janus Growth & Income VIP	1,838
DWS Large Cap Value VIP	2,341
DWS Mid Cap Growth VIP	870
DWS Money Market VIP	2,470
DWS Small Cap Growth VIP	2,057
DWS Strategic Income VIP	1,207
DWS Technology VIP	1,773
DWS Turner Mid Cap Growth VIP	1,636

In addition, the Portfolios have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances were used to reduce a portion of the Portfolios' expenses. During the six months ended June 30, 2007, the Portfolios' custodian fees were reduced under the arrangement as follows:

Portfolio	Amount ($)
DWS Balanced VIP	604
DWS Blue Chip VIP	39
DWS Core Fixed Income VIP	151
DWS Davis Venture Value VIP	85
DWS Dreman High Return Equity VIP	41
DWS Dreman Small Mid Cap Value VIP	116
DWS Government & Agency Securities VIP	150
DWS High Income VIP	76
DWS Janus Growth & Income VIP	437
DWS Large Cap Value VIP	9,983
DWS Mid Cap Growth VIP	87
DWS Money Market VIP	180
DWS Small Cap Growth VIP	29
DWS Strategic Income VIP	3,328
DWS Technology VIP	22
DWS Turner Mid Cap Growth VIP	143

G. Ownership of the Portfolios

At June 30, 2007, the beneficial ownership in each Portfolio was as follows:

DWS Balanced VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 39%, 25% and 18%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 98%.

DWS Blue Chip VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 57% and 30%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 98%.

DWS Core Fixed Income VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 47%, 25% and 21%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 81% and 19%.

DWS Davis Venture Value VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 72% and 19%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 98%.

DWS Dreman High Return Equity VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 65% and 24%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 88%.

DWS Dreman Small Mid Cap Value VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 57%, 22% and 11%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 74% and 19%.

DWS Global Thematic VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 71% and 28%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 99%.

DWS Government & Agency Securities VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 41%, 37% and 14%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 97%.

DWS High Income VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 35%, 33% and 25%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 97%.

DWS International Select Equity VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 51%, 25% and 22%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 99%.

DWS Janus Growth & Income VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 73% and 26%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 99%.

DWS Large Cap Value VIP: Four Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 38%, 27%, 18% and 14%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 98%.

DWS Mid Cap Growth VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 68% and 30%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 97%.

DWS Money Market VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 37%, 25% and 14%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 99%.

DWS Small Cap Growth VIP: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 49%, 22% and 19%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 100%.

DWS Strategic Income VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 61% and 33%. One Participating Insurance Company was the owner of record of 10% or more of the outstanding Class B shares of the Portfolio, owning 99%.

DWS Technology VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 64% and 31%. One Participating Insurance Company was the owner of record of 10% or more of the outstanding Class B shares of the Portfolio, owning 92%.

DWS Turner Mid Cap Growth VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 83% and 17%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 99%.

H. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $750 million revolving credit facility administered by JPMorgan Chase Bank N.A. for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated, based upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.35 percent. The facility borrowing limit for each Portfolio as a percent of net assets is as follows:

Portfolio	Facility Borrowing Limit
DWS Balanced VIP	33%
DWS Blue Chip VIP	33%
DWS Core Fixed Income VIP	33%
DWS Davis Venture Value VIP	33%
DWS Dreman High Return Equity VIP	33%
DWS Dreman Small Mid Cap Value VIP	33%
DWS Global Thematic VIP	33%
DWS Government & Agency Securities VIP	33%
DWS High Income VIP	33%
DWS International Select Equity VIP	33%
DWS Janus Growth & Income VIP	33%
DWS Large Cap Value VIP	33%
DWS Mid Cap Growth VIP	33%
DWS Money Market VIP	33%
DWS Small Cap Growth VIP	33%
DWS Strategic Income VIP	33%
DWS Technology VIP	5%
DWS Turner Mid Cap Growth VIP	33%

At June 30, 2007, DWS Turner Mid Cap Growth VIP had a $400,000 outstanding loan. Interest expense incurred on the borrowing was $7,811 for the six months ended June 30, 2007. The average dollar amount of the borrowings was $718,116, the weighted average interest rate on these borrowings was 5.75% and the Portfolio had a loan outstanding for sixty nine days throughout the period.

