Semiannual report to contract holders for the six months ended June 30, 2008

SEMIANNUAL REPORT

FOR CONTRACT HOLDERS OF SCUDDER DESTINATIONS[SM]

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

PROSPECTUS SUPPLEMENTS

This section includes supplements to your current prospectus.

Please read these supplements carefully and retain with your current prospectus.

(Prospectus supplements are not part of this report.)

DWS VARIABLE SERIES I

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES OF THE LISTED PORTFOLIO:

DWS Bond VIP

Effective immediately, Stephen Ilott will no longer serve as Co-Manager of the portfolio. All references to Mr. Ilott are hereby deleted.

Please Retain This Supplement for Future Reference

August 18, 2008
SVS-3608

DWS INVESTMENTS
Deutsche Bank Group

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES OF THE LISTED PORTFOLIOS:

DWS VARIABLE SERIES I:

DWS International VIP

DWS VARIABLE SERIES II:

DWS International Select Equity VIP

The following information replaces the portfolio management team in "The Portfolio Managers" section of each of the portfolio's prospectuses:

The following person handles the day-to-day management of each of the above-listed portfolios:

Joseph Axtell, CFA
Managing Director of Deutsche Asset Management and Lead Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 2001 and the portfolio in 2008.
- Senior analyst at Merrill Lynch Investment Managers for the international equity portion of a global balanced portfolio (1996-2001).
- Director, International Research at PCM International (1989-1996).
- Associate manager, structured debt and equity group at Prudential Capital Corporation (1988-1989).
- Analyst at Prudential-Bache Capital Funding in London (1987-1988).
- Equity analyst in the healthcare sector at Prudential Equity Management Associates (1985-1987).
- B.S., Carlson School of Management, University of Minnesota.

The following individual has been named consultant to the portfolios' advisor, Deutsche Investment Management Americas Inc. (the "Advisor").

Michael Sieghart, CFA
Managing Director of DWS Investment GmbH: Frankfurt and consultant to the Advisor.

- Joined DWS Investment GmbH: Frankfurt in 1997.
- Senior fund manager of global and European equities: Frankfurt.
- Master's degree in finance and economics from the University of Economics and Business Administration, Vienna.

Please Retain This Supplement for Future Reference

August 19, 2008
VS-3609

DWS INVESTMENTS
Deutsche Bank Group

DWS VARIABLE SERIES II

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES OF THE LISTED PORTFOLIO:

DWS Balanced VIP

The following individual has replaced Matthias Knerr as a portfolio manager for the above-listed portfolio. The following biographical information replaces that for Mr. Knerr in "The Portfolio Managers" section of the portfolio's prospectuses:

Joseph Axtell, CFA
Managing Director of Deutsche Asset Management and Portfolio Manager of the portfolio.

- Joined Deutsche Asset Management in 2001 and the portfolio in 2008.
- Senior analyst at Merrill Lynch Investment Managers for the international equity portion of a global balanced portfolio (1996-2001).
- Director, International Research at PCM International (1989-1996).
- Associate manager, structured debt and equity group at Prudential Capital Corporation (1988-1989).
- Analyst at Prudential-Bache Capital Funding in London (1987-1988).
- Equity analyst in the healthcare sector at Prudential Equity Management Associates (1985-1987).
- B.S., Carlson School of Management, University of Minnesota.

The following individual has been named consultant to the portfolio's advisor, Deutsche Investment Management Americas Inc. (the "Advisor").

Michael Sieghart, CFA
Managing Director of DWS Investment GmbH: Frankfurt and consultant to the Advisor.

- Joined DWS Investment GmbH: Frankfurt in 1997.
- Senior fund manager of global and European equities: Frankfurt.
- Master's degree in finance and economics from the University of Economics and Business Administration, Vienna.

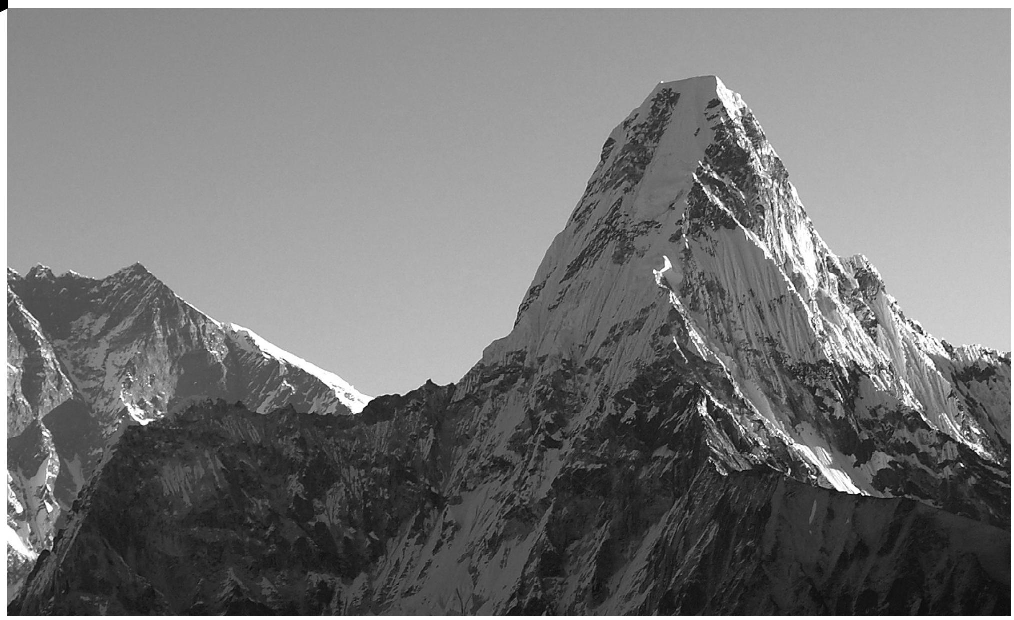
Please Retain This Supplement for Future Reference

August 19, 2008
VS-3610

DWS INVESTMENTS
Deutsche Bank Group

AIM V.I. Utilities Fund

Semiannual Report to Shareholders ▪ June 30, 2008



AIM Investments became **Invesco Aim** on March 31, 2008.

For more details, go to invescoaim.com

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 Invesco Aim Web site, invescoaim.com. On the home page, scroll down and click on 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, 2008, is available at our Web site. Go to invescoaim.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 provided by Invesco Aim.

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.

Invesco Aim Distributors, Inc.

Fund Performance

Performance summary

Fund vs. Indexes

Cumulative total returns, 12/31/07 to 6/30/08, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	-3.00%
Series II Shares	-3.11
S&P 500 Index▼ (Broad Market Index)	-11.90
Lipper VUF Utility Funds Category Average▼ (Peer Group)	-3.59

▼Lipper Inc.

The **S&P 500® Index** is a market capitalization-weighted index covering all major areas of the U.S. economy. It is not the 500 largest companies, but rather the most widely held 500 companies chosen with respect to market size, liquidity, and their industry.

The **Lipper VUF Utility Funds Category Average** represents an average of all of the variable insurance underlying funds in the Lipper Utility Funds category. These funds invest primarily in the equity securities of domestic and foreign companies providing utilities.

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.

Average Annual Total Returns

As of 6/30/08

Series I Shares	
Inception (12/30/94)	9.01%
10 Years	6.50
5 Years	17.87
1 Year	3.77
Series II Shares	
10 Years	6.25
5 Years	17.60
1 Year	3.59

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 0.94% and 1.19%, 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.

The most recent month-end performance data at the Fund level, excluding variable product charges, is available on the Invesco 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 reimbursements by the advisor in effect through at least April 30, 2010. See current prospectus for more information.

Portfolio Composition

By industry, based on Net Assets
as of June 30, 2008

Electric Utilities	34.4%
Multi-Utilities	24.8
Gas Utilities	12.3
Integrated Telecommunication Services	11.7
Oil & Gas Storage & Transportation	8.4
Independent Power Producers & Energy Traders	6.3
Money Market Funds Plus Other Assets Less Liabilities	2.1

Schedule of Investments[a]

June 30, 2008
(Unaudited)

	Shares	Value
Common Stocks–97.94%		
Electric Utilities–34.39%		
Duke Energy Corp.	165,000	$ 2,867,700
E.ON A.G. (Germany)[b]	22,000	4,430,302
Edison International	98,000	5,035,240
Enel S.p.A. (Italy)[b][c]	189,000	1,793,337
Entergy Corp.	48,000	5,783,040
Exelon Corp.	82,000	7,376,720
FirstEnergy Corp.	58,000	4,775,140
FPL Group, Inc.	91,000	5,967,780
Pepco Holdings, Inc.	128,000	3,283,200
Portland General Electric Co.	90,000	2,026,800
PPL Corp.	89,000	4,652,030
Southern Co.	49,000	1,711,080
		49,702,369
Gas Utilities–12.30%		
AGL Resources Inc.	90,000	3,112,200
Equitable Resources, Inc.	78,000	5,386,680
ONEOK, Inc.	78,000	3,808,740
Questar Corp.	77,000	5,470,080
		17,777,700
Independent Power Producers & Energy Traders–6.34%		
Constellation Energy Group Inc.	49,000	4,022,900
NRG Energy, Inc.[d]	120,000	5,148,000
		9,170,900
Integrated Telecommunication Services–11.71%		
Alaska Communications Systems Group Inc.	375,000	$ 4,477,500
AT&T Inc.	231,000	7,782,390
Verizon Communications Inc.	132,000	4,672,800
		16,932,690
Multi-Utilities–24.76%		
Ameren Corp.	87,000	3,674,010
CMS Energy Corp.	245,000	3,650,500
Dominion Resources, Inc.	82,000	3,894,180
National Grid PLC (United Kingdom)[b]	215,000	2,817,590
OGE Energy Corp.	26,000	824,460
PG&E Corp.	93,000	3,691,170
Public Service Enterprise Group Inc.	76,000	3,490,680
SCANA Corp.	25,000	925,000
Sempra Energy	91,000	5,136,950
Veolia Environnement (France)[b]	42,000	2,340,043
Wisconsin Energy Corp.	49,000	2,215,780
Xcel Energy, Inc.	156,000	3,130,920
		35,791,283
Oil & Gas Storage & Transportation–8.44%		
El Paso Corp.	283,000	6,152,420
Williams Cos., Inc. (The)	150,000	6,046,500
		12,198,920
Total Common Stocks (Cost $98,451,203)		141,573,862

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

	Shares	Value
Money Market Funds–2.34%		
Liquid Assets Portfolio–Institutional Class[(e)]	1,690,843	$ 1,690,843
Premier Portfolio–Institutional Class[(e)]	1,690,843	1,690,843
Total Money Market Funds (Cost $3,381,686)		3,381,686
TOTAL INVESTMENTS (excluding investments purchased with cash collateral from securities on loan)–100.28% (Cost $101,832,889)		144,955,548
Investments Purchased with Cash Collateral from Securities on Loan		
Money Market Funds–0.99%		
Liquid Assets Portfolio–Institutional Class[(e)(f)]	1,424,375	$ 1,424,375
TOTAL INVESTMENTS–101.27% (Cost $103,257,264)		146,379,923
OTHER ASSETS LESS LIABILITIES–(1.27)%		(1,842,499)
NET ASSETS–100.00%		$144,537,424

Notes to Schedule of Investments:

(a) Industry and/or sector 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 MSCI Inc. and Standard & Poor's.

(b) 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, 2008 was $11,381,272, which represented 7.87% of the Fund's Net Assets. See Note 1A.

(c) All or a portion of this security was out on loan at June 30, 2008.

(d) Non-income producing security.

(e) The money market fund and the Fund are affiliated by having the same investment advisor.

(f) The security has been segregated to satisfy the commitment to return the cash collateral received in securities lending transactions upon the borrower's return of the securities loaned. See Note 1J.

Statement of Assets and Liabilities

June 30, 2008
(Unaudited)

Assets:	
Investments, at value (Cost $98,451,203)*	$141,573,862
Investments in affiliated money market funds (Cost $4,806,061)	4,806,061
Total investments (Cost $103,257,264)	146,379,923
Foreign currencies, at value (Cost $18,805)	18,888
Receivables for:	
Fund shares sold	30,689
Dividends	532,479
Investment for trustee deferred compensation and retirement plans	43,601
Other assets	45
Total assets	147,005,625
Liabilities:	
Payables for:	
Investments purchased	509,099
Fund shares reacquired	361,875
Collateral upon return of securities loaned	1,424,375
Accrued fees to affiliates	87,120
Accrued other operating expenses	32,283
Trustee deferred compensation and retirement plans	53,449
Total liabilities	2,468,201
Net assets applicable to shares outstanding	$144,537,424
Net assets consist of:	
Shares of beneficial interest	$ 84,872,851
Undistributed net investment income	4,797,929
Undistributed net realized gain	11,729,209
Unrealized appreciation	43,137,435
	$144,537,424
Net Assets:	
Series I	$141,841,629
Series II	$ 2,695,795
Shares outstanding, $0.001 par value per share, unlimited number of shares authorized:	
Series I	6,099,523
Series II	116,924
Series I:	
Net asset value per share	$ 23.25
Series II:	
Net asset value per share	$ 23.06

* At June 30, 2008, securities with an aggregate value of $1,348,553 were on loan to brokers.

Statement of Operations

For the six months ended June 30, 2008
(Unaudited)

Investment income:	
Dividends (net of foreign withholding taxes of $47,697)	$ 2,386,886
Dividends from affiliated money market funds (includes securities lending income of $33,850)	99,046
Total investment income	2,485,932
Expenses:	
Advisory fees	443,437
Administrative services fees	194,229
Custodian fees	6,734
Distribution fees — Series II	3,373
Transfer agent fees	9,425
Trustees' and officer's fees and benefits	10,283
Other	25,083
Total expenses	692,564
Less: Fees waived	(4,165)
Net expenses	688,399
Net investment income	1,797,533
Realized and unrealized gain (loss) from:	
Net realized gain from:	
Investment securities	2,497,551
Foreign currencies	1,233
	2,498,784
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(9,682,124)
Foreign currencies	8,605
	(9,673,519)
Net realized and unrealized gain (loss)	(7,174,735)
Net increase (decrease) in net assets resulting from operations	$(5,377,202)

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, 2008 and the year ended December 31, 2007
(Unaudited)

	June 30, 2008	December 31, 2007
Operations:		
Net investment income	$ 1,797,533	$ 3,053,887
Net realized gain	2,498,784	12,120,624
Change in net unrealized appreciation (depreciation)	(9,673,519)	12,996,939
Net increase (decrease) in net assets resulting from operations	(5,377,202)	28,171,450
Distributions to shareholders from net investment income:		
Series I	—	(2,819,765)
Series II	—	(60,178)
Total distributions from net investment income	—	(2,879,943)
Distributions to shareholders from net realized gains:		
Series I	—	(7,308,544)
Series II	—	(167,024)
Total distributions from net realized gains	—	(7,475,568)
Share transactions–net:		
Series I	(8,648,895)	(820,698)
Series II	(477,094)	504,038
Net increase (decrease) in net assets resulting from share transactions	(9,125,989)	(316,660)
Net increase (decrease) in net assets	(14,503,191)	17,499,279
Net assets:		
Beginning of period	159,040,615	141,541,336
End of period (including undistributed net investment income of $4,797,929 and $3,000,396, respectively)	$144,537,424	$159,040,615

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

Notes to Financial Statements

June 30, 2008
(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 objectives are capital growth and 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, American Depositary Receipts 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 the issuer's 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.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds as 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, the investment advisor 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.

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

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 by a significant amount.

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. Other Risks — 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.

A large percentage of the Fund's assets may be invested in securities of a limited number of companies, each investment has a greater effect on the Fund's overall performance, and any change in the value of those securities could significantly affect the value of your investment in the Fund.

Government regulation, difficulties in obtaining adequate financing and investment return, environmental issues, prices of fuel for generation of electricity, availability of natural gas, risks associated with power marketing and trading, and risks associated with nuclear power facilities may adversely affect the market value of the Fund's holdings.

J. Securities Lending — The Fund may lend portfolio securities having a market value up to one-third of the Fund's total assets. Such loans are secured by collateral equal to no less than the market value of the loaned securities determined daily by the securities lending provider. Such collateral will be cash or debt securities issued or guaranteed by the U.S. Government or any of its sponsored agencies. Cash collateral received in connection with these loans is invested in short-term money market instruments or affiliated money market funds and is shown as such on the Schedule of Investments. It is the Fund's policy to obtain additional collateral from or return excess collateral to the borrower by the end of the next business day, following the valuation date of the securities loaned. Therefore, the value of the collateral held may be temporarily less than the value of the securities on loan. Lending securities entails a risk of loss to the Fund if and to the extent that the market value of the securities loaned were to increase and the borrower did not increase the collateral accordingly, and the borrower fails to return the securities. The Fund could also experience delays and costs in gaining access to the collateral. The Fund bears the risk of any deficiency in the amount of the collateral available for return to the borrower due to any loss on the collateral invested. Dividends received on cash collateral investments for securities lending transactions, which are net of compensation to counterparties, is included in Dividends from affiliates on the Statement of Operations. The aggregate value of securities out on loan is shown as a footnote on the Statement of Assets and Liabilities.