I. Payments Made by Affiliates

During the six months ended June 30, 2007, the Advisor fully reimbursed DWS Balanced VIP and DWS Strategic Income VIP $11,348 and $3,172, respectively, for losses incurred on trades executed incorrectly.

In addition, the Advisor fully reimbursed DWS Dreman High Return Equity VIP $45,899 for losses incurred in violation of investment restrictions.

The amounts of the losses were less than 0.01% of each Portfolio's average net assets, thus having no impact on each Portfolio's total return.

During the six months ended June 30, 2007, the Advisor has agreed to reimburse DWS Large Cap Value VIP $91,948 for income associated with uninvested cash balances. This reimbursement is reported as "Other income" on the Statement of Operations.

J. Regulatory Matters and Litigation

Regulatory Settlements. On December 21, 2006, Deutsche Asset Management ("DeAM") settled proceedings with the Securities and Exchange Commission ("SEC") and the New York Attorney General on behalf of Deutsche Asset Management, Inc. ("DAMI") and Deutsche Investment Management Americas Inc. ("DIMA"), the investment advisors to many of the DWS Scudder funds, regarding allegations of improper trading at DeAM and at the legacy Scudder and Kemper organizations prior to their acquisition by DeAM in April 2002. These regulators alleged that although the prospectuses for certain funds in the regulators' view indicated that the funds did not permit market timing, DAMI and DIMA breached their fiduciary duty to those funds in that their efforts to limit trading activity in the funds were not effective at certain times. The regulators also alleged that DAMI and DIMA breached their fiduciary duty to certain funds by entering into certain market timing arrangements with investors. These trading arrangements originated in businesses that existed prior to the currently constituted DeAM organization, which came together as a result of various mergers of the legacy Scudder, Kemper and Deutsche fund groups, and all of the arrangements were terminated prior to the start of the regulatory investigations that began in the summer of 2003. No current DeAM employee approved these trading arrangements. Under the terms of the settlements, DAMI and DIMA neither admit nor deny any wrongdoing.

The terms of the SEC settlement, which identified improper trading in the legacy Deutsche and Kemper mutual funds only, provide for payment of disgorgement in the amount of $17.2 million. The terms of the settlement with the New York Attorney General provide for payment of disgorgement in the amount of $102.3 million, which is inclusive of the amount payable under the SEC settlement, plus a civil penalty in the amount of $20 million. The total amount payable by DeAM, approximately $122.3 million, would be distributed to funds in accordance with a distribution plan to be developed by a distribution consultant. The funds' investment advisors do not believe these amounts will have a material adverse financial impact on them or materially affect their ability to perform under their investment management agreements with the DWS funds. The above-described amounts are not material to Deutsche Bank, and have already been reserved.

Among the terms of the settled orders, DeAM is subject to certain undertakings regarding the conduct of its business in the future, including: formation of a Code of Ethics Oversight Committee to oversee all matters relating to issues arising under the advisors' Code of Ethics; establishment of an Internal Compliance Controls Committee having overall compliance oversight responsibility of the advisors; engagement of an Independent Compliance Consultant to conduct a comprehensive review of the advisors' supervisory compliance and other policies and procedures designed to prevent and detect breaches of fiduciary duty, breaches of the Code of Ethics and federal securities law violations by the advisors and their employees; and commencing in 2008, the advisors shall undergo a compliance review by an independent third party.

In addition, DeAM is subject to certain further undertakings relating to the governance of the mutual funds, including that: at least 75% of the members of the Boards of Trustees/Directors overseeing the DWS Funds continue to be independent of DeAM; the Chairmen of the DWS Funds' Boards of Trustees/Directors continue to be independent of DeAM; DeAM maintain existing management fee reductions for certain funds for a period of five years and not increase management fees for these certain funds during this period; the funds retain a senior officer (or independent consultants, as applicable) responsible for assisting in the review of fee arrangements and monitoring compliance by the funds and the investment advisors with securities laws, fiduciary duties, codes of ethics and other compliance policies, the expense of which shall be borne by DeAM; and periodic account statements, fund prospectuses and the mutual funds' web site contain additional disclosure and/or tools that assist investors in understanding the fees and costs associated with an investment in the funds and the impact of fees and expenses on fund returns.

DeAM has also settled proceedings with the Illinois Secretary of State regarding market timing matters. The terms of the Illinois settlement provide for investor education contributions totaling approximately $4 million and a payment in the amount of $2 million to the Securities Audit and Enforcement Fund.

On September 28, 2006, the SEC and the National Association of Securities Dealers ("NASD") announced final agreements in which Deutsche Investment Management Americas Inc. ("DIMA"), Deutsche Asset Management, Inc. ("DAMI") and Scudder Distributors, Inc. ("SDI") (now known as DWS Scudder Distributors, Inc.) settled administrative proceedings regarding disclosure of brokerage allocation practices in connection with sales of the Scudder Funds' (now known as the DWS Scudder Funds) shares during 2001–2003. The agreements with the SEC and NASD are reflected in orders which state, among other things, that DIMA and DAMI failed to disclose potential conflicts of interest to the fund Boards and to shareholders relating to SDI's use of certain funds' brokerage commissions to reduce revenue sharing costs to broker-dealer firms with whom it had arrangements to market and distribute Scudder Fund shares. These directed brokerage practices were discontinued in October 2003.

Under the terms of the settlements, in which DIMA, DeAM, Inc. and SDI neither admitted nor denied any of the regulators' findings, DIMA, DeAM, Inc. and SDI agreed to pay disgorgement, prejudgment interest and civil penalties in the total amount of $19.3 million. The portion of the settlements distributed to the funds was approximately $17.8 million and was paid to the funds as prescribed by the settlement orders based upon the amount of brokerage commissions from each fund used to satisfy revenue sharing agreements with broker-dealers who sold fund shares. Accordingly, in October 2006, the Portfolios received from the Advisor for their settlement portion as follows:

Portfolio	Total Settlement ($)	Per Share ($)
DWS Balanced VIP	651,306	.024
DWS Blue Chip VIP	73,817	.003
DWS Global Thematic VIP	37,541	.004
DWS Large Cap Value VIP	139,707	.008
DWS Mid Cap Growth VIP	16,995	.003
DWS Small Cap Growth VIP	155,225	.008
DWS Technology VIP	338,842	.017

As part of the settlements, DIMA, DAMI and SDI also agreed to implement certain measures and undertakings relating to revenue sharing payments including making additional disclosures in the fund Prospectuses or Statements of Additional Information, adopting or modifying relevant policies and procedures and providing regular reporting to the fund Boards.

Private Litigation Matters. The matters alleged in the regulatory settlements described above also serve as the general basis of a number of private class action lawsuits involving the DWS funds. These lawsuits name as defendants various persons, including certain DWS funds, the funds' investment advisors and their affiliates, and certain individuals, including in some cases fund Trustees/Directors, officers, and other parties. Each DWS fund's investment advisor has agreed to indemnify the applicable DWS funds in connection with these lawsuits, or other lawsuits or regulatory actions that may be filed making similar allegations.

Based on currently available information, the funds' investment advisors believe the likelihood that the pending lawsuits will have a material adverse financial impact on a DWS fund is remote and such actions are not likely to materially affect their ability to perform under their investment management agreements with the DWS funds.

K. Acquisition of Assets

On September 15, 2006, DWS Dreman High Return Equity VIP acquired all of the net assets of DWS Dreman Financial Services VIP and DWS MFS Strategic Value VIP pursuant to a plan of reorganization approved by shareholders on August 24, 2006. The acquisition was accomplished by a tax-free exchange of 9,878,311 Class A shares and 1,552,231 Class B shares of DWS Dreman Financial Services VIP and 2,714,688 Class A shares and 2,857,615 Class B shares of DWS MFS Strategic Value VIP, respectively, for 7,492,130 Class A shares and 1,180,445 Class B shares and 1,965,950 Class A shares and 2,075,811 Class B shares of DWS Dreman High Return Equity VIP, respectively, outstanding on September 15, 2006. DWS Dreman Financial Services VIP and DWS MFS Strategic Value VIP's net assets at that date of $125,823,288 and $58,623,028, respectively, including $13,177,547 and $2,482,671, respectively, of net unrealized appreciation, were combined with those of DWS Dreman High Return Equity VIP. The aggregate net assets of DWS Dreman High Return Equity VIP immediately before the acquisition were $950,803,547. The combined net assets of DWS Dreman High Return Equity VIP immediately following the acquisition were $1,135,249,863.