K. 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.

L. 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 Invesco Aim Advisors, Inc. (the "Advisor" or "Invesco Aim"). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to the Advisor based on the annual rate of 0.60% of the Fund's average daily net assets.

Under the terms of a master sub-advisory agreement approved by shareholders of the Fund on February 29, 2008, effective May 1, 2008, between the Advisor and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Global Asset Management (N.A.), Inc., Invesco Hong Kong Limited, Invesco Institutional (N.A.), Inc., Invesco Senior Secured Management, Inc. and Invesco Trimark Ltd. (collectively, the "Affiliated Sub-Advisors") the Advisor, not the Fund, may pay 40% of the fees paid to the Advisor to any such Affiliated Sub-Advisor(s) that provide discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Advisor(s).

The Advisor 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, 2010. 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 Ltd. ("Invesco") 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, the Advisor will retain its ability to be reimbursed for such fee waivers or reimbursements prior to the end of each fiscal year.

Further, the Advisor has contractually agreed, through at least April 30, 2010, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Advisor receives from the affiliated money market funds on investments by the Fund of uninvested cash (but not cash collateral from securities lending) in such affiliated money market funds.

For the six months ended June 30, 2008, the Advisor waived advisory fees of $4,165.

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, 2008, Invesco did not reimburse any expenses.

The Trust has entered into a master administrative services agreement with Invesco Aim pursuant to which the Fund has agreed to pay Invesco Aim a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco 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, 2008, Invesco Aim was paid $24,863 for accounting and fund administrative services and reimbursed $169,366 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Aim Investment Services, Inc. ("IAIS") pursuant to which the Fund has agreed to pay IAIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IAIS for certain expenses incurred by IAIS in the course of providing such services. For the six months ended June 30, 2008, 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 Invesco Aim Distributors, Inc. ("IADI") 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 IADI 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, 2008, 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 Invesco Aim, IAIS and/or IADI.

NOTE 3—Supplemental Information

The Fund adopted the provisions of Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157), effective with the beginning of the Fund's fiscal year. SFAS 157 establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (level 1) and the lowest priority to unobservable inputs (level 3) market prices are not readily available or are unreliable. Based on the inputs the securities or other instruments are tiered into three levels of hierarchy under SFAS 157. Changes in valuation methods may result in transfers in or out of an investment's assigned level within the hierarchy,

Level 1 — Quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

Below is a summary of the tiered input levels, as of the end of the reporting period, June 30, 2008. The inputs or methods used for valuing securities may not be an indication of the risk associated with investing in those securities.

Input Level	Investments in Securities
Level 1	$134,998,651
Level 2	11,381,272
Level 3	—
	$146,379,923

NOTE 4—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, 2008, the Fund paid legal fees of $1,679 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 5—Cash Balances

The Fund is permitted to temporarily carry a negative or overdrawn balance in its account with The State Street Bank and Trust Company ("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 Invesco Aim, not to exceed the contractually agreed upon rate.

NOTE 6—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. Under these limitation rules, the Fund is limited as to utilizing $919,463 of capital loss carryforward in the fiscal year ended December 31, 2008.

The Fund had a capital loss carryforward as of December 31, 2007 which expires as follows:

Expiration	Capital Loss Carryforward*
December 31, 2009	$1,839,286

* 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 7—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, 2008 was $17,273,713 and $23,290,622, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed Federal income tax reporting period end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	$45,387,999
Aggregate unrealized (depreciation) of investment securities	(2,424,165)
Net unrealized appreciation of investment securities	$42,963,834

Cost of investments for tax purposes is $103,416,089.

NOTE 8—Share Information

Changes in Shares Outstanding

	Six months ended June 30, 2008[(a)]		Year ended December 31, 2007	
	Shares	Amount	Shares	Amount
Sold:				
Series I	797,449	$ 18,347,815	2,496,664	$ 59,127,619
Series II	15,238	342,475	47,500	1,114,914
Issued as reinvestment of dividends:				
Series I	—	—	416,289	10,128,309
Series II	—	—	9,404	227,202
Reacquired:				
Series I	(1,195,105)	(26,996,710)	(2,965,731)	(70,076,626)
Series II	(36,683)	(819,569)	(35,116)	(838,078)
	(419,101)	$ (9,125,989)	(30,990)	$ (316,660)

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 61% 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, Invesco Aim and/or Invesco Aim affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco Aim and or Invesco 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 9—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, 2008	Year ended December 31, 2007	2006	2005	2004	2003
Net asset value, beginning of period	$ 23.97	$ 21.23	$ 17.83	$ 15.61	$ 12.95	$ 11.16
Income from investment operations:						
Net investment income[a]	0.28	0.47	0.47	0.42	0.42	0.33
Net gains (losses) on securities (both realized and unrealized)	(1.00)	3.94	4.06	2.21	2.57	1.60
Total from investment operations	(0.72)	4.41	4.53	2.63	2.99	1.93
Less distributions:						
Dividends from net investment income	—	(0.47)	(0.70)	(0.41)	(0.33)	(0.14)
Distributions from net realized gains	—	(1.20)	(0.43)	—	—	—
Total distributions	—	(1.67)	(1.13)	(0.41)	(0.33)	(0.14)
Net asset value, end of period	$ 23.25	$ 23.97	$ 21.23	$ 17.83	$ 15.61	$ 12.95
Total return[b]	(3.00)%	20.64%	25.46%	16.83%	23.65%	17.38%
Ratios/supplemental data:						
Net assets, end of period (000s omitted)	$141,842	$155,748	$139,080	$114,104	$159,554	$62,510
Ratio of expenses to average net assets:						
With fee waivers and/or expense reimbursements	0.93%[c]	0.93%	0.93%	0.93%	1.01%	1.08%
Without fee waivers and/or expense reimbursements	0.94%[c]	0.94%	0.96%	0.96%	1.01%	1.08%
Ratio of net investment income to average net assets	2.44%[c]	1.97%	2.40%	2.49%	3.09%	2.84%
Portfolio turnover rate[d]	12%	30%	38%	49%	52%	58%

(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 $145,911,705.
(d) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year.

NOTE 9—Financial Highlights—(continued)

	Series II				
	Six months ended June 30, 2008	Year ended December 31, 2007	2006	2005	April 30, 2004 (Commencement date) to December 31, 2004
Net asset value, beginning of period	$23.80	$21.12	$17.76	$15.57	$12.63
Income from investment operations:					
Net investment income[a]	0.25	0.41	0.42	0.38	0.26
Net gains (losses) on securities (both realized and unrealized)	(0.99)	3.91	4.06	2.20	2.68
Total from investment operations	(0.74)	4.32	4.48	2.58	2.94
Less distributions:					
Dividends from net investment income	—	(0.44)	(0.69)	(0.39)	—
Distributions from net realized gains	—	(1.20)	(0.43)	—	—
Total distributions	—	(1.64)	(1.12)	(0.39)	—
Net asset value, end of period	$23.06	$23.80	$21.12	$17.76	$15.57
Total return[b]	(3.11)%	20.32%	25.25%	16.55%	23.28%
Ratios/supplemental data:					
Net assets, end of period (000s omitted)	$2,696	$3,293	$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%	1.18%	1.28%[d]
Without fee waivers and/or expense reimbursements	1.19%[c]	1.19%	1.21%	1.21%	1.28%[d]
Ratio of net investment income to average net assets	2.19%[c]	1.72%	2.15%	2.24%	2.82%[d]
Portfolio turnover rate[e]	12%	30%	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 $2,712,812.
(d) Annualized.
(e) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year.

NOTE 10—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 Invesco Aim and IADI (Order No. 05-1318). The WVASC makes findings of fact that Invesco Aim and IADI 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 Invesco Aim and IADI violated the West Virginia securities laws. The WVASC orders Invesco Aim and IADI 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, Invesco 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”), Invesco Aim, IADI 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; and
- that certain AIM Funds inadequately employed fair value pricing.

These lawsuits allege as theories of recovery, depending on the lawsuit, violations of various provisions of the Federal and state securities laws Employee Retirement Income Security Act of 1974, as amended (“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. The case pending in Illinois State Court regarding fair value pricing was dismissed with prejudice on May 6, 2008.

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 Invesco 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; and (iii) an Amended Class Action Complaint for Violations of ERISA purportedly brought on behalf of participants in the Invesco 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

NOTE 10—Legal Proceedings—(continued)

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. Plaintiff appealed this ruling. On June 16, 2008, the Fourth Court of Appeals reversed the dismissal and remanded this lawsuit back to the MDL Court for further proceedings.

IFG, Invesco Aim, IADI 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, Invesco Aim and IADI 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, Invesco Aim and/or related entities and individuals in the future.

At the present time, management of Invesco 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 Invesco Aim, IADI 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 fees (12b-1); 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, 2008, through June 30, 2008.

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.

Class	Beginning Account Value (01/01/08)	ACTUAL Ending Account Value (06/30/08)[1]	ACTUAL Expenses Paid During Period[2]	HYPOTHETICAL (5% annual return before expenses) Ending Account Value (06/30/08)	HYPOTHETICAL (5% annual return before expenses) Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$970.00	$4.56	$1,020.24	$4.67	0.93%
Series II	1,000.00	968.90	5.78	1,019.00	5.92	1.18

[1] The actual ending account value is based on the actual total return of the Fund for the period January 1, 2008, through June 30, 2008, 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 182/366 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 Invesco Aim Advisors, Inc. (Invesco Aim). During contract renewal meetings held on June 18–19, 2008, 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, 2008. In doing so, the Board determined that the Fund's investment advisory agreement is in the best interests of the Fund and its shareholders and that the compensation to Invesco Aim under the Fund's investment 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 Board's Fund Evaluation Process

The Board's Investments Committee has established three Sub-Committees that 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 the AIM Funds prepared by an independent company, Lipper, Inc. (Lipper), 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. The Investments Committee also 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 agreements for another year.

The independent Trustees are assisted in their annual evaluation of the Fund's investment advisory agreement 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 that 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, at 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 investment advisory agreement and sub-advisory agreements at the contract renewal meetings and at their meetings throughout the year as part of their ongoing oversight of the Fund. The Fund's investment advisory agreement and sub-advisory agreements were considered separately, although the Board also considered the common interests of all of the AIM Funds in their deliberations. The Board considered all of the information provided to them and did not identify any particular factor that was controlling. 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 Invesco Aim, that the Trustees may focus to a greater extent on certain aspects of these arrangements in some years than in 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 with respect to the Fund's investment advisory agreement 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 investment advisory agreement and sub-advisory agreements. Unless otherwise stated, information set forth below is as of June 19, 2008 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.

I. Investment Advisory Agreement

A. Nature, Extent and Quality of Services Provided by Invesco Aim

The Board reviewed the advisory services provided to the Fund by Invesco Aim under the Fund's investment advisory agreement, the performance of Invesco Aim in providing these services, and the credentials and experience of the officers and employees of Invesco Aim who provide these services. The Board's review of the qualifications of Invesco Aim to provide these services included the Board's consideration of Invesco Aim's portfolio and product review process, various back office support functions provided by Invesco Aim and its affiliates, and Invesco 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 Invesco Aim were appropriate and that Invesco Aim currently is providing satisfactory advisory services in accordance with the terms of the Fund's investment advisory agreement. In addition, based on their ongoing meetings throughout the year with the Fund's portfolio manager or managers, the Board concluded that

continued

these individuals are competent and able to continue to carry out their responsibilities under the Fund's investment advisory agreement.

In determining whether to continue the Fund's investment advisory agreement, the Board considered the prior relationship between Invesco Aim and the Fund, as well as the Board's knowledge of Invesco 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 Invesco Aim and its affiliates have taken over the last several years to improve the quality and efficiency of the services they provide to the AIM 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 Invesco 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 investment advisory agreement.

B. Fund Performance

Because there were only four funds identified by Invesco Aim in the Funds performance group for inclusion in the Lipper reports, 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 performance universe identified by Lipper, and against the performance of all funds in the Lipper Variable Annuity Underlying Funds - Utility Index. The Board also reviewed the criteria used by Invesco Aim to identify the funds in the Fund's performance group for inclusion in the Lipper reports and the methodology used by Lipper to identify the performance universe. The Board noted that the Fund's performance was in the third quintile of its Lipper performance universe for the one and five year periods and the second quintile for the three year period (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that the Fund's performance was below the performance of the Index for the one and five year periods and above the Index for the three year period. The Board also considered the steps Invesco Aim has taken over the last several years to improve the quality and efficiency of the services that Invesco Aim provides to the AIM Funds. The Board concluded that Invesco Aim continues to be responsive to the Board's focus on fund performance. Although the independent written evaluation of the Fund's Senior Officer only considered Fund performance through the most recent calendar year, the Board also reviewed more 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 expense group that are not managed by Invesco Aim, at a common asset level and as of the end of the past calendar year. The Board noted that the Fund's contractual advisory fee rate was below the median contractual advisory fee rate of funds in its expense group. The Board also reviewed the methodology used by Lipper in determining contractual fee rates.

The Board also compared the Fund's effective fee rate (the advisory fee after any advisory fee waivers and before any expense limitations/waivers) to the advisory fee rates of other clients of Invesco Aim and its affiliates with investment strategies comparable to those of the Fund, including one mutual fund advised by Invesco Aim. The Board noted that the Fund's rate was below the rate for the other mutual fund.

The Board noted that Invesco Aim has contractually agreed to waive fees and/or limit expenses of the Fund through at least April 30, 2010 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, 2010. The Board also considered the effect this expense limitation would have on the Fund's estimated total expenses.

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 Invesco 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 Invesco Aim

The Board reviewed information from Invesco Aim concerning the costs of the advisory and other services that Invesco Aim and its affiliates provide to the Fund and the profitability of Invesco Aim and its affiliates in providing these services. The Board also reviewed information concerning the financial condition of Invesco Aim and its affiliates. The Board also reviewed with Invesco Aim the methodology used to prepare the profitability information. The Board considered the overall profitability of Invesco Aim, as well as the profitability of Invesco Aim in connection with managing the Fund. The Board noted that Invesco Aim continues to operate at a net profit, although increased expenses in recent years have reduced the profitability of Invesco Aim and its affiliates. The Board concluded that the Fund's fees were fair and reasonable, and that the level of profits realized by Invesco 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 Invesco Aim is financially sound and has the resources necessary to perform its obligations under the Fund's investment advisory agreement, and concluded that Invesco Aim has the financial resources necessary to fulfill these obligations.

F. Independent Written Evaluation of the Fund's Senior Officer

The Board noted that, at their direction, the Senior Officer of the Fund, who is independent of Invesco Aim and Invesco

continued

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 investment advisory agreement, the Board considered the Senior Officer's written evaluation.

G. Collateral Benefits to Invesco Aim and its Affiliates

The Board considered various other benefits received by Invesco Aim and its affiliates resulting from Invesco Aim's relationship with the Fund, including the fees received by Invesco Aim and its affiliates for their provision of administrative, transfer agency and distribution services to the Fund. The Board considered the performance of Invesco Aim and its affiliates in providing these services and the organizational structure employed by Invesco 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 Invesco 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 Invesco 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 Invesco 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 execution services from Invesco Aim to the funds and therefore may reduce Invesco Aim's expenses. The Board also noted that research obtained through soft dollar arrangements may be used by Invesco Aim in making investment decisions for the Fund and may therefore benefit Fund shareholders. The Board concluded that Invesco Aim's soft dollar arrangements were appropriate. The Board also concluded that, based on their review and representations made by Invesco 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 Invesco Aim pursuant to procedures approved by the Board. The Board noted that Invesco Aim will receive advisory fees from these affiliated money market funds attributable to such investments, although Invesco Aim has contractually agreed to waive through at least April 30, 2010, the advisory fees payable by the Fund in an amount equal to 100% of the net advisory fees Invesco Aim receives from the affiliated money market funds with respect to the Fund's investment of uninvested cash, but not cash collateral. The Board considered the contractual nature of this fee waiver and noted that it remains in effect until at least April 30, 2010. 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.

II Sub-Advisory Agreements

A. Nature, Extent and Quality of Services Provided by Affiliated Sub-Advisers

The Board reviewed the services to be provided by Invesco Trimark Ltd., Invesco Asset Management Deutschland, GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Global Asset Management (N.A.), Inc., Invesco Hong Kong Limited, Invesco Institutional (N.A.), Inc. and Invesco Senior Secured Management, Inc. (collectively, the "Affiliated Sub-Advisers") under the sub-advisory agreements and the credentials and experience of the officers and employees of the Affiliated Sub-Advisers who will provide these services. The Board concluded that the nature, extent and quality of the services to be provided by the Affiliated Sub-Advisers were appropriate. The Board noted that the Affiliated Sub-Advisers, which have offices and personnel that are geographically dispersed in financial centers around the world, have been formed in part for the purpose of researching and compiling information and making recommendations on the markets and economies of various countries and securities of companies located in such countries or on various types of investments and investment techniques, and providing investment advisory services. The Board concluded that the sub-advisory agreements will benefit the Fund and its shareholders by permitting Invesco Aim to utilize the additional resources and talent of the Affiliated Sub-Advisers in managing the Fund.

B. Fund Performance

The Board did not view Fund performance as a relevant factor in considering whether to approve the sub-advisory agreements for the Fund, as no Affiliated Sub-Adviser currently manages any portion of the Fund's assets.

C. Sub-Advisory Fees

The Board considered the services to be provided by the Affiliated Sub-Advisers pursuant to the sub-advisory agreements and the services to be provided by Invesco Aim pursuant to the Fund's investment advisory agreement, as well as the allocation of fees between Invesco Aim and the Affiliated Sub-Advisers pursuant to the sub-advisory agreements. The Board noted that the sub-advisory fees have no direct effect on the Fund or its shareholders, as they are paid by Invesco Aim to the Affiliated Sub-Advisers, and that Invesco Aim and the Affiliated Sub-Advisers are affiliates. After taking account of the Fund's contractual sub-advisory fee rate, as well as other relevant factors, the Board concluded that the Fund's sub-advisory fees were fair and reasonable.

D. Financial Resources of the Affiliated Sub-Advisers

The Board considered whether each Affiliated Sub-Adviser is financially sound and has the resources necessary to perform its obligations under its respective sub-advisory agreement, and concluded that each Affiliated Sub-Adviser has the financial resources necessary to fulfill these obligations.

Proxy Results

A Special Meeting ("Meeting") of Shareholders of AIM V.I. Utilities Fund, an investment portfolio of AIM Variable Insurance Funds, a Delaware statutory trust ("Trust"), was held on February 29, 2008. The Meeting was held for the following purposes:

(1) Elect 13 trustees to the Board of Trustees of the Trust, each of whom will serve until his or her successor is elected and qualified.

(2) Approve an amendment to the Trust's Agreement and Declaration of Trust that would permit the Board of Trustees of the Trust to terminate the Trust, the Fund, and each other series portfolio of the Trust, or a share class without a shareholder vote.

(3) Approve a new sub-advisory agreement between Invesco Aim Advisors, Inc. and each of AIM Funds Management, Inc.; Invesco Asset Management Deutschland, GmbH; Invesco Asset Management Limited; Invesco Asset Management (Japan) Limited; Invesco Australia Limited; Invesco Global Asset Management (N.A.), Inc.; Invesco Hong Kong Limited; Invesco Institutional (N.A.), Inc.; and Invesco Senior Secured Management, Inc.

(4)(a) Approve modification of fundamental restriction on issuer diversification.

(4)(b) Approve modification of fundamental restrictions on issuing senior securities and borrowing money.

(4)(c) Approve modification of fundamental restriction on underwriting securities.

(4)(d) Approve modification of fundamental restriction on industry concentration.

(4)(e) Approve modification of fundamental restriction on real estate investments.

(4)(f) Approve modification of fundamental restriction on purchasing or selling commodities.

(4)(g) Approve modification of fundamental restriction on making loans.

(4)(h) Approve modification of fundamental restriction on investments in investment companies.

(5) Approve making the investment objective of the fund non-fundamental.

The results of the voting on the above matters were as follows:

	Matters	Votes For	Withheld/ Abstentions**
(1)*	Bob R. Baker	474,883,590	19,741,622
	Frank S. Bayley	474,653,109	19,972,103
	James T. Bunch	475,597,417	19,027,795
	Bruce L. Crockett	474,900,579	19,724,633
	Albert R. Dowden	474,749,929	19,875,283
	Jack M. Fields	475,205,840	19,419,372
	Martin L. Flanagan	475,248,336	19,376,876
	Carl Frischling	474,453,674	20,171,538
	Prema Mathai-Davis	473,569,192	21,056,020
	Lewis F. Pennock	475,072,501	19,552,711
	Larry Soll, Ph.D.	475,170,544	19,454,668
	Raymond Stickel, Jr.	475,420,825	19,204,387
	Philip A. Taylor	475,640,570	18,984,642

		Votes For	Votes Against	Withheld/ Abstentions
(2)*	Approve an amendment to the Trust's Agreement and Declaration of Trust that would permit the Board of Trustees of the Trust to terminate the Trust, the Fund, and each other series portfolio of the Trust, or a share class without a shareholder vote	438,131,484	35,586,925	20,906,803
(3)	Approve a new sub-advisory agreement between Invesco Aim Advisors, Inc. and each of AIM Funds Management, Inc.; Invesco Asset Management Deutschland, GmbH; Invesco Asset Management Limited; Invesco Asset Management (Japan) Limited; Invesco Australia Limited; Invesco Global Asset Management (N.A.), Inc.; Invesco Hong Kong Limited; Invesco Institutional (N.A.), Inc.; and Invesco Senior Secured Management, Inc.	5,523,791	298,546	264,095
(4)(a)	Approve modification of fundamental restriction on issuer diversification	5,573,223	304,778	208,431
(4)(b)	Approve modification of fundamental restrictions on issuing senior securities and borrowing money	5,563,200	305,272	217,960
(4)(c)	Approve modification of fundamental restriction on underwriting securities	5,573,223	304,778	208,431
(4)(d)	Approve modification of fundamental restriction on industry concentration	5,573,223	305,306	207,903
(4)(e)	Approve modification of fundamental restriction on real estate investments	5,557,483	319,145	209,804
(4)(f)	Approve modification of fundamental restriction on purchasing or selling commodities	5,563,819	314,183	208,430
(4)(g)	Approve modification of fundamental restriction on making loans	5,552,317	324,557	209,558
(4)(h)	Approve modification of fundamental restriction on investments in investment companies	5,550,428	316,566	219,438
(5)	Approve making the investment objective of the fund non-fundamental	5,289,751	414,908	381,773

* Proposals 1 and 2 required approval by a combined vote of all of the portfolios of AIM Variable Insurance Funds.

** Includes Broker Non-Votes.

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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, 2008

(Unaudited)

ALGER

Table Of Contents

THE ALGER AMERICAN FUND

Dear Shareholders,

July 25, 2008

Typically, halfway through the fiscal year is not the time to start making predictions. Those often rose-tinged foresights are usually better saved for year-end when the turbulence and froth of a hectic year have begun to settle down and investors have started to relax in an atmosphere of seasonal and consumer-driven glad tidings.

However, finding any reason to relax at our previous fiscal year-end has proved difficult. Following one of the strongest growth-driven markets in years — with the Dow Jones Industrial Average[i] spending several days above 14,000 — the end of 2007 saw the equity markets decline, fueled by the subprime debacle, continued housing problems and concerns regarding the effects this may have on the broader economy. Only during brief rallies in March and April, and then again in July, as of this writing, did the market give hints that the fallout may be beginning to subside, providing investors with much needed breathing room.

So, while we remain cautious about making broad predictions for the next six months, we feel optimistic enough to reflect on why we think the recent downturn may actually provide investors with an opportunity to take advantage of what we are calling an "if only" market.

First Quarter Blues

The first half of 2008 was remarkably painful in the markets, both in the U.S. and globally. Fallout from the subprime mess touched almost every aspect of the economy, and reached well beyond the financial sector. The ongoing sell-off has happened rapidly and few names or investors escaped unscathed.

Without question, economic data through June was almost completely grim: in January, an anemic jobs report showed the first contraction (-17,000) of the labor force since 2003, with the unemployment rate spiking at 5.5% by June. First quarter GDP growth showed the economy expanding at 0.9% on the strength of U.S. exports thanks to a weak U.S. dollar. And by June 30, 2008, the market had tested its lows for the year, with the Dow reaching 11346.51 on June 29, and the S&P 500 Index[ii] at 11740.15 on March 10.

As we have said, whether the economy as a whole has officially entered a statistical recession or not seems beside the point. A significant majority of the American public — not to mention investors abroad — believe that it has, with investors feeling a significant psychological impediment to the aggressive devil-may-care spending of years past. Perception — particularly in the first quarter of 2008 — dictated that Wall Street earnings expectations were unrealistically high, with growth likely to be minimal to non-existent this year.

Now, at the halfway mark of the fiscal year, it would be presumptuous to imply that the pain experienced during the first half of the year is over. Indeed, since Bear Stearns' meltdown, we've seen a succession of financial institution troubles — from Citi to Fannie Mae and Freddie Mac to Merrill Lynch and Wachovia's current multi-billion write down. But despite the pain and froth, we remain convinced of the positives, particularly concerning growth equity investing. Contrary to most financial headlines, stocks and the economy do not necessarily move in sync. Excluding the Financial sector, corporate balance sheets are as stable and clean as they have ever been, with little debt and lots of cash. And we believe the equity markets have already priced in most negative economic scenarios. In our opinion, years from now, today's market may be seen as one of the great "if only" markets: a missed opportunity for those who withdrew and have yet to re-enter, and a boom time for those who have returned or "stuck it out."

The "If Only" Market

What exactly is an "if only" market? It is a market looked back upon wistfully by those not in it, who mutter to themselves, "If only I had known then what I know now, I would have bought, bought, and bought some more." And then they sigh, and say even more quietly, "If only…"

This is not a call on the next few months. The markets may even "violate" the lows of June and continue to move downward. However, in our view, the markets have been witnessing an exceptionally intense financial crisis unfolding in the context of a softening domestic economy. Unlike previous crises, however, we believe the present issues are offset by a climate of global strength that benefits the earnings potential of many U.S.-listed companies. It is also occurring in a world awash in liquidity and where interest rates remain historically low.

Typically, in periods of market flight, it is rare for growth managers to do particularly well, especially when the selling is not based on weak fundamentals. However, stock declines notwithstanding, the composition of many of our portfolios suggest strong earnings and revenue growth, certainly when compared to the S&P 500, as well as price-to-earnings-growth ratios that are quite reasonable.

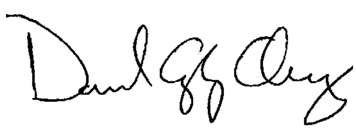
Investors discounting the possibility of future growth — a typical reaction in negative markets — have themselves created buying opportunities. Some companies we follow have sold off as much as 30% or more with forward earnings still looking to be above 20%. In many cases, that leads to buy points for growth stocks at unusually low prices.

Our research has shown us that investors who immediately invested after significantly down periods fared considerably better than investors who waited to invest only after returns had already improved or enough time for the "markets to stabilize" had passed. So, it's quite possible that, years from now, the second half of 2008 may be viewed as that tremendous period in which to have invested, leaving many investors saying, *"If only I had gotten in then."*

In Summary

There may still be continued fallout in the credit markets; the U.S. economy may remain weak or even contract in the coming months, but the long-term investing climate for stocks strikes us as extremely favorable given global profit growth, reasonable valuations, and signs that not all areas of the U.S. economy are impacted by the double blows of the housing crisis and credit crunch. To reiterate, we firmly believe that years from now, the present time could be seen as one of the great "if only" markets, a time when the stocks of quality growth companies could be purchased at deep discounts to deliver returns that most investors dream of but never quite attain.

Respectfully submitted,



Daniel C. Chung
Chief Investment Officer

Portfolio Matters

The Alger American Balanced Portfolio returned -8.85% for the six months ending June 30, 2008, compared to the Russell 1000 Growth Index, which returned -9.06%.

Short-term rates fell dramatically over the first half of 2008 on the heels of aggressive Fed easing, producing a much steeper U.S. yield curve with three-month Treasury Bill yields falling to 1.73% and two-year Treasury yields falling to 2.15%. In March, U.S. investment grade spreads reached levels not seen since 2002, illustrating the extremes that investors have encountered thus far this year. Investment grade corporate spreads have narrowed since but remain wider than the April, 2008 rally lows.

At an average weight of 27.94%, the Portfolio was overweight and outperformed the benchmark in Information Technology. Top performers in this sector included Qualcomm, Inc., a global provider of integrated wireless applications and services; Symantec Corp., an international security and information management software company; and Take-Two Interactive Software, Inc. Lackluster performers in this sector included Microsoft Corp., Google, Inc., and Apple, Inc.

In the Health Care sector, at an average weight of 16.83%, the Portfolio was overweight the benchmark and underperformed. Less than satisfactory performers included Hologic, Inc., a manufacturer of proprietary x-ray systems; UnitedHealth Group, Inc., and Inverness Medical Innovations, Inc. In this sector, the Portfolio did see stronger contributions in health care equipment and supplies from Covidien Ltd., one of the largest healthcare devices and supplies companies worldwide, and Zimmer Holdings, Inc.

Portfolio holdings in the Consumer Discretionary category, at an average weight of 11.60%, were overweight the benchmark and underperformed. Despite contributions from Comcast Corp. and DreamWorks Animation SKG, Inc., the Portfolio suffered lackluster performance from IAC/InterActiveCorp., the world's leading multi-brand interactive commerce company, TomTom N.V., and MGM MIRAGE.

Our holdings in the Industrials sector, at an average weight of 11.57%, were underweight the benchmark and outperformed. Significant performers in this sector were Cummins, Inc., a manufacturer of diesel and natural gas engines; McDermott International, Inc., a leading worldwide energy services company; and FTI Consulting, Inc. In this sector, detractors included Boeing, Inc., 3M Co., and General Electric Co.

The fixed income portion of the Alger American Balanced Portfolio returned -0.44% for the six months ended June 30, 2008, versus the Lehman Brothers Government/Credit Bond Index[iv] return of 0.98%. As of June 30, 2008, 34% of the fixed income portion of the Portfolio was in corporate securities, 34% in Mortgage/ABS, 16% in Treasuries, 9% in Agencies, and 7% in cash.

[i] The Dow Jones Industrial Average is an index of common stocks comprised of major industrial companies and assumes reinvestment of dividends. It is frequently used as a general measure of stock market performance.

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

[iii] 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.

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

Investors can not invest directly in an index. Index performance does not reflect the deduction for 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 proceeded or accompanied by an effective prospectus for the Fund. Fund performance returns represent the annual period return of Class O shares prior to the deduction of any sales charges. **The performance data quoted represents past performance, which is not an indication or guarantee of future results.** The investment return and principal value of an investment in a portfolio 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 in this report are as of the date of the shareholder letter 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. Any securities mentioned should be 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 each portfolio which is included in this report for a complete list of portfolio holdings as of June 30, 2008. Securities mentioned in the shareholder letter, if not found in the Schedule of Investments, were held by the Fund during the Fund's semi-annual reporting period.

A Word About Risk

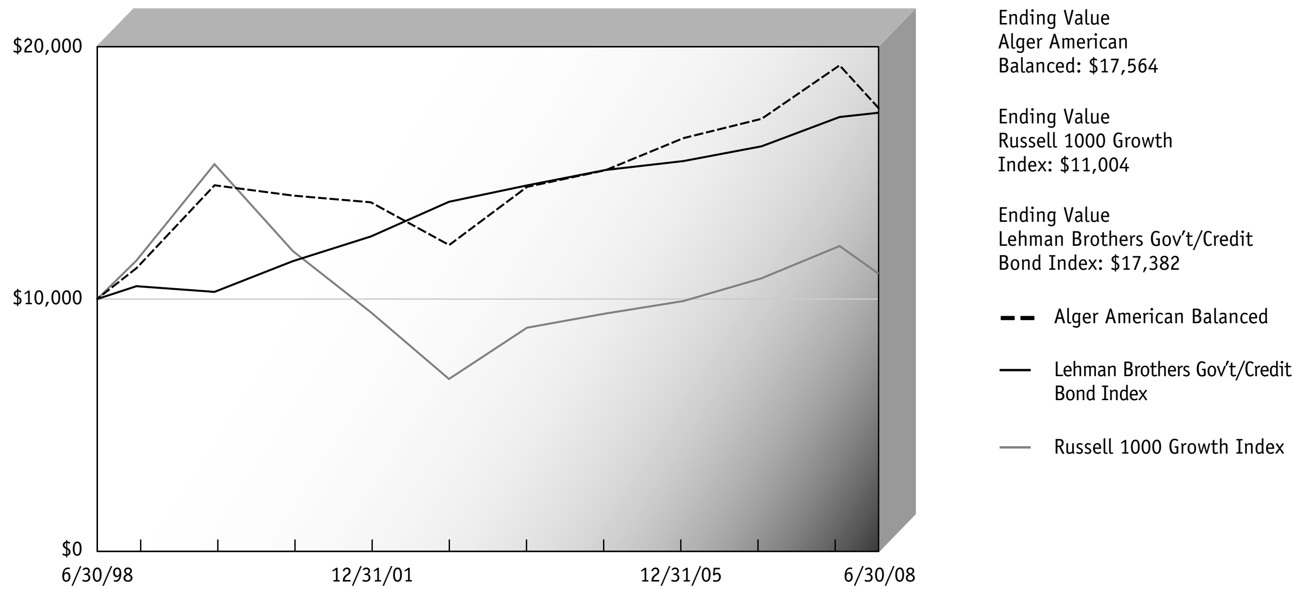
Growth stocks tend to be more volatile than other stocks as the price of growth stocks tends to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments. Stocks of small- and mid-sized companies are subject to greater risk than stocks of larger, more established companies owing to such factors as limited liquidity, inexperienced management, and limited financial resources. Funds 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. Funds that participate in leveraging, such as the Alger American Capital Appreciation Portfolio, and Alger American SmallCap and MidCap Growth Portfolio are subject to the risk that 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 a Fund, please see the Fund's Prospectus.