On November 3, 2006, DWS Money Market VIP acquired all of the net assets of Money Market VIP pursuant to a plan of reorganization approved by shareholders on October 19, 2006. The acquisition was accomplished by a tax-free exchange of 56,959,609 Class A shares of the Money Market VIP for 56,959,609 Class A shares of DWS Money Market VIP outstanding on November 3, 2006. Money Market VIP's net assets at that date of $56,965,779 were combined with those of DWS Money Market VIP. The aggregate net assets of DWS Money Market VIP immediately before the acquisition were $317,440,879. The combined net assets of DWS Money Market VIP immediately following the acquisition were $374,406,658.

Proxy Voting

A description of the Trust's policies and procedures for voting proxies for portfolio securities and information about how the Trust voted proxies related to its portfolio securities during the 12-month period ended June 30 is available on our Web site — www.dws-scudder.com (click on "proxy voting"at the bottom of the page) — or on the SEC's Web site — www.sec.gov. To obtain a written copy of the Trust's policies and procedures without charge, upon request, call us toll free at (800) 621-1048.

Shareholder Meeting Results

A Special Meeting of Shareholders of the DWS Large Cap Value VIP series of DWS Variable Series II (the "Portfolio") was held on April 11, 2007 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10017. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Approval of a new Investment Management Agreement between Deutsche Investment Management Americas Inc. ("DIMA") and DWS Variable Series II, on behalf of the Portfolio.

Number of Votes:

Affirmative	Against	Abstain	Broker Non-Votes*
15,330,145.960	539,010.247	1,426,135.558	0.000

2. Approval of a new Sub-Advisory Agreement between Deutsche Investment Management Americas Inc. and Deutsche Asset Management International GmbH ("DeAMi") with respect to the Portfolio.

Number of Votes:

Affirmative	Against	Abstain	Broker Non-Votes*
15,229,326.436	638,490.762	1,427,474.567	0.000

* *Broker non-votes are proxies received by the fund from brokers or nominees when the broker or nominee neither has received instructions from the beneficial owner or other persons entitled to vote nor has discretionary power to vote on a particular matter.*

Investment Management Agreement Approval

DWS Large Cap Value VIP

Advisory Agreements

The Board of Trustees, including the Independent Trustees, approved the Interim Agreement and the New Investment Management Agreement (collectively, the "New Investment Management Agreements") with DIMA at a meeting on January 17, 2007. In reviewing the New Investment Management Agreements, the Board considered that it renewed the Prior Investment Management Agreement as part of the annual contract renewal process in September 2006. As part of that renewal process, the Board requested and evaluated all information it deemed reasonably necessary to evaluate the Prior Investment Management Agreement. Over the course of several months, the Contract Review Committee, in coordination with the Equity Oversight Committee and the Operations Committee of the Board, reviewed comprehensive materials received from DIMA, independent third parties and independent counsel. These materials included an analysis of the Portfolio's performance, fees and expenses, and profitability compiled by an independent fee consultant. The Board also received extensive information throughout the year regarding performance and operating results of the Portfolio. Based on their evaluation of the information provided, the Committees presented their findings and recommendations to the Independent Trustees as a group. The Independent Trustees then reviewed the Committees' findings and recommendations and presented their recommendations to the full Board. Throughout their consideration of the Prior Investment Management Agreement, the Independent Trustees were advised by their independent legal counsel and by an independent fee consultant.

In connection with reviewing the New Investment Management Agreements, the Board considered DIMA's representation that with regards to the New Investment Management Agreements the Board may continue to rely on and take into account the information provided in connection with the renewal of the Prior Investment Management Agreement. Accordingly, in approving the New Investment Management Agreements, the Board took note of the considerations made and conclusions reached in renewing the Prior Investment Management Agreement. The Board believes such considerations and conclusions are still relevant. A complete discussion regarding the basis for the Board's renewal of the Prior Investment Management Agreement is contained in the Portfolio's annual report for the fiscal year ended December 31, 2006. Shareholders may receive a copy of this report by contacting their financial advisor or by calling the Portfolio at (800) 778-1482.

In connection with its review of the New Investment Management Agreements, the Board reviewed materials received from DIMA, including information about (i) the nature and quality of services to be provided by DIMA under the New Investment Management Agreements; (ii) the proposed management fee rate under each agreement; and (iii) general information about DeAMi. The Independent Trustees also met separately with their independent legal counsel to discuss the New Investment Management Agreements. In approving the New Investment Management Agreements, the Board considered the factors discussed below, among others.