Mutual Fund portfolios 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 the principal amount invested.

Before investing, carefully consider the Fund's investment objective, risks, 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, 2008



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, 2008. 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, 2008

AVERAGE ANNUAL TOTAL RETURNS	1 YEAR	5 YEARS	10 YEARS	SINCE INCEPTION
Class O (Inception 9/5/89)	(4.13)%	5.52%	5.79%	8.34%
Russell 1000 Growth Index	(5.96)%	7.33%	0.96%	8.57%
Lehman Brothers Gov't/Credit Bond Index	7.23%	3.58%	5.68%	7.16%
Class S (Inception 5/1/02)	(4.36)%	5.70%	—	4.82%
Russell 1000 Growth Index	(5.96)%	7.33%	—	4.32%
Lehman Brothers Gov't/Credit Bond Index	7.23%	3.58%	—	5.27%

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.

THE ALGER AMERICAN FUND
Alger American Balanced Portfolio
Portfolio Summary*
June 30, 2008 *(Unaudited)*

SECTORS/SECURITY TYPES	
Consumer Discretionary	7.9%
Consumer Staples	8.0
Energy	6.6
Financials	5.3
Health Care	9.2
Industrials	7.4
Information Technology	16.1
Materials	1.0
Telecommunication Services	0.9
Total Common Stocks	62.4%
Corporate Bonds	18.4%
Agency Bonds	9.7
U.S. Treasury Bonds	5.9
Total Bonds	34.0%
Cash and Net Other Assets	3.6%
	100.0%

** Based on net assets for the Portfolio.*

Schedule of Investments *(Unaudited) June 30, 2008*

COMMON STOCKS—62.4%	SHARES	VALUE
ADVERTISING—.3%		
Focus Media Holding Ltd.*#	20,100	$ **557,172**
AEROSPACE & DEFENSE—3.1%		
BE Aerospace Inc.*	26,500	617,185
Boeing Co.	26,100	1,715,292
General Dynamics Corp.	26,800	2,256,560
Lockheed Martin Corp.	12,200	1,203,652
		5,792,689
AIR FREIGHT & LOGISTICS—.8%		
FedEx Corp.	7,300	575,167
United Parcel Service Inc., Cl. B	16,700	1,026,549
		1,601,716
APPLICATION SOFTWARE—.3%		
Intuit Inc.*	18,300	**504,530**
ASSET MANAGEMENT & CUSTODY BANKS—.4%		
AllianceBernstein Holding LP	9,600	524,928
Invesco Ltd.	14,200	340,516
		865,444
BIOTECHNOLOGY—.9%		
Celgene Corp.*	5,900	376,833
Genentech Inc.*	18,800	1,426,920
		1,803,753
BROADCASTING & CABLE TV—.2%		
Comcast Corp.	15,800	**296,408**
CASINOS & GAMING—.8%		
International Game Technology	19,300	482,114
MGM Mirage*	29,600	1,003,144
		1,485,258
COAL & CONSUMABLE FUELS—.3%		
Uranium One Inc.*	112,500	**532,256**
COMMUNICATIONS EQUIPMENT—2.6%		
Cisco Systems Inc.*	75,700	1,760,782
Nokia OYJ#	27,800	681,100
QUALCOMM Inc.	34,400	1,526,328
Research In Motion Ltd.*	7,200	841,680
		4,809,890
COMPUTER HARDWARE—2.3%		
Apple Inc.*	17,000	2,846,480
Hewlett-Packard Co.	34,400	1,520,824
		4,367,304
COMPUTER STORAGE & PERIPHERALS—.9%		
EMC Corp.*	75,100	1,103,219
NetApp Inc.*	14,400	311,904
SanDisk Corp.*	12,300	230,010
		1,645,133
CONSTRUCTION & FARM MACHINERY—.3%		
Deere & Co.	8,900	**641,957**
CONSUMER ELECTRONICS—1.4%		
Garmin Ltd.	11,200	479,808
Harman International Industries Inc.	13,700	567,043
Sony Corp.*#	24,000	1,049,760
TomTom NV*	15,600	449,051
		2,545,662

COMMON STOCKS—(CONT.)	SHARES	VALUE
DATA PROCESSING & OUTSOURCED SERVICES—.1%		
VeriFone Holdings Inc.*	19,100	$ **228,245**
DEPARTMENT STORES—.7%		
Kohl's Corp.*	10,600	424,424
Macy's Inc.	14,700	285,474
Nordstrom Inc.	17,800	539,340
		1,249,238
DIVERSIFIED BANKS—.3%		
Wells Fargo & Co.	24,200	**574,750**
DIVERSIFIED CHEMICALS—.5%		
EI Du Pont de Nemours & Co.	20,600	**883,534**
DIVERSIFIED COMMERCIAL & PROFESSIONAL SERVICES—.5%		
FTI Consulting Inc.*	14,400	**985,824**
DIVERSIFIED METALS & MINING—.3%		
Freeport-McMoRan Copper & Gold Inc.	5,499	**644,428**
DRUG RETAIL—1.3%		
Walgreen Co.	72,500	**2,356,975**
FOOD RETAIL—.3%		
Whole Foods Market Inc.	24,100	**570,929**
FOOTWEAR—.3%		
Nike Inc., Cl. B	9,400	**560,334**
HEALTH CARE EQUIPMENT—2.0%		
Beckman Coulter Inc.	7,000	472,710
Hologic Inc.*	44,800	976,640
St. Jude Medical Inc.*	32,600	1,332,688
Zimmer Holdings Inc.*	13,900	945,895
		3,727,933
HEALTH CARE FACILITIES—.2%		
Brookdale Senior Living Inc.	20,150	**410,254**
HEALTH CARE SERVICES—1.0%		
Quest Diagnostics Inc.	21,900	1,061,493
Inverness Medical Innovations Inc.*	21,900	726,423
		1,787,916
HOME ENTERTAINMENT SOFTWARE—1.7%		
Electronic Arts Inc.*	13,000	577,590
Nintendo Co., Ltd.#	19,500	1,377,353
Take-Two Interactive Software Inc.*	47,400	1,212,018
		3,166,961
HOTELS, RESORTS & CRUISE LINES—.4%		
Accor SA	10,700	**715,301**
HOUSEHOLD PRODUCTS—1.1%		
Procter & Gamble Co.	33,200	**2,018,892**
INDUSTRIAL CONGLOMERATES—2.0%		
3M Co.	14,600	1,016,014
General Electric Co.	54,900	1,465,281
McDermott International Inc.*	19,300	1,194,477
		3,675,772
INDUSTRIAL GASES—.2%		
Praxair Inc.	4,000	**376,960**
INDUSTRIAL MACHINERY—.6%		
ITT Corp.	16,800	**1,063,944**

COMMON STOCKS—(CONT.)	SHARES	VALUE
INDUSTRIAL REITS—.3%		
DuPont Fabros Technology Inc.	32,400	$ **603,936**
INTEGRATED OIL & GAS—2.2%		
ConocoPhillips	10,500	991,095
Exxon Mobil Corp.	27,800	2,450,014
Hess Corp.	2,400	302,856
Petroleo Brasileiro SA#	4,600	325,818
		4,069,783
INTEGRATED TELECOMMUNICATION SERVICES—.9%		
AT&T Inc.	24,300	818,667
Verizon Communications Inc.	24,200	856,680
		1,675,347
INTERNET RETAIL—.9%		
Amazon.com Inc.*	5,000	366,650
IAC/InterActiveCorp.*	66,300	1,278,264
		1,644,914
INTERNET SOFTWARE & SERVICES—2.8%		
Alibaba.com Ltd.*	160,000	225,715
DealerTrack Holdings Inc.*	23,000	324,530
eBay Inc.*	71,950	1,966,393
Google Inc., Cl. A*	3,500	1,842,470
Yahoo! Inc.*	47,200	975,152
		5,334,260
INVESTMENT BANKING & BROKERAGE—1.1%		
Goldman Sachs Group Inc., /The	3,100	542,190
Greenhill & Co., Inc.	8,500	457,810
Lazard Ltd., Cl. A	18,800	642,020
Morgan Stanley	8,800	317,416
		1,959,436
IT CONSULTING & OTHER SERVICES—.5%		
Cognizant Technology Solutions Corp., Cl. A*	30,500	**991,555**
MANAGED HEALTH CARE—.6%		
Aetna Inc.	10,200	413,406
UnitedHealth Group Inc.	28,800	756,000
		1,169,406
MOVIES & ENTERTAINMENT—1.2%		
DreamWorks Animation SKG Inc., Cl. A*	21,400	637,934
Regal Entertainment Group, Cl. A	41,000	626,480
Viacom Inc., Cl. B*	30,800	940,632
		2,205,046
MULTI-LINE INSURANCE—.2%		
American International Group Inc.	13,700	**362,502**
OFFICE REITS—.3%		
Digital Realty Trust Inc.	11,600	**474,556**
OIL & GAS DRILLING—1.2%		
Transocean Inc.*	14,083	**2,146,108**
OIL & GAS EQUIPMENT & SERVICES—2.8%		
Cameron International Corp.*	19,400	1,073,790
National Oilwell Varco Inc.*	15,000	1,330,800
Schlumberger Ltd.	26,750	2,873,753
		5,278,343
OIL & GAS REFINING & MARKETING—.2%		
Valero Energy Corp.	7,000	**288,260**

COMMON STOCKS—(CONT.)	SHARES	VALUE
OTHER DIVERSIFIED FINANCIAL SERVICES—.2%		
Citigroup Inc.	26,700	$ **447,492**
PACKAGED FOODS & MEATS—.6%		
Kraft Foods Inc., Cl. A	41,400	**1,177,830**
PHARMACEUTICALS—4.4%		
Abbott Laboratories	23,500	1,244,794
Allergan Inc.	7,800	405,990
Barr Pharmaceuticals Inc.*	17,000	766,360
Johnson & Johnson	30,400	1,955,936
Merck & Co., Inc.	53,200	2,005,108
Mylan Inc.*	48,500	585,395
Shire Ltd.	13,100	643,603
Teva Pharmaceutical Industries Ltd.#	12,500	572,500
		8,179,686
PUBLISHING—1.0%		
EW Scripps Co., Cl. A	44,200	**1,836,068**
REGIONAL BANKS—.3%		
PNC Financial Services Group Inc.	9,200	**525,320**
RESTAURANTS—.9%		
Cheesecake Factory/The*	31,400	499,574
Starbucks Corp.*	72,200	1,136,428
		1,636,002
SEMICONDUCTOR EQUIPMENT—1.0%		
Lam Research Corp.*	14,900	538,635
MEMC Electronic Materials Inc.*	17,350	1,067,719
Tessera Technologies Inc.*	16,300	266,831
		1,873,185
SEMICONDUCTORS—1.6%		
Intel Corp.	66,400	1,426,272
Maxim Integrated Products Inc.	37,400	791,010
NVIDIA Corp.*	42,500	795,600
		3,012,882
SOFT DRINKS—3.3%		
Coca-Cola Co.,/The	58,200	3,025,236
Hansen Natural Corp.*	21,000	605,220
PepsiCo Inc.	38,200	2,429,138
		6,059,594
SPECIALIZED FINANCE—1.8%		
Bovespa Holding SA*	31,200	390,368
CME Group Inc.	2,800	1,072,932
Nymex Holdings Inc.	20,000	1,689,600
NYSE Euronext	5,300	268,498
		3,421,398
SYSTEMS SOFTWARE—4.0%		
Microsoft Corp.	150,850	4,149,884
New York Community Bancorp Inc.	36,800	656,512
Altria Group Inc.	60,200	1,237,712
Philip Morris International Inc.	28,400	1,402,677
		7,446,785
TOTAL COMMON STOCKS		
(Cost $128,259,667)		**116,267,056**

CORPORATE BONDS—17.8%	PRINCIPAL AMOUNT	VALUE
CASINOS & GAMING—.1%		
Scientific Games Corp., 7.875%, 6/15/16 (a)	$ 100,000	$ **100,000**
COAL & CONSUMABLE FUELS—.3%		
Massey Energy Co., 6.875%, 12/15/13	650,000	**637,000**
DIVERSIFIED BANKS—.7%		
Wachovia Bank Commercial Mortgage Trust, 5.342%, 12/15/43	1,400,000	**1,295,331**
DIVERSIFIED CHEMICALS—.3%		
Dow Chemical Co., /The, 5.70%, 5/15/18	525,000	**509,305**
ELECTRIC UTILITIES—1.3%		
Entergy Gulf States Louisiana LLC, 6.00%, 5/1/18 (a)	700,000	684,249
Exelon Generation Co., LLC, 6.20%, 10/1/17	325,000	317,098
Florida Power Corp., 5.80%, 9/15/17	600,000	615,286
Southern Co., 5.30%, 1/15/12	525,000	534,948
Virginia Electric and Power Co., 5.10%, 11/30/12	255,000	255,376
		2,406,957
ELECTRICAL COMPONENTS & EQUIPMENT—.3%		
Cooper US Inc., 6.10%, 7/1/17	600,000	**610,163**
FOOD RETAIL—.3%		
Kroger Co.,/The, 6.15%, 1/15/20	600,000	**594,860**
INDUSTRIAL CONGLOMERATES—.6%		
GE Capital Commercial Mortgage Corp., 6.59%, 8/11/33	1,000,000	**1,031,093**
INDUSTRIAL MACHINERY—.4%		
Systems 2001 Asset Trust LLC, 6.664%, 9/15/13 (a)	689,850	**700,008**
INTEGRATED OIL & GAS—.4%		
Marathon Oil Corp., 5.90%, 3/15/18	725,000	**717,819**
INTEGRATED TELECOMMUNICATION SERVICES—1.0%		
AT&T Inc., 4.95%, 1/15/13	1,230,000	1,226,966
Verizon Communications Inc., 5.25%, 4/15/13	600,000	597,172
		1,824,138
INVESTMENT BANKING & BROKERAGE—3.0%		
Bear Stearns Commercial Mortgage Securities, 4.888%, 5/14/16 (a)	650,000	657,973
Bear Stearns Commercial Mortgage Securities, 5.064%, 5/14/16 (a)	650,000	658,954
Goldman Sachs Group Inc.,/The, 6.15%, 4/1/18	525,000	510,251
Lazard Group, 6.85%, 6/15/17	600,000	530,042
Lehman Brothers Holdings Inc., 6.20%, 9/26/14	350,000	334,487
Morgan Stanley Capital I, 5.178%, 9/15/42	1,595,000	1,555,080
Morgan Stanley Capital I, 5.514%, 11/12/49	1,400,000	1,315,246
		5,562,033
MANAGED HEALTH CARE—.3%		
Cigna Corp., 5.375%, 3/15/17	500,000	**471,655**
MULTI-UTILITIES—.4%		
CenterPoint Energy Transition Bond Co., LLC, 4.97%, 8/1/14	655,000	**664,208**
MUNICIPAL—.4%		
Jefferson Valley CDO SPC, 4.203%, 3/20/16 (a)!	1,700,000	**654,917**
OFFICE ELECTRONICS—.1%		
Xerox Corp., 5.65%, 5/15/13	250,000	**247,775**

CORPORATE BONDS—(CONT.)	PRINCIPAL AMOUNT	VALUE
OIL & GAS EXPLORATION & PRODUCTION—.5%		
PetroHawk Energy Corp., 7.875%, 6/1/15 (a)	$ 150,000	$ 147,188
XTO Energy Inc., 5.90%, 8/1/12	875,000	893,823
		1,041,011
OIL & GAS REFINING & MARKETING—.7%		
Tesoro Corp., 6.25%, 11/1/12	800,000	764,000
Valero Energy Corp., 6.875%, 4/15/12	600,000	623,341
		1,387,341
OIL & GAS STORAGE & TRANSPORTATION—1.1%		
Enterprise Products Operating LP, 8.375%, 8/1/66	1,350,000	1,351,567
Inergy LP/Inergy Finance Corp., 8.25%, 3/1/16	653,000	646,470
		1,998,037
OTHER DIVERSIFIED FINANCIAL SERVICES—2.2%		
Citigroup Inc., 8.40%, 4/30/18	800,000	761,488
Bank of America Corp., 8.125%, 5/15/18	947,000	896,345
Barclays Bank PLC, 6.05%, 12/4/17 (a)	625,000	613,706
JP Morgan Chase Commercial Mortgage Securities Corp., 6.065%, 4/15/45	1,900,000	1,869,947
		4,141,486
PROPERTY & CASUALTY INSURANCE—1.2%		
Chubb Corp., 5.75%, 5/15/18	525,000	509,779
Liberty Mutual Group Inc., 7.80%, 3/15/37 (a)	1,350,000	1,080,425
Ace INA Holdings Inc., 5.60%, 5/15/15	625,000	602,746
		2,192,950
RAILROADS—.2%		
Norfolk Southern Corp., 5.75%, 4/1/18 (a)	375,000	**369,750**
RESTAURANTS—.3%		
Darden Restaurants Inc., 5.625%, 10/15/12	650,000	**625,093**
SOFT DRINKS—.6%		
Dr. Pepper Snapple Group Inc., 6.82%, 5/1/18 (a)	615,000	618,633
PepsiCo Inc., 4.65%, 2/15/13	580,000	589,217
		1,207,850
STEEL—.3%		
ArcelorMittal, 6.125%, 6/1/18 (a)	650,000	**636,379**
SYSTEMS SOFTWARE—.1%		
Oracle Corp., 4.95%, 4/15/13	250,000	**252,683**
WIRELESS TELECOMMUNICATION SERVICES—.7%		
American Tower Trust, 5.957%, 4/15/37(a)	1,500,000	**1,331,250**
TOTAL CORPORATE BONDS (Cost $35,374,254)		**33,211,092**
CONVERTIBLE CORPORATE BONDS—.6%		
OIL & GAS DRILLING—.2%		
Transocean Inc., 1.50%, 12/15/37	300,000	342,750
SPECIALIZE REITS—.4%		
Rayonier TRS Holdings Inc., 3.75%, 10/15/12 (a)	650,000	656,500
TOTAL CONVERTIBLE CORPORATE BONDS (Cost $950,000)		**999,250**

U.S GOVERNMENT & AGENCY OBLIGATIONS—15.6%	PRINCIPAL AMOUNT	VALUE
Federal National Mortgage Association,		
3.25%, 4/9/13	$1,200,000	$ 1,155,985
5.00%, 4/1/18	942,532	941,661
5.50%, 10/25/20	1,350,000	1,374,287
5.50%, 12/15/20	997,607	1,007,660
5.50%, 12/25/20	1,111,224	1,118,319
6.625%, 11/15/30	508,000	604,913
6.00%, 4/25/35	1,800,000	1,850,135
Federal Home Loan Banks,		
5.375%, 6/8/12	700,000	737,148
5.375%, 5/18/16	1,000,000	1,053,813
Federal Home Loan Mortgage Corporation,		
5.60%, 10/17/13	1,000,000	1,007,335
5.50%, 1/15/15	1,343,088	1,375,827
5.75%, 6/27/16	1,170,000	1,186,197
6.00%, 8/15/29	1,880,000	1,940,635
6.00%, 3/15/36	1,303,166	1,294,863
Government National Mortgage Association,		
5.00%, 5/16/29	1,347,861	1,365,586
U.S. Treasury Notes,		
6.00%, 8/15/09	1,000,000	1,039,141
5.00%, 8/15/11	1,385,000	1,471,022
4.625%, 8/31/11	1,800,000	1,887,752
4.25%, 8/15/13	1,200,000	1,252,313
4.25%, 11/15/14	900,000	939,938
4.50%, 2/15/16	640,000	673,450
4.75%, 8/18/17	640,000	678,200
3.50%, 2/15/18	150,000	144,434
U.S. Treasury Bonds,		
7.50%, 11/15/16	1,444,000	1,804,212
5.25%, 11/15/28	1,000,000	1,084,297
TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS		
(Cost $28,243,855)		**28,989,123**
SHORT-TERM INVESTMENTS—3.4%		
TIME DEPOSITS		
Branch Bank & Trust Grand Cayman, 1.75%, 7/1/08		
(Cost $6,266,449)	$6,266,449	**6,266,449**
Total Investments		
(Cost $199,094,225) (b)	99.8%	185,732,970
Other Assets in Excess of Liabilities	0.2	456,935
NET ASSETS	**100.0%**	**$186,189,905**

* *Non-income producing securities.*
\# *American Depositary Receipts.*
! *Collateralized debt obligation, Special Purpose Corporation.*
(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 4.8% of the net assets of the fund.*
(b) *At June 30, 2008, the net unrealized depreciation on investments, based on cost for federal income tax purposes of $199,679,450 amounted to $13,946,480 which consisted of aggregate gross unrealized appreciation of $8,876,601 and aggregate gross unrealized depreciation of $22,823,081.*

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THE ALGER AMERICAN FUND
Alger American Balanced Portfolio
Statement of Assets and Liabilities (Unaudited) *June 30, 2008*

ASSETS:	
Investments in securities, at value (identified cost*) see accompanying schedule of investments	$ 185,732,970
Receivable for investment securities sold	1,075,810
Receivable for shares of beneficial interest sold	77,257
Dividends and interest receivable	795,633
Prepaid Expenses	6,900
Total Assets	187,688,570
LIABILITES:	
Payable for investment securities purchased	1,229,966
Payable for shares of beneficial interest redeemed	118,252
Accrued investment management fees	110,118
Accrued transfer agent fees	3,168
Accrued distribution fees	59
Accrued administrative fees	4,520
Accrued expenses	32,582
Total Liabilites	1,498,665
NET ASSETS	**$186,189,905**
Net assets Consist of:	
Paid in capital	$ 193,853,081
Undistributed net investment income (accumulated loss)	1,798,633
Undistributed net realized gain (accumulated loss)	3,899,402
Net unrealized appreciation (depreciation) of investments	(13,361,211)
NET ASSETS	**$186,189,905**
Class O — Net asset value per share	**$11.54**
Class S — Net asset value per share	**$12.60**
SHARES OF BENEFICIAL INTEREST OUTSTANDING—NOTE 6	
Class O	**16,115,150**
Class S	**21,503**
*Identified Cost	$ 199,094,225

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
Alger American Balanced Portfolio
Statement of Operations (Unaudited)

For the six months ended June 30, 2008

INCOME:	
Dividends (net of foreign withholding taxes*)	$ 789,033
Interest	1,985,950
Total Income	2,774,983
EXPENSES:	
Management fees—Note 3(a)	714,371
Distribution fees—Note 3(b)	
Class S	361
Administrative fees—Note 3(a)	33,065
Interest expense—Note 5	1,220
Custodian fees	13,269
Fund accounting fees	8,004
Transfer agent fees and expenses—Note 3(d)	5,311
Printing fees	19,520
Professional fees	7,946
Trustees' fees	6,483
Miscellaneous	20,088
Total Expenses	829,638
Less, expense reimbursements—Note 3(a)	(40,246)
Net Expenses	789,392
NET INVESTMENT INCOME	1,985,591
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, OPTIONS AND FOREIGN CURRENCY TRANSACTIONS:	
Net realized gain on investments	4,240,499
Net realized gain on foreign currency transactions	59,312
Net change in unrealized appreciation (depreciation):	
Investments	(25,764,729)
Foreign currency translations	56,755
Options	—
Net realized and unrealized loss on investments, options and foreign currency	(21,408,163)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$(19,422,572)**
* Foreign withholding taxes	$ 16,224

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, 2008

Net investment income	$ 1,985,591
Net realized gain on investments, options and foreign currency transactions	4,299,811
Net change in unrealized appreciation (depreciation) on investments, options and foreign currency translations	(25,707,974)
Net decrease in net assets resulting from operations	(19,422,572)
Dividends and distributions to shareholders from:	
Net investment income	
Class O	(4,659,958)
Class S	—
Net realized gains	
Class O	(22,191,368)
Class S	(30,168)
Total dividends and distributions to shareholders	(26,881,494)
Increase (decrease) from shares of beneficial interest transactions:	
Class O	8,069,978
Class S	(28,653)
Net increase (decrease) from shares of beneficial interest transactions—Note 6	8,041,325
Total decrease	(38,262,741)
Net Assets:	
Beginning of period	224,452,646
END OF PERIOD	**$186,189,905**
Undistributed net investment income (accumulated loss)	$ 1,798,633

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
Alger American Balanced Portfolio
Statement of Changes in Net Assets
For the year ended December 31, 2007

Net investment income	$ 4,556,853
Net realized gain on investments, options and foreign currency transactions	26,486,858
Net change in unrealized appreciation (depreciation) on investments, options and foreign currency translations	(589,653)
Net increase in net assets resulting from operations	30,454,058
Dividends and distributions to shareholders from:	
Net investment income	
Class O	(5,229,295)
Class S	—
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	(39,581,578)
Class S	(32,932,549)
Net decrease from shares of beneficial interest transactions—Note 6	(72,514,127)
Total decrease	(61,655,160)
Net Assets:	
Beginning of year	286,107,806
END OF YEAR	**$224,452,646**
Undistributed net investment income	$ 4,473,000

THE ALGER AMERICAN FUND
Alger American Balanced Portfolio
Financial Highlights for a share outstanding throughout the period

	CLASS O					
	Six Months Ended 6/30/08(iii)	Year ended 12/31/07	Year ended 12/31/06	Year ended 12/31/05	Year ended 12/31/04	Year ended 12/31/03
INCOME FROM INVESTMENT OPERATIONS						
Net asset value, beginning of period	$ 14.61	$ 14.11	$ 14.44	$ 13.55	$ 13.16	$ 11.29
Net investment income	0.13(i)	0.26(i)	0.24(i)	0.20	0.19	0.19
Net realized and unrealized gain on investments	(1.32)	1.41	0.39	0.92	0.40	1.94
Total from investment operations	(1.19)	1.67	0.63	1.12	0.59	2.13
Dividends from net investment income	(0.33)	(0.31)	(0.22)	(0.23)	(0.20)	(0.26)
Distributions from net realized gains	(1.55)	(0.86)	(0.74)	—	—	—
Total distributions	(1.88)	(1.17)	(0.96)	(0.23)	(0.20)	(0.26)
Net asset value, end of period	$ 11.54	$ 14.61	$ 14.11	$ 14.44	$ 13.55	$ 13.16
Total return	(8.85)%	12.37%	4.72%	8.42%	4.57%	19.03%
RATIOS/SUPPLEMENTAL DATA						
Net assets, end of period (000's omitted)	$185,919	$224,090	$254,579	$292,412	$309,744	$308,990
Ratio of expenses to average net assets	0.78%(ii)	0.80%(ii)	0.86%	0.81%	0.87%	0.87%
Ratios of net investment income (loss) to average net assets	1.97%	1.79%	1.71%	1.29%	1.41%	1.60%
Portfolio turnover rate	41.56%	103.77%	288.73%	218.77%	177.66%	135.67%

(i) Amount was computed based on average shares outstanding during the period.
(ii) Amount has been reduced by 0.04% due to expense reimbursement.
(iii) Unaudited. Ratios have been annualized; total return and portfolio turnover rate have not been annualized.

See Notes to Financial Statements.

CLASS S					
Six Months Ended 6/30/08(iii)	Year ended 12/31/07	Year ended 12/31/06	Year ended 12/31/05	Year ended 12/31/04	Year ended 12/31/03
$15.46	$ 14.30	$ 14.61	$ 13.71	$ 13.34	$ 11.47
0.12(i)	0.19(i)	0.20(i)	0.14	0.17	0.23
(1.43)	1.83	0.40	0.96	0.39	1.90
(1.31)	2.02	0.60	1.10	0.56	2.13
—	—	(0.17)	(0.20)	(0.19)	(0.26)
(1.55)	(0.86)	(0.74)	—	—	—
(1.55)	(0.86)	(0.91)	(0.20)	(0.19)	(0.26)
$12.60	$ 15.46	$ 14.30	$ 14.61	$ 13.71	$ 13.34
(9.00)%	14.49%	4.46%	8.15%	4.27%	18.73%
$ 271	$ 363	$31,528	$43,583	$44,435	$28,680
1.04%(ii)	1.08%(ii)	1.11%	1.06%	1.12%	1.11%
1.72%	1.48%	1.43%	1.05%	1.20%	1.25%
41.56%	103.77%	288.73%	218.77%	177.66%	135.67%

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 seven series of shares of beneficial interest: American Growth Portfolio, American SmallCap Growth Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio, American Capital Appreciation Portfolio (formerly known as American Leveraged AllCap Growth Portfolio) and American SmallCap and MidCap Growth 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 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 quotations do not, in the opinion of the investment advisor, reflect the securities true values 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. Various factors may be reviewed in order to make a good faith determination of a security's fair value. These factors may include, but are not limited to, the type and cost of the security; contractual or legal restrictions on resale of the security; relevant financial or business developments of the issuer; actively traded similar or related securities; conversion or exchange rights on the security; related corporate actions; and changes in overall market conditions.

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

Effective January 1, 2008, the Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("FAS 157"). In accordance with FAS 157, fair value is defined as the price that the fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability and may be observable or unobservable. Observable inputs are based on market data obtained from sources independent of the Portfolio. Unobservable inputs are inputs that reflect the fund's own assumptions based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – significant other observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For example, money market securities are valued using amortized cost, in accordance with rules under the Investment Company Act of 1940 (the "1940 Act"). Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's investments carried at fair value:

		FAIR VALUE MEASUREMENTS		
DESCRIPTION	6/30/2008	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Trading securities	$ 179,466,521	$ 116,267,056	$ 62,544,548	$ 654,917
Derivatives	—	—	—	—
Total	**$179,466,521**	**$116,267,056**	**$62,544,548**	**$654,917**

	FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Alger American Balanced Portfolio	**Trading Securities**
Opening balance at December 31, 2007	$1,258,376
Net realized and unrealized gain (loss) on investments, foreign currency and options	(603,459)
Purchases, issuances, and settlements	—
Transfers in and/or out of Level 3	—
Closing balance at June 30, 2008	$ 654,917
The amount of net realized and unrealized gain (loss) on investments, foreign currency and options for the period attributable to change in unrealized appreciation (depreciation) relating to investments still held at June 30, 2008	**$(603,459)**

Recent Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board issued the Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("FAS 161"). FAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. FAS 161 requires enhanced disclosures about the Portfolio's derivative and hedging activities, including how such activities are accounted for and their effect on the Portfolio's financial position, performance and cash flows. Management is currently evaluating the impact the adoption of FAS 161 will have on the Portfolio's financial statements and related disclosures.

(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 Statements of Operations.

(d) 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.

(e) 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, 2008.

(f) Dividends to Shareholders: Dividends payable to shareholders are recorded by the Portfolio 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, realized gain loss from foreign currency transactions, and realized gains from redemptions in kind, if any. 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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 the Fund's 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 through March 16, 2008	Administration Fee Effective March 17, 2008
.710%	.04%	.0275%

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 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, 2008, the Portfolio paid the Distributor $68,826 in connection with securities transactions.

(d) Shareholder Administrative Fees: The Fund has entered into a shareholder administrative service agreement with Alger Management to compensate Alger Management on a per account basis for its liaison and administrative oversight of Boston Financial Data Services, Inc., the transfer agent for the Fund ("BFDS") and other related services. During the six months ended June 30, 2008, the Portfolio incurred fees of $34 for these services provided by Alger Management which are included in transfer agent fees and expenses.

(e) Other: Certain trustees and officers of the Fund are directors and officers of Alger Management and the Distributor. The Portfolio pays each Trustee who is not affiliated with the Advisor or its affiliates $500 for each meeting attended, to a maximum of $2,000 per annum. The Chairman of the Board of Trustees receives an additional annual fee of $10,000 which is paid, pro rata, by all portfolios managed by Alger Management. Additionally, each member of the audit committee receives an additional $50 from each Portfolio for each audit committee meeting attended, to a maximum of $200 per annum.

NOTE 4 — Securities Transactions:

Purchases and sales of securities, other than short-term securities, for the six months ended June 30, 2008, were $83,042,483 and $102,702,558, respectively.

NOTE 5 — Lines of Credit:

The Fund participated in $50 million committed lines of credits with other mutual funds managed by Alger Management through March 14, 2008. All borrowings had variable interest rates and were payable on demand.

The Portfolio borrows under such lines of credit exclusively for temporary or emergency purposes. Effective March 17, 2008, the Portfolio borrows from its custodian on a uncommitted basis. For the six months ended June 30, 2008, the Portfolio had the following borrowings:

AVERAGE DAILY BORROWING	WEIGHTED AVERAGE INTEREST RATE
$68,462	3.50%

NOTE 6 — Share Capital:

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

During the six months ended June 30, 2008, transactions of shares of beneficial interest were as follows:

	SHARES	AMOUNT
Class O:		
Shares sold	409,107	$ 5,570,354
Dividends reinvested	2,204,542	26,851,326
Shares redeemed	(1,837,046)	(24,351,702)
Net increase	**776,603**	**$ 8,069,978**
Class S:		
Shares sold	5,905	$ 86,175
Dividends reinvested	2,268	30,168
Shares redeemed	(10,131)	(144,996)
Net decrease	**(1,958)**	**$ (28,653)**

During the year ended December 31, 2007, transactions of shares of beneficial interest were as follows:

	SHARES	AMOUNT
Class O:		
Shares sold	864,949	$ 12,525,830
Dividends reinvested	1,420,072	19,582,787
Shares redeemed	(4,987,896)	(71,690,195)
Net decrease	**(2,702,875)**	**$(39,581,578)**
Class S:		
Shares sold	30,393	$ 448,331
Dividends reinvested	842	12,304
Shares redeemed	(2,212,864)	(33,393,184)
Net decrease	**(2,181,629)**	**$(32,932,549)**

NOTE 7 — Tax Character of Distributions to Shareholders:

The tax character of distributions paid during the six months ended June 30, 2008 and the year ended December 31, 2007 were as follows:

	SIX MONTHS ENDED JUNE 30, 2008	YEAR ENDED DECEMBER 31, 2007
Distributions paid from:		
Ordinary Income	$ 4,659,958	$ 18,216,201
Long-Term capital gains	22,221,536	1,378,890
Total distributions paid	**$26,881,494**	**$19,595,091**

As of December 31, 2007, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$24,369,113
Undistributed long-term gain	2,510,243
Unrealized appreciation (depreciation)	11,761,538

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 straddles, the tax treatment of premium/discount on debt securities, realization of unrealized appreciation of Passive Foreign Investment Companies and return of capital from Real Estate Investment Trust investments.