Nature, Quality and Extent of Services. The Board considered the nature, quality and extent of services to be provided under the New Investment Management Agreements. The Board initially considered that it was approving the New Investment Management Agreements to effectuate the proposed change in the Portfolio's portfolio manager recommended by DIMA. The Board noted that because the proposed new portfolio manager is an employee of DeAMi, DIMA would delegate the day-to-day portfolio management of the Portfolio to DeAMi, as sub-advisor. In reviewing the delegation of portfolio management duties to DeAMi, the Board received and reviewed information on DeAMi and the proposed new portfolio manager, including: (i) information regarding the organization of DeAMi and the qualifications of its personnel who would be working with the Portfolio; (ii) information on Dr. Thomas Schuessler, the proposed new portfolio manager; and (iii) the performance history of a German mutual fund managed by Dr. Schuessler with a similar objective to the Portfolio's. The Board also met with and received a presentation from Dr. Schuessler. The Board's considerations of DeAMi and Dr. Schuessler are described in more detail below in the discussion of the Board's considerations of the Interim Sub-Advisory Agreement and the New Sub-Advisory Agreement.

The Board then considered that under the structure of the New Investment Management Agreement, DIMA would provide administrative services to the Portfolio under a separate Administrative Services Agreement. The Board noted that the separation of portfolio management and administrative services into two separate contracts is part of a broader program initiated by DeAM which is intended to reduce DeAM's operational, business and compliance risk while increasing efficiency in its mutual funds operations. The Board considered that the split arrangement would allow for greater flexibility to adjust the administrative services arrangements of the Portfolio without incurring the costs of a shareholder vote.

On the basis of its evaluation of all the information presented and its previous consideration of the Prior Investment Management Agreement, the Board concluded that the nature, quality and extent of services to be provided by DIMA under the New Investment Management Agreements is expected to be satisfactory.

Fees and Expenses. The Board considered that the management fee under the Interim Agreement and the combined management fee and administrative services fee under the New Investment Management Agreement would be the same as the management fee under the Prior Investment Management Agreement. The Board noted that, at the request of the Independent Trustees, DIMA agreed to add seven breakpoints to the Portfolio's management fee schedule, effective October 1, 2006, and that such breakpoints are reflected in the management fee schedules under the New Investment Management Agreements. The Board noted its previous considerations of the Portfolio's management fee rate, operating expenses and total expense ratios, including the fact that based on the information it previously received, the Portfolio's management fee rate was at the 53rd percentile of the peer group, and that the Portfolio's total expense ratios (excluding any 12b-1 and recordkeeping fees) were at the following percentiles of the peer universe: the 49th percentile for Class A shares and the 49th percentile for Class B shares. The Board noted that the information included the effect of an expense cap that expired on April 30, 2006. The Board concluded that the management fees under the New Investment Management Agreements are reasonable and appropriate in light of the nature, quality and extent of services to be provided by DIMA.

Profitability. The Board noted its previous consideration of the profitability of the investment management arrangement to DIMA and concluded that the pre-tax profits realized by DIMA in connection with the management of the Portfolio are expected to continue to be not unreasonable.

Economies of Scale. The Board considered whether there are economies of scale with respect to the management of the Portfolio and whether the Portfolio benefits from any economies of scale. The Board considered whether the management fee schedules under the New Investment Management Agreements are reasonable in relation to the asset size of the Portfolio. The Board noted that the proposed management fee schedules include seven breakpoints, designed to share economies of scale with Portfolio shareholders. The Board concluded that the management fee schedules reflect an appropriate level of sharing of any economies of scale.

Other Benefits to DIMA and Its Affiliates. The Board also considered the character and amount of other incidental benefits received by DIMA and its affiliates, including any fees received by DIMA for administrative services provided to the Portfolio and any fees received by an affiliate of DIMA for distribution services. The Board noted that in connection with the new investment management arrangement, DIMA would receive a flat administrative services fee under a separate Administrative Services Agreement. The Board concluded that management fees were reasonable in light of these fallout benefits.

Based on all of the information considered and the conclusions reached, the Board (including a majority of the Independent Trustees) determined that the terms of the Interim Agreement and the New Investment Management Agreement are fair and reasonable and that the approval of the New Investment Management Agreements is in the best interests of the Portfolio. No single factor was determinative in the Board's analysis.