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 Funds 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 Funds.

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 (which was later amended a second time) 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 "1940 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 Funds, 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.

Alger Management has informed the Fund that the class and derivative suits have been settled in principle, but such settlement is subject to court approval.

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, 2008 and ending June 30, 2008.

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, 2008	Ending Account Value June 30, 2008	Expenses Paid During the Period January 1, 2008 to June 30, 2008 (b)	Ratio of Expenses to Average Net Assets For the Six Months Ended June 30, 2008 (c)
Class O	Actual	$1,000.00	$ 911.50	$3.71	0.78%
	Hypothetical(a)	1,000.00	1,020.98	3.92	0.78
Class S	Actual	1,000.00	910.00	4.94	1.04
	Hypothetical(a)	1,000.00	1,019.69	5.22	1.04

(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 182/366 (to reflect the one-half year period).
(c) Annualized.

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.

Fund Holdings

The Portfolios' most recent month end portfolio holdings are available approximately sixty days after month end on the Fund's website at www.alger.com. The Portfolios also file their 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 SEC's website at www.sec.gov or 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 Capital Appreciation 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, 2008

(Unaudited)

ALGER

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THE ALGER AMERICAN FUND

Dear Shareholders,

July 25, 2008

Typically, halfway through the fiscal year is not the time to start making predictions. Those often rose-tinged foresights are usually better saved for year-end when the turbulence and froth of a hectic year have begun to settle down and investors have started to relax in an atmosphere of seasonal and consumer-driven glad tidings.

However, finding any reason to relax at our previous fiscal year-end has proved difficult. Following one of the strongest growth-driven markets in years — with the Dow Jones Industrial Average[i] spending several days above 14,000 — the end of 2007 saw the equity markets decline, fueled by the subprime debacle, continued housing problems and concerns regarding the effects this may have on the broader economy. Only during brief rallies in March and April, and then again in July, as of this writing, did the market give hints that the fallout may be beginning to subside, providing investors with much needed breathing room.

So, while we remain cautious about making broad predictions for the next six months, we feel optimistic enough to reflect on why we think the recent downturn may actually provide investors with an opportunity to take advantage of what we are calling an "if only" market.

First Quarter Blues

The first half of 2008 was remarkably painful in the markets, both in the U.S. and globally. Fallout from the subprime mess touched almost every aspect of the economy, and reached well beyond the financial sector. The ongoing sell-off has happened rapidly and few names or investors escaped unscathed.

Without question, economic data through June was almost completely grim: in January, an anemic jobs report showed the first contraction (-17,000) of the labor force since 2003, with the unemployment rate spiking at 5.5% by June. First quarter GDP growth showed the economy expanding at 0.9% on the strength of U.S. exports thanks to a weak U.S. dollar. And by June 30, 2008, the market had tested its lows for the year, with the Dow reaching 11346.51 on June 29, and the S&P 500 Index[ii] at 11740.15 on March 10.

As we have said, whether the economy as a whole has officially entered a statistical recession or not seems beside the point. A significant majority of the American public — not to mention investors abroad — believe that it has, with investors feeling a significant psychological impediment to the aggressive devil-may-care spending of years past. Perception — particularly in the first quarter of 2008 — dictated that Wall Street earnings expectations were unrealistically high, with growth likely to be minimal to non-existent this year.

Now, at the halfway mark of the fiscal year, it would be presumptuous to imply that the pain experienced during the first half of the year is over. Indeed, since Bear Stearns' meltdown, we've seen a succession of financial institution troubles — from Citi to Fannie Mae and Freddie Mac to Merrill Lynch and Wachovia's current multi-billion write down. But despite the pain and froth, we remain convinced of the positives, particularly concerning growth equity investing. Contrary to most financial headlines, stocks and the economy do not necessarily move in sync. Excluding the Financial sector, corporate balance sheets are as stable and clean as they have ever been, with little debt and lots of cash. And we believe the equity markets have already priced in most negative economic scenarios. In our opinion, years from now, today's market may be seen as one of the great "if only" markets: a missed opportunity for those who withdrew and have yet to re-enter, and a boom time for those who have returned or "stuck it out."

The "If Only" Market

What exactly is an "if only" market? It is a market looked back upon wistfully by those not in it, who mutter to themselves, "If only I had known then what I know now, I would have bought, bought, and bought some more." And then they sigh, and say even more quietly, "If only…"

This is not a call on the next few months. The markets may even "violate" the lows of June and continue to move downward. However, in our view, the markets have been witnessing an exceptionally intense financial crisis unfolding in the context of a softening domestic economy. Unlike previous crises, however, we believe the present issues are offset by a climate of global strength that benefits the earnings potential of many U.S.-listed companies. It is also occurring in a world awash in liquidity and where interest rates remain historically low.

Typically, in periods of market flight, it is rare for growth managers to do particularly well, especially when the selling is not based on weak fundamentals. However, stock declines notwithstanding, the composition of many of our portfolios suggest strong earnings and revenue growth, certainly when compared to the S&P 500, as well as price-to-earnings-growth ratios that are quite reasonable.

Investors discounting the possibility of future growth — a typical reaction in negative markets — have themselves created buying opportunities. Some companies we follow have sold off as much as 30% or more with forward earnings still looking to be above 20%. In many cases, that leads to buy points for growth stocks at unusually low prices.

Our research has shown us that investors who immediately invested after significantly down periods fared considerably better than investors who waited to invest only after returns had already improved or enough time for the "markets to stabilize" had passed. So, it's quite possible that, years from now, the second half of 2008 may be viewed as that tremendous period in which to have invested, leaving many investors saying, *"If only I had gotten in then."*

In Summary

There may still be continued fallout in the credit markets; the U.S. economy may remain weak or even contract in the coming months, but the long-term investing climate for stocks strikes us as extremely favorable given global profit growth, reasonable valuations, and signs that not all areas of the U.S. economy are impacted by the double blows of the housing crisis and credit crunch. To reiterate, we firmly believe that years from now, the present time could be seen as one of the great "if only" markets, a time when the stocks of quality growth companies could be purchased at deep discounts to deliver returns that most investors dream of but never quite attain.

Respectfully submitted,

Daniel C. Chung
Chief Investment Officer

Portfolio Matters

Prior to May 1, 2008, the Portfolio's name was The Alger American Leveraged AllCap Portfolio.

Alger American Capital Appreciation Portfolio returned -13.25% for the six months ending June 30, 2008, compared to the Russell 3000 Growth Index[iii] return of -9.05%.

Information Technology represented an average weight of 29.68% of the Portfolio's holdings, an overweight to the benchmark, and outperformed with contributions from NCR Corp., a technology company specializing in financial processing products, Research in Motion, Ltd., and Broadcom Corp. Holdings with weaker performance in this sector included Tessera Technologies, Inc., Google, Inc., and Apple, Inc.

In the Health Care sector, the Portfolio, at an average weight of 16.26%, was overweight compared to the benchmark and underperformed. The Portfolio saw lower returns in this sector from insurance provider Aetna, Inc., Hologic, Inc., and Inverness Medical Innovations, Inc. Offsetting stronger performers included Baxter International, Inc., a global health care company specializing in bioscience, medication delivery and renal products; Illumina, Inc.; and Celgene Corp.

At an average weight of 11.37%, the Portfolio was underweight the benchmark in the Industrials sector and underperformed. The Portfolio suffered substandard performance from Oshkosh Corporation, JA Solar Holdings Co., Ltd., and BE Aerospace Inc. In balance, stronger performers included Terex Corp., a manufacturer of trucks and hydraulic mining excavators, and Quanta Services, Inc., a provider of construction and technology services for the gas pipeline industry.

At an average weight of 10.19%, the Portfolio was underweight the benchmark in the Consumer Discretionary sector and underperformed. While the Portfolio had promising returns from Deckers Outdoor Corp. and Dreamworks Animation SKG, Inc., it could not withstand lesser performers, including American Apparel, Inc., the largest clothing manufacturer in the U.S., TomTom N.V., and Bally Technologies, Inc.

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[i] The Dow Jones Industrial Average is an index of common stocks comprised of major industrial companies and assumes reinvestment of dividends. It is frequently used as a general measure of stock market performance.

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

[iii] The Russell 3000 Growth Index is an unmanaged index designed to measure the performance of the 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 can not invest directly in an index. Index performance does not reflect the deduction for 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 proceeded or accompanied by an effective prospectus for the Fund. Fund performance returns represent the annual period return of Class O shares prior to the deduction of any sales charges. **The performance data quoted represents past performance, which is not an indication or guarantee of future results.** The investment return and principal value of an investment in a portfolio 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 in this report are as of the date of the shareholder letter 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. Any securities mentioned should be 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 each portfolio which is included in this report for a complete list of portfolio holdings as of June 30, 2008. Securities mentioned in the shareholder letter, if not found in the Schedule of Investments, were held by the Fund during the Fund's semi-annual reporting period.

A Word About Risk

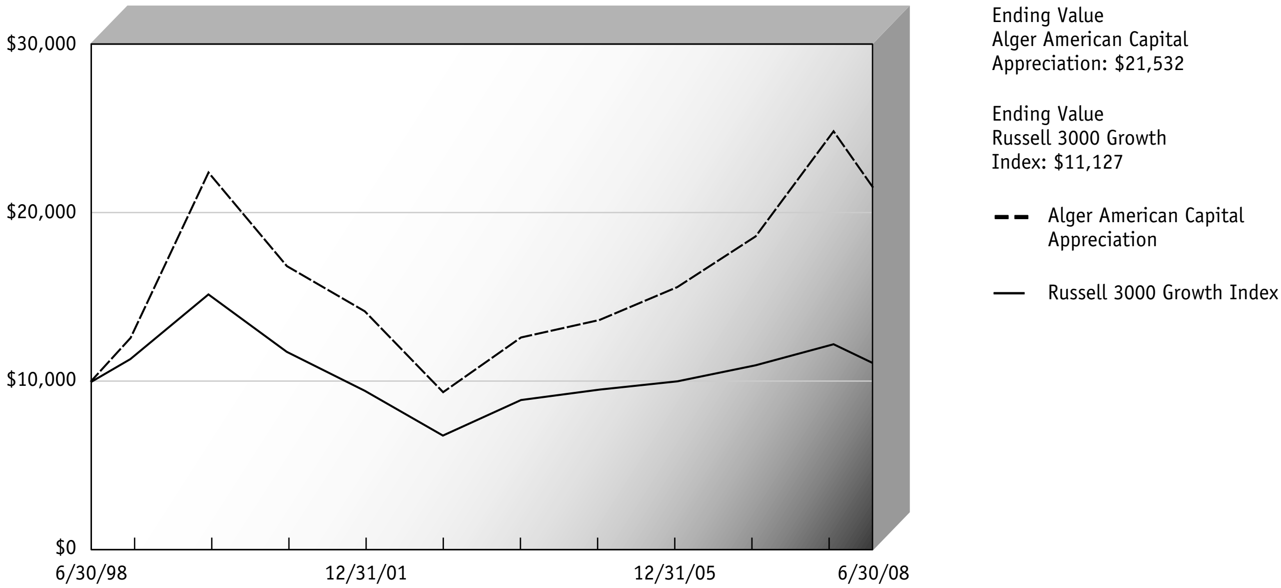
Growth stocks tend to be more volatile than other stocks as the price of growth stocks tends to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments. Stocks of small- and mid-sized companies are subject to greater risk than stocks of larger, more established companies owing to such factors as limited liquidity, inexperienced management, and limited financial resources. Funds 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. Funds that participate in leveraging, such as the Alger American Capital Appreciation Portfolio, and Alger American SmallCap and MidCap Growth Portfolio are subject to the risk that 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 a Fund, please see the Fund's Prospectus.

Mutual Fund portfolios 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 the principal amount invested.

Before investing, carefully consider the Fund's investment objective, risks, 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, 2008



The chart above illustrates the growth in value of a hypothetical $10,000 investment made in Alger American Capital Appreciation Class O shares and the Russell 3000 Growth Index for the ten years ended June 30, 2008. Figures for the Alger American Capital Appreciation Class O shares and the Russell 3000 Growth Index (an unmanaged index of common stocks), include reinvestment of dividends. Performance for Alger American Capital Appreciation Class S shares will vary from the results shown above due to differences in expenses that class bears.

PERFORMANCE COMPARISON THROUGH JUNE 30, 2008

AVERAGE ANNUAL TOTAL RETURNS	1 YEAR	5 YEARS	10 YEARS	SINCE INCEPTION
CLASS O (INCEPTION 1/25/95)	0.73%	13.85%	7.97%	14.71%
Russell 3000 Growth Index	(6.38)%	7.55%	1.07%	7.96%
CLASS S (INCEPTION 5/1/02)	0.47%	13.56%	—	8.57%
Russell 3000 Growth Index	(6.38)%	7.55%	—	4.43%

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.

THE ALGER AMERICAN FUND
Alger American Capital Appreciation Portfolio
Portfolio Summary*
June 30, 2008 *(Unaudited)*

SECTORS	
Consumer Discretionary	7.3%
Consumer Staples	5.1
Energy	15.7
Financials	6.0
Health Care	13.7
Industrials	11.2
Information Technology	30.0
Materials	5.3
Cash and Net Other Assets	5.7
	100.0%

** Based on net assets for the Portfolio.*

Schedule of Investments *(Unaudited) June 30, 2008*

COMMON STOCKS—92.1%	SHARES	VALUE
AEROSPACE & DEFENSE—6.4%		
BE Aerospace Inc.*	225,500	$ 5,251,895
General Dynamics Corp.	126,277	10,632,523
Lockheed Martin Corp.	68,600	6,768,076
		22,652,494
AIR FREIGHT & LOGISTICS—.5%		
United Parcel Service Inc., Cl. B	27,300	**1,678,131**
APPAREL, ACCESSORIES & LUXURY GOODS—1.4%		
American Apparel Inc.*	269,400	1,791,510
Gildan Activewear Inc.*	116,200	3,007,256
		4,798,766
APPLICATION SOFTWARE—2.4%		
Intuit Inc.*	94,200	2,597,094
Net 1 UEPS Technologies Inc.*	78,150	1,899,045
Solera Holdings Inc.*	146,300	4,046,658
		8,542,797
ASSET MANAGEMENT & CUSTODY BANKS—.8%		
Affiliated Managers Group Inc.*	15,300	1,377,918
AllianceBernstein Holding LP	24,600	1,345,128
		2,723,046
BIOTECHNOLOGY—3.8%		
Celgene Corp.*	44,066	2,814,495
Cephalon Inc.*	41,700	2,780,973
Genentech Inc.*	52,900	4,015,110
Gilead Sciences Inc.*	23,900	1,265,505
United Therapeutics Corp.*	25,681	2,510,318
		13,386,401
CASINOS & GAMING—1.1%		
Bally Technologies Inc.*	87,054	2,942,425
MGM Mirage*	30,300	1,026,867
		3,969,292
COAL & CONSUMABLE FUELS—1.9%		
Celanese Corp.	78,200	3,570,612
Consol Energy Inc.	7,800	876,486
Massey Energy Co.	26,600	2,493,750
		6,940,848
COMMUNICATIONS EQUIPMENT—5.9%		
Brocade Communications Systems Inc.*	151,400	1,247,536
Nice Systems Ltd.*#	135,100	3,994,907
QUALCOMM Inc.	52,900	2,347,173
Research In Motion Ltd.*†	95,300	11,140,570
Sonus Networks Inc.*	628,500	2,149,470
		20,879,656
COMPUTER HARDWARE—4.3%		
Apple Inc.*	59,600	9,979,424
Hewlett-Packard Co.	29,400	1,299,774
NCR Corp.*	159,400	4,016,880
		15,296,078
COMPUTER STORAGE & PERIPHERALS—.5%		
NetApp Inc.*	86,600	**1,875,756**
CONSTRUCTION & ENGINEERING—.4%		
Chicago Bridge & Iron Co., NV#	31,600	**1,258,312**
CONSTRUCTION & FARM MACHINERY—.7%		
Oshkosh Corp.	115,400	**2,387,626**

COMMON STOCKS—(CONT.)	SHARES	VALUE
CONSUMER ELECTRONICS—.3%		
Sony Corp.#	6,700	$ 293,058
TomTom NV*	22,100	636,155
		929,213
DISTRIBUTORS—.3%		
LKQ Corp.*	62,200	**1,123,954**
DIVERSIFIED METALS & MINING—2.7%		
Eurasian Natural Resources Corp.*	63,200	1,676,614
Freeport-McMoRan Copper & Gold Inc.	50,800	5,953,252
Thompson Creek Metals Co., Inc.*	102,200	1,992,900
		9,622,766
DRUG RETAIL—1.7%		
CVS/Caremark Corp.	158,300	**6,263,931**
ELECTRICAL COMPONENTS & EQUIPMENT—1.7%		
First Solar Inc.*	4,730	1,290,439
JA Solar Holdings Co., Ltd.*#	285,100	4,803,935
		6,094,374
ELECTRONIC EQUIPMENT MANUFACTURERS—.2%		
Dolby Laboratories Inc., Cl. A*	15,100	**608,530**
FERTILIZERS & AGRICULTURAL CHEMICALS—1.1%		
Mosaic Co.,/The*	20,800	3,009,760
Potash Corp of Saskatchewan	4,000	914,280
		3,924,040
FOOTWEAR—2.2%		
Deckers Outdoor Corp.*	43,200	6,013,440
Iconix Brand Group Inc.*	140,000	1,691,200
		7,704,640
HEALTH CARE DISTRIBUTORS—1.3%		
Cardinal Health Inc.	89,000	**4,590,620**
HEALTH CARE EQUIPMENT—2.1%		
Baxter International Inc.	42,500	2,717,450
Hologic Inc.*	213,400	4,652,120
		7,369,570
HEALTH CARE SUPPLIES—1.4%		
Inverness Medical Innovations Inc.*	152,900	**5,071,693**
HOME ENTERTAINMENT SOFTWARE—1.4%		
Nintendo Co., Ltd.#	71,400	**5,043,232**
HOMEBUILDING—0.0%		
Brascan Residential Properties SA*	400	**2,160**
INDUSTRIAL CONGLOMERATES—.2%		
McDermott International Inc.*	10,400	**643,656**
INDUSTRIAL MACHINERY—.9%		
ITT Corp.	50,400	**3,191,832**
INTEGRATED OIL & GAS—2.2%		
ConocoPhillips†	83,300	**7,862,687**
INTERNET RETAIL—1.1%		
IAC/InterActive Corp.*	203,400	**3,921,552**
INTERNET SOFTWARE & SERVICES—4.2%		
eBay Inc.*	105,483	2,882,850
Google Inc., Cl. A*	9,000	4,737,780
Netease.com*#	166,000	3,617,140
Sina Corp.*	84,790	3,607,814
		14,845,584

COMMON STOCKS—(CONT.)	SHARES	VALUE
INVESTMENT BANKING & BROKERAGE—2.0%		
Lazard Ltd., Cl. A	74,200	$ 2,533,930
Morgan Stanley	126,500	4,562,855
		7,096,785
IT CONSULTING & OTHER SERVICES—1.3%		
Cognizant Technology Solutions Corp., Cl. A*	66,600	2,165,166
Satyam Computer Services Ltd.#	95,900	2,351,468
		4,516,634
LIFE SCIENCES TOOLS & SERVICES—.5%		
Illumina Inc.*	22,300	**1,942,553**
MANAGED HEALTH CARE—.6%		
Aetna Inc.	58,100	**2,354,793**
MARINE PORTS & SERVICES—.2%		
Aegean Marine Petroleum Network Inc.	14,100	**573,729**
METAL & GLASS CONTAINERS—.5%		
Ball Corp.	36,300	**1,732,962**
OIL & GAS DRILLING—3.2%		
Nabors Industries Ltd.*	113,200	5,572,836
Transocean Inc.*	36,958	5,632,030
		11,204,866
OIL & GAS EQUIPMENT & SERVICES—2.5%		
Exterran Holdings Inc.*	17,520	1,252,505
National Oilwell Varco Inc.*	22,500	1,996,200
Weatherford International Ltd.*	114,600	5,683,014
		8,931,719
OIL & GAS EXPLORATION & PRODUCTION—5.0%		
Cabot Oil & Gas Corp.	62,100	4,206,033
Newfield Exploration Co.*	82,300	5,370,075
Pacific Rubiales Energy Corp.*	186,600	2,470,098
Petrobank Energy & Resources Ltd.*	29,500	1,546,893
PetroHawk Energy Corp.*	47,200	2,185,832
Whiting Petroleum Corp.*	18,400	1,951,872
		17,730,803
OIL & GAS REFINING & MARKETING—1.0%		
Valero Energy Corp.	84,200	**3,467,356**
PHARMACEUTICALS—4.0%		
Abbott Laboratories	153,600	8,136,192
Merck & Co., Inc.	64,900	2,446,081
Mylan Inc.*	163,800	1,977,066
Schering-Plough Corp.	79,500	1,565,355
		14,124,694
PUBLISHING—.6%		
McGraw-Hill Cos Inc.,/The	55,800	**2,238,696**
SEMICONDUCTOR EQUIPMENT—1.8%		
MEMC Electronic Materials Inc.*	64,600	3,975,484
Tessera Technologies Inc.*	155,180	2,540,297
		6,515,781
SEMICONDUCTORS—4.5%		
Atheros Communications Inc.*	100,500	3,015,000
Broadcom Corp., Cl. A*	82,800	2,259,612
Intel Corp.	164,400	3,531,312
RF Micro Devices Inc.*	282,200	818,380
Skyworks Solutions Inc.*	650,465	6,420,090
		16,044,394

COMMON STOCKS—(CONT.)	SHARES	VALUE
SPECIALIZED FINANCE—2.8%		
Bovespa Holding SA*	212,900	$ 2,663,760
CME Group Inc.	5,300	2,030,907
Nymex Holdings Inc.	40,800	3,446,784
NYSE Euronext	37,600	1,904,816
		10,046,267
SYSTEMS SOFTWARE—3.2%		
Microsoft Corp.	420,900	**11,578,959**
TOBACCO—3.3%		
Philip Morris International Inc.	237,600	**11,735,064**
TOTAL COMMON STOCKS		
(Cost $341,221,788)		**327,039,292**

PURCHASE AGREEMENT—.9%		
OIL & GAS EXPLORATION & PRODUCTION		
Concho Resources Inc.* (b)		
(Cost $2,709,900)	90,000	**3,189,150**

PREFERRED STOCKS—.4%		
INVESTMENT BANKING & BROKERAGE		
Merrill Lynch & Co., Inc., 8.625%, Pfd.		
(Cost $1,642,500)	65,700	**1,524,240**

CONVERTIBLE CORPORATE BONDS—.7%	PRINCIPAL AMOUNT	
ELECTRICAL COMPONENTS & EQUIPMENT—.3%		
JA Solar Holdings Co., Ltd., 4.50%, 5/15/13	$ 1,365,000	**1,214,850**
FOOTWEAR—.4%		
Iconix Brand Group Inc., 1.875%, 6/30/12	1,650,000	**1,262,250**
TOTAL CONVERTIBLE CORPORATE BONDS		
(Cost $3,015,000)		**2,477,100**

PURCHASED OPTIONS—.2%	CONTRACTS	
PUT OPTIONS		
Walt Disney Co./Aug/32.5	625	128,125
Research In Motion Ltd./Jul/140†	250	587,500
TOTAL PURCHASED OPTIONS		
(Cost $320,545)		**715,625**

SHORT-TERM INVESTMENTS—3.3%	PRINCIPAL AMOUNT	VALUE
TIME DEPOSITS		
Wachovia London, 1.75%, 7/1/08		
(Cost $11,686,665)	$11,686,665	**11,686,665**

Total Investments		
(Cost $360,596,398) (a)	97.6%	346,632,072
Other Assets in Excess of Liabilities	2.4	8,678,013
NET ASSETS	**100.0%**	**$355,310,085**

* *Non-income producing security.*
\# *American Depositary Receipts.*
† *All or a portion of the securities are segregated as collateral for options written and securities purchased.*
(a) *At June 30, 2008, the net unrealized depreciation on investments, based on cost for federal income tax purposes of $362,857,067 amounted to $16,224,995 which consisted of aggregate gross unrealized appreciation of $21,623,119 and aggregate gross unrealized depreciation of $37,848,114.*
(b) *Resale of the security is restricted. Security was acquired on 6/4/08 for a cost of $2,709,900.*

See Notes to Financial Statements.

Schedule of Options Written *(Unaudited) June 30, 2008*

	CONTRACTS	SHARES SUBJECT TO PUT	VALUE
PUT OPTIONS WRITTEN			
Research In Motion Ltd./Jul/130			
(Premiums Received $103,552)	250	25,000	$ 350,000
CALL OPTIONS WRITTEN			
Research In Motion Ltd./Jul/155			
(Premiums Received $72,732)	250	25,000	2,500
TOTAL OPTIONS WRITTEN			
(Premiums Received $176,284)			$**352,500**

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
Alger American Capital Appreciation Portfolio
Statement of Assets and Liabilities (Unaudited) *June 30, 2008*

ASSETS:	
Investments in securities, at value (identified cost*) see accompanying schedule of investments	$ 346,632,072
Cash**	970
Receivable for investment securities sold	16,831,518
Receivable for shares of beneficial interest sold	1,742,686
Dividends and interest receivable	178,709
Prepaid Expenses	7,552
Total Assets	365,393,507
LIABILITES:	
Payable for investment securities purchased	8,583,469
Written options outstanding	352,500
Payable foreign currency contracts	947
Payable for shares of beneficial interest redeemed	812,800
Accrued investment management fees	242,562
Accrued transfer agent fees	6,078
Accrued distribution fees	3,612
Accrued administrative fees	8,607
Accrued expenses	72,847
Total Liabilites	10,083,422
NET ASSETS	**$355,310,085**
Net assets Consist of:	
Paid in capital	$ 382,459,328
Undistributed net investment income (accumulated loss)	(383,015)
Undistributed net realized gain (accumulated loss)	(12,630,478)
Net unrealized appreciation (depreciation) of investments	(14,135,750)
NET ASSETS	**$355,310,085**
Class O — Net asset value per share	**$48.05**
Class S — Net asset value per share	**$47.28**
SHARES OF BENEFICIAL INTEREST OUTSTANDING—NOTE 6	
Class O	**7,043,930**
Class S	**355,851**
*Identified Cost	$ 360,596,398

** Includes restricted cash of $970, relating to intial margin requirements on options contracts for the contracts for the Capital Appreciation Portfolio.

THE ALGER AMERICAN FUND
Alger American Capital Appreciation Portfolio
Statement of Operations (Unaudited)
For the six months ended June 30, 2008

INCOME:	
Dividends (net of foreign withholding taxes*)	$ 1,162,018
Interest	167,113
Total Income	1,329,131
EXPENSES:	
Management fees—Note 3(a)	1,484,952
Distribution fees—Note 3(b) Class S	21,487
Administrative fees—Note 3(a)	60,158
Interest expense—Note 5	1,010
Custodian fees	37,913
Fund accounting fees	14,724
Transfer agent fees and expenses—Note 3(d)	3,396
Printing fees	16,964
Professional fees	18,530
Trustees' fees	6,483
Miscellaneous	30,795
Total Expenses	1,696,412
Less, expense reimbursements—Note 3(a)	(64,165)
Net Expenses	1,632,247
NET INVESTMENT LOSS	(303,116)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, OPTIONS AND FOREIGN CURRENCY TRANSACTIONS:	
Net realized loss on investments	(10,891,244)
Net realized gain on foreign currency transactions	325,307
Net realized gain on options written	171,767
Net change in unrealized appreciation (depreciation):	
Investments	(46,047,322)
Foreign currency translations	(610,883)
Options	218,864
Net realized and unrealized loss on investments, options and foreign currency	(56,833,511)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$(57,136,627)**
* Foreign withholding taxes	$ 15,675

See Notes to Financial Statements.

THE ALGER AMERICAN FUNDS
Alger American Capital Appreciation Portfolio
Statement of Changes in Net Assets (Unaudited)
For the six months ended June 30, 2008

Net investment loss	$ (303,116)
Net realized loss on investments, options and foreign currency transactions	(10,394,170)
Net change in unrealized appreciation (depreciation) on investments, options and foreign currency translations	(46,439,341)
Net decrease in net assets resulting from operations	(57,136,627)
Decrease from shares of beneficial interest transactions:	
Class O	(22,132,452)
Class S	(1,162,857)
Net decrease from shares of beneficial interest transactions—Note 6	(23,295,309)
Total decrease	(80,431,936)
Net Assets:	
Beginning of period	435,742,021
END OF PERIOD	**$355,310,085**
Undistributed net investment income (accumulated loss)	$ (383,015)

See Notes to Financial Statements.

THE ALGER AMERICAN FUNDS
Alger American Capital Appreciation Portfolio
Statement of Changes in Net Assets
For the year ended December 31, 2007

Net investment loss	$ (593,365)
Net realized gain on investments, options and foreign currency transactions	98,189,355
Net change in unrealized appreciation (depreciation) on investments, options and foreign currency translations	8,292,745
Net increase in net assets resulting from operations	105,888,735
Increase (decrease) from shares of beneficial interest transactions:	
Class O	17,021,385
Class S	(9,037,079)
Net increase from shares of beneficial interest transactions—Note 6	7,984,306
Total increase	113,873,041
Net Assets:	
Beginning of year	321,868,980
END OF YEAR	**$435,742,021**
Accumulated loss	$ (79,899)

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THE ALGER AMERICAN FUND
Alger American Capital Appreciation Portfolio
Financial Highlights for a share outstanding throughout the period

	CLASS O					
	Six Months ended 6/30/08(iii)	Year ended 12/31/07	Year ended 12/31/06	Year ended 12/31/05	Year ended 12/31/04	Year ended 12/31/03
INCOME FROM INVESTMENT OPERATIONS						
Net asset value, beginning of period	$ 55.39	$ 41.48	$ 34.78	$ 30.39	$ 28.09	$ 20.85
Net investment loss	(0.04)(i)	(0.07)(i)	(0.07)(i)	(0.21)	(0.07)	(0.07)
Net realized and unrealized gain on investments	(7.30)	13.98	6.77	4.60	2.37	7.31
Total from investment operations	(7.34)	13.91	6.70	4.39	2.30	7.24
Net asset value, end of period	$ 48.05	$ 55.39	$ 41.48	$ 34.78	$ 30.39	$ 28.09
Total return	(13.25)%	33.53%	19.26%	14.45%	8.19%	34.72%
RATIOS/SUPPLEMENTAL DATA						
Net assets, end of period (000's omitted)	$338,484	$414,959	$ 298,024	$298,410	$380,336	$382,289
Ratio of expenses to average net assets	0.88%(ii)	0.93%(ii)	0.98%	0.91%	0.97%	0.97%
Ratios of net investment loss to average net assets	(0.15)%	(0.15)%	(0.19)%	(0.08)%	(0.14)%	(0.36)%
Portfolio turnover rate	115.01%	254.03%	245.58%	130.14%	182.41%	161.71%

(i) Amount was computed based on average shares outstanding during the period
(ii) Amount has been reduced by 0.04% due to expense reimbursement.
(iii) Unaudited. Ratios have been annualized; total return and portfolio turnover rate have not been annualized.

See Notes to Financial Statements.

CLASS S					
Six Months ended 6/30/08(iii)	Year ended 12/31/07	Year ended 12/31/06	Year ended 12/31/05	Year ended 12/31/04	Year ended 12/31/03
$ 54.57	$ 40.97	$ 34.44	$ 30.17	$ 27.96	$ 20.83
(0.10)(i)	(0.16)(i)	(0.17)(i)	(0.08)	(0.04)	(0.16)
(7.19)	13.76	6.70	4.35	2.25	7.29
(7.29)	13.60	6.53	4.27	2.21	7.13
$ 47.28	$ 54.57	$ 40.97	$ 34.44	$ 30.17	$ 27.96
(13.36)%	33.20%	18.96%	14.15%	7.90%	34.23%
$16,826	$20,783	$23,845	$17,887	$13,772	$ 7,328
1.13%(ii)	1.18%(ii)	1.23%	1.16%	1.22%	1.21%
(0.41)%	(0.34)%	(0.45)%	(0.33)%	(0.31)%	(0.63)%
115.01%	254.03%	245.58%	130.14%	182.41%	161.71%

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 seven series of shares of beneficial interest: American Growth Portfolio, American SmallCap Growth Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio, American Capital Appreciation Portfolio (formerly known as American Leveraged AllCap Growth Portfolio) and American SmallCap and MidCap Growth Portfolio. These Financial statements include only the American Capital Appreciation 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.

The Alger American Leveraged AllCap Growth Portfolio changed its name to Alger American Capital Appreciation Portfolio effective May 1, 2008.

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 quotations do not, in the opinion of the investment advisor, reflect the securities true values 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. Various factors may be reviewed in order to make a good faith determination of a security's fair value. These factors may include, but are not limited to, the type and cost of the security; contractual or legal restrictions on resale of the security; relevant financial or business developments of the issuer; actively traded similar or related securities; conversion or exchange rights on the security; related corporate actions; and changes in overall market conditions.