Approval of the New Sub-Advisory Agreements

The Board of Trustees, including the Independent Trustees, approved the Interim Sub-Advisory Agreement and New Sub-Advisory Agreement (collectively, the "New Sub-Advisory Agreements") between DIMA and DeAMi at a meeting held on January 17, 2007. As part of its review process, the Board requested and evaluated all information it deemed reasonably necessary to evaluate the New Sub-Advisory Agreements. In connection with the approval of the New Sub-Advisory Agreements, the Board considered the factors described below, among others.

Nature, Quality and Extent of Services. The Board considered the nature, quality and extent of services to be provided under the New Sub-Advisory Agreements. The Board initially noted that the new Sub-Advisory Agreements would allow DIMA's recommended change to the Portfolio's portfolio manager to take effect. The Board considered the organization of DeAMi, the qualifications of its personnel who would be working with the Portfolio and the resources made available to such personnel. The Board also reviewed DeAMi's compliance program. The Board met with and received a presentation from Dr. Thomas Schuessler, the proposed new portfolio manager for the Portfolio, and was able to ask Dr. Schuessler questions. The Board considered Dr. Schuessler's investment philosophy and his stock selection process. The Board noted that Dr. Schuessler currently manages three German mutual funds, which have solid Morningstar and S&P ratings. The Board also reviewed information on the five-year performance of the DWS (CH) — US Equities Fund, one of the German mutual funds currently managed by Dr. Schuessler, versus the S&P 500 Index, noting that the DWS (CH) — US Equities Fund had outperformed the S&P 500 over the five-year period.

On the basis of its evaluation of all the information presented, the Board concluded that the nature, quality and extent of services to be provided by DeAMi is expected to be satisfactory.

Fees; Profitability and Economies of Scale. The Board considered the sub-advisory fee rate under the New Sub-Advisory Agreements and how it related to the overall management fee structure of the Portfolio. The Board noted that DeAMi did not provide an estimate of profitability in connection with the management of the Portfolio, but noted that DIMA compensates DeAMi from its fees.

As part of its approval of the New Investment Management Agreements with DIMA, the Board considered whether there will be economies of scale with respect to the overall fee structure of the Portfolio and whether the Portfolio will benefit from any economies of scale. The Board noted that the New Investment Management Agreements with DIMA included seven breakpoints and concluded that the overall structure was designed to share economies of scale with shareholders.

Other Benefits to DeAMi. The Board also considered the character and amount of other incidental benefits received by DeAMi and its affiliates (including DIMA). The Board noted that under the current soft dollar policies, no sub-advisor, including DeAMi, may use Portfolio brokerage transactions to pay for research services generated by parties other than the executing broker-dealer ("third-party research"), although they may obtain proprietary research prepared by an executing broker-dealer in connection with a transaction through that broker-dealer. The Board, however, recently approved a change in the soft dollar policies to permit DIMA to allocate brokerage to acquire third-party research and may, in the future, permit sub-advisors, including DeAMi, to allocate brokerage to acquire third-party research. The Board concluded that the sub-advisory fees were reasonable in light of these fallout benefits.

Based on all of the information considered and the conclusions reached, the Board (including a majority of the Independent Trustees) determined that the terms of the New Sub-Advisory Agreements are fair and reasonable and that the approval of the New Sub-Advisory Agreements is in the best interests of the Portfolio. No single factor was determinative in the Board's analysis.

About the Portfolios' Advisor

DWS Scudder is part of Deutsche Asset Management, which is the marketing name in the US for the asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Investment Management Americas Inc. and DWS Trust Company.

An investment in DWS Money Market VIP is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although DWS Money Market VIP seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Portfolio.

The views expressed in this report reflect those of the portfolio managers only through the end of the period of the report as stated on the cover. The managers' views are subject to change at any time based on market and other conditions and should not be construed as a recommendation.

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

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DWS SCUDDER
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This report must be preceded or accompanied by the current prospectus. Read it carefully before investing.

Scudder Destinations[SM], a variable, fixed and market value-adjusted deferred annuity contract (policy form series L-8166 and L-1550), is issued by **Kemper Investors Life Insurance Company,** administrative office: 2000 Wade Hampton Blvd., Greenville, SC 29615-1064. Securities are distributed by **Investors Brokerage Services, Inc.**, administrative office: 1707 North Randall Road, Suite 310, Elgin, IL 60123-9409. May not be available in all states. The contract contains limitations and policy forms may vary by state.

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