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

Effective January 1, 2008, the Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("FAS 157"). In accordance with FAS 157, fair value is defined as the price that the fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability and may be observable or unobservable. Observable inputs are based on market data obtained from sources independent of the Portfolio. Unobservable inputs are inputs that reflect the fund's own assumptions based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – significant other observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For example, money market securities are valued using amortized cost, in accordance with rules under the Investment Company Act of 1940 (the "1940 Act"). Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's investments carried at fair value:

		FAIR VALUE MEASUREMENTS		
DESCRIPTION	**6/30/2008**	**QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)**	**SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)**	**SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)**
Assets:				
Trading securities	$ 334,229,782	$ 331,752,682	$ 2,477,100	—
Derivatives	715,625	715,625	—	—
Total	**$334,945,407**	**$332,468,307**	**$ 2,477,100**	**—**
Liabilites:				
Derivatives	$ 352,500	$ 352,500	—	—

Recent Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board issued the Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("FAS 161"). FAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. FAS 161 requires enhanced disclosures about the Portfolio's derivative and hedging activities, including how such activities are accounted for and their effect on the Portfolio's financial position, performance and cash flows. Management is currently evaluating the impact the adoption of FAS 161 will have on the Portfolio's financial statements and related disclosures.

(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 Statements of Operations.

(d) 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.

(e) 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, 2008.

(f) Dividends to Shareholders: Dividends payable to shareholders are recorded by the Portfolio 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, realized gain loss from foreign currency transactions, and realized gains from redemptions in kind, if any. 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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 the Fund's 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 through March 16, 2008	Administration Fee Effective March 17, 2008
.810%	.04%	.0275%

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 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, 2008, the Portfolio paid the Distributor $333,613 in connection with securities transactions.

(d) Shareholder Administrative Fees: The Fund has entered into a shareholder administrative service agreement with Alger Management to compensate Alger Management on a per account basis for its liaison and administrative oversight of Boston Financial Data Services, Inc., the transfer agent for the Fund ("BFDS") and other related services. During the six months ended June 30, 2008, the Portfolio incurred fees of $117, for these services provided by Alger Management which are included in transfer agent fees and expenses.

(e) Other: Certain trustees and officers of the Fund are directors and officers of Alger Management and the Distributor. The Portfolio pays each Trustee who is not affiliated with the Advisor or its affiliates $500 for each meeting attended, to a maximum of $2,000 per annum. The Chairman of the Board of Trustees receives an additional annual fee of $10,000 which is paid, pro rata, by all portfolios managed by Alger Management. Additionally, each member of the audit committee receives an additional $50 from each Portfolio for each audit committee meeting attended, to a maximum of $200 per annum.

NOTE 4 — Securities Transactions:

Purchases and sales of securities, other than short-term securities, for the six months ended June 30, 2008, were $412,411,955 and $435,797,424, respectively.

As of June 30, 2008, the Portfolio had securities valued at $3,510,000, segregated as collateral for options written.

Written call and put option activity for the six months ended June 30, 2008 was as follows:

	NUMBER OF CONTRACTS	PREMIUMS RECEIVED
Options outstanding at December 31, 2007	—	$ —
Options written	2,721	1,097,892
Options closed or expired	(2,221)	(921,608)
Options exercised	—	—
Options outstanding at June 30, 2008	500	$ 176,284

NOTE 5 — Lines of Credit:

The Fund participated in $50 million committed lines of credits with other mutual funds managed by Alger Management through March 14, 2008. All borrowings had variable interest rates and were 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. Effective March 17, 2008, the Portfolio borrows from its custodian on a uncommitted basis. For the six months ended June 30, 2008, the Portfolio had the following borrowings:

AVERAGE DAILY BORROWING	WEIGHTED AVERAGE INTEREST RATE
$55,057	3.63%

NOTE 6 — Share Capital:

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

During the six months ended June 30, 2008, transactions of shares of beneficial interest were as follows:

	SHARES	AMOUNT
Class O:		
Shares sold	643,823	$ 31,716,329
Shares redeemed	(1,091,757)	(53,848,781)
Net decrease	**(447,934)**	**$(22,132,452)**
Class S:		
Shares sold	56,209	$ 2,751,515
Shares redeemed	(81,207)	(3,914,372)
Net decrease	**(24,998)**	**$ (1,162,857)**

During the year ended December 31, 2007, transactions of shares of beneficial interest were as follows:

	SHARES	AMOUNT
Class O:		
Shares sold	2,105,073	$104,048,525
Shares redeemed	(1,798,562)	(87,027,140)
Net increase	**306,511**	**$17,021,385**
Class S:		
Shares sold	351,063	$ 16,454,197
Shares redeemed	(552,284)	(25,491,276)
Net decrease	**(201,221)**	**$ (9,037,079)**

NOTE 7 — Tax Character of Distributions to Shareholders:

The Portfolio made no distributions during the six months ended June 30, 2008 and the year ended December 31, 2007 were as follows:

As of December 31, 2007, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	—
Undistributed long-term gain	—
Unrealized appreciation (depreciation)	$30,042,922

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 straddles, the tax treatment of premium/discount on debt securities, realization of unrealized appreciation of Passive Foreign Investment Companies and return of capital from Real Estate Investment Trust investments.

At December 31, 2007, the Portfolio, for federal income tax purposes, had capital loss carryforward of $52,924, which will expire in 2010. These amounts may be applied against future net realized gains until the earlier of their utilization or expiration.

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 Funds 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 Funds.

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 (which was later amended a second time) 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 "1940 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 Funds, 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.

Alger Management has informed the Fund that the class and derivative suits have been settled in principle, but such settlement is subject to court approval.

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, 2008 and ending June 30, 2008.

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, 2008	Ending Account Value June 30, 2008	Expenses Paid During the Period January 1, 2008 to June 30, 2008 (b)	Ratio of Expenses to Average Net Assets For the Six Months Ended June 30, 2008 (c)
Class O	Actual	$1,000.00	$ 867.50	$4.09	0.88%
	Hypothetical(a)	1,000.00	1,020.49	4.42	0.88
Class S	Actual	1,000.00	866.40	5.24	1.13
	Hypothetical(a)	1,000.00	1,019.24	5.67	1.13

(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 182/366 (to reflect the one-half year period).
(c) Annualized.

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.

Fund Holdings

The Portfolios' most recent month end portfolio holdings are available approximately sixty days after month end on the Fund's website at www.alger.com. The Portfolios also file their 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 SEC's website at www.sec.gov or 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.

CREDIT SUISSE

CREDIT SUISSE FUNDS

Semiannual Report

June 30, 2008
(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, 2008; 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.

August 6, 2008

Dear Shareholder:

For the six-month period ended June 30, 2008, Credit Suisse Trust — Emerging Markets Portfolio[1] (the "Portfolio") had a loss of -13.02%, versus a decrease of -11.64% for the Morgan Stanley Capital International Emerging Markets Free Index (MSCI EM).[2]

Market Review

The six-month period ended June 30, 2008, can only be called a painful one for emerging market equities.

After a volatile first quarter — in which global equity markets took their cue from the credit markets and the Fed rescue package for Bear Stearns — a brief rally in April gave way to accelerated declines in June. With crude oil prices rising to over US$140 per barrel and unhealthy headline inflation readings popping up across the globe, initial fears of recession have now coupled with concerns over rising inflation. The macro backdrop has produced a rise in risk aversion and the start of significant outflows from equities in general and emerging markets in particular.

The MSCI EM index fell 11.6% in the first half of 2008, following 33% annualized gains from 2003-2007. Additionally, Asia emerging markets (-22.8%), suffered the largest first half drop since 1992. The bright spots were Latin America (+8.0%), Middle East GCC (the Gulf Cooperative Council which includes Bahrain, Kuwait, Oman, Saudi Arabia and UAE) markets (+3.2% ex. Saudi), and commodity-related stocks.

Markets were also hit by an inflation spike across all emerging markets. In fact, inflation has become a particularly pressing risk for emerging markets for a number of reasons:

1. Oil and food generally command a higher portion of consumer price index (CPI) baskets within the developing world.
2. Several years of strong growth have boosted many emerging market economies above their longer-term growth potential, while commodity booms have produced inflationary pressures in many commodity producers.
3. Weak institutions and pro-growth policies have complicated the policy response, while linkages to the U.S. dollar through fixed or semi-managed exchange rates have exacerbated the difficulties of monetary and liquidity management.

Strategic Review and Outlook

For the period ended June 30, 2008, the Portfolio underperformed the index. Stock selection in Korea, South Africa and Israel detracted from performance. Conversely, underweights to India and China and an overweight to Brazil added to performance.

Our strategy in this environment is to retain relatively high levels of cash, while focusing on markets with more limited macroeconomic vulnerability, as well as stocks and sectors demonstrating less susceptibility to rising cost pressures. Our current overweights are Russia, Indonesia, Taiwan and Mexico. We have been underweight China and India based on valuations levels and rising macroeconomic risks, and underweight markets like South Africa and Turkey, where we see current account vulnerabilities.

Although a short-term trading rally would not be surprising after the heavy sell-off seen in the first six months of the year, we believe that emerging market equities will remain challenged by global factors — weakness in global financials, high risk aversion, and U.S. growth and inflation concerns — while inflationary concerns will continue to impact individual emerging economies. We also remain concerned about redemption-related selling, as fund outflows from the asset class appear to be accelerating. Having said this, we still retain a positive fundamental outlook for the asset class based on superior longer-term growth potential and structural change.

The Credit Suisse Emerging Markets Team

Neil Gregson
Annabel Betz
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, 2008[1]

1 Year	5 Years	10 Years	Since Inception	Inception Date
(1.09)%	25.32%	11.36%	10.29%	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.*

The annualized gross expense ratio is 1.25%. The annualized net expense ratio after fee waivers and/or expense reimbursements is 1.09%.

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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, 2008.

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 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, 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 for a $1,000 Investment for the six month period ended June 30, 2008

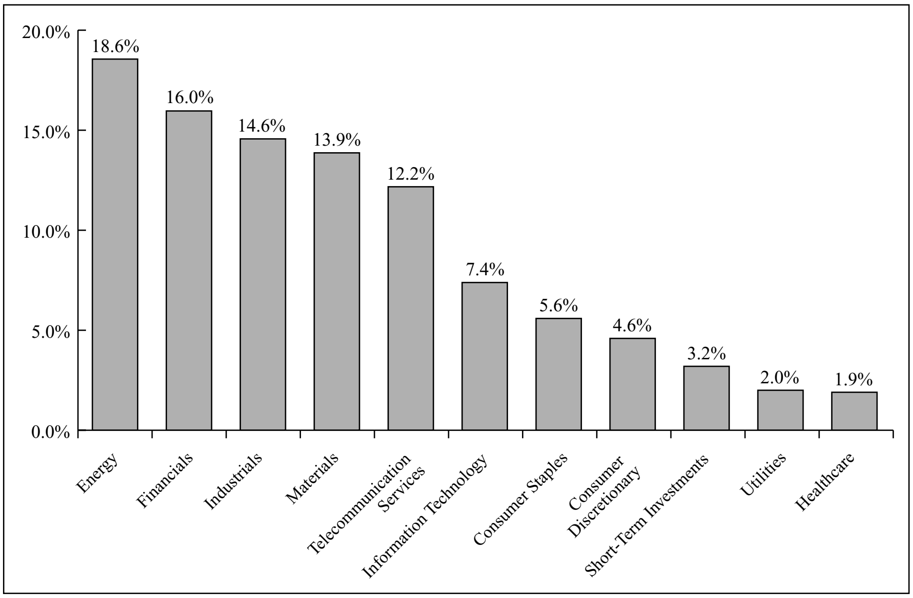
Actual Portfolio Return	
Beginning Account Value 1/1/08	$1,000.00
Ending Account Value 6/30/08	$ 869.80
Expenses Paid per $1,000*	$ 5.07
Hypothetical 5% Portfolio Return	
Beginning Account Value 1/1/08	$1,000.00
Ending Account Value 6/30/08	$1,019.44
Expenses Paid per $1,000*	$ 5.47
Annualized Expense Ratios*	1.09%

* *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 366.*

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, 2008 (unaudited)

	Number of Shares	Value
COMMON STOCKS (87.1%)		
Australia (0.4%)		
Banks (0.4%)		
Raiffeisen International Bank-Holding AG	4,200	$ 533,988
TOTAL AUSTRALIA		533,988
Austria (0.3%)		
Energy Equipment & Services (0.3%)		
C.A.T. oil AG*§	26,412	373,092
TOTAL AUSTRIA		373,092
Brazil (9.7%)		
Air Freight & Couriers (0.4%)		
Log-in Logistica Intermodal SA	80,000	603,584
Banks (0.7%)		
Unibanco - Uniao de Bancos Brasileiros SA GDR	7,900	1,002,747
Diversified Telecommunication Services (0.5%)		
Brasil Telecom Participacoes SA	22,559	751,730
Electric Utilities (1.1%)		
Companhia Energetica de Minas Gerais§	18,364	450,836
EDP - Energias do Brasil SA	22,000	441,245
Tractebel Energia SA	37,000	555,989
		1,448,070
Food Products (0.7%)		
Cosan SA Industria e Comercio	38,200	665,288
Perdigao SA	11,000	298,843
		964,131
Oil & Gas (3.2%)		
Petroleo Brasileiro SA - Petrobras ADR	75,800	4,392,610
Real Estate (0.9%)		
Cyrela Brazil Realty SA	36,000	501,125
PDG Realty SA Empreendimentos e Participacoes	48,300	695,119
		1,196,244
Specialty Retail (1.4%)		
B2W Compania Global do Varejo	16,000	590,405
Lojas Renner SA	28,400	569,250
Redecard SA	36,227	705,863
		1,865,518
Transportation Infrastructure (0.3%)		
Wilson Sons, Ltd. BDR	27,349	350,611
Wireless Telecommunication Services (0.5%)		
Global Village Telecom SA*	28,400	696,385
TOTAL BRAZIL		13,271,630

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
China (6.2%)		
Banks (1.8%)		
China Construction Bank Series H§	1,409,400	$ 1,137,245
Industrial & Commercial Bank of China Series H§	1,896,500	1,296,653
		2,433,898
Electrical Equipment (0.2%)		
Dongfang Electrical Machinery Company, Ltd. Series H§	74,000	217,353
Food Products (0.9%)		
Chaoda Modern Agriculture§	509,286	644,295
China Mengniu Dairy Company, Ltd.	191,000	540,684
		1,184,979
Hotels, Restaurants & Leisure (0.2%)		
Ctrip.com International Ltd. ADR§	7,500	343,350
Insurance (1.4%)		
China Life Insurance Company, Ltd. Series H§	332,100	1,156,985
Ping An Insurance Group Company, Ltd. Series H§	107,000	797,445
		1,954,430
Metals & Mining (0.5%)		
Yanzhou Coal Mining Company, Ltd. Series H§	375,082	699,278
Oil & Gas (0.9%)		
PetroChina Company, Ltd. Series H§	1,014,100	1,310,930
Personal Products (0.3%)		
Hengan International Group Company. Ltd.§	150,000	442,600
TOTAL CHINA		8,586,818
Colombia (0.3%)		
Diversified Financials (0.3%)		
Suramericana de Inversiones SA	57,200	470,794
TOTAL COLOMBIA		470,794
Czech Republic (0.4%)		
Electric Utilities (0.4%)		
CEZ	6,500	576,779
TOTAL CZECH REPUBLIC		576,779
Egypt (0.6%)		
Diversified Telecommunication Services (0.4%)		
Telecom Egypt	160,000	494,583
Wireless Telecommunication Services (0.2%)		
Orascom Telecom Holding S.A.E	25,000	325,049
TOTAL EGYPT		819,632
Hong Kong (4.5%)		
Oil & Gas (1.1%)		
CNOOC, Ltd.	873,500	1,516,280

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Hong Kong		
Real Estate (0.2%)		
China Resources Land, Ltd.	137,542	$ 190,984
Wireless Telecommunication Services (3.2%)		
China Mobile, Ltd.§	288,344	3,870,296
China Unicom, Ltd.§	300,000	556,781
		4,427,077
TOTAL HONG KONG		6,134,341
India (3.5%)		
Automobiles (0.3%)		
Mahindra & Mahindra, Ltd.	33,700	376,042
Chemicals (0.8%)		
Reliance Industries, Ltd.	23,010	1,115,240
Diversified Financials (1.5%)		
Morgan Stanley BV	5,400	2,121,277
Diversified Telecommunication Services (0.4%)		
Bharti Airtel, Ltd.*	30,574	513,861
Electrical Equipment (0.3%)		
Bharat Heavy Electricals, Ltd.	13,200	422,075
Industrial Conglomerates (0.2%)		
Grasim Industries, Ltd.*	5,929	256,029
TOTAL INDIA		4,804,524
Indonesia (2.0%)		
Construction Materials (0.5%)		
PT Indocement Tunggal Prakarsa Tbk	1,090,000	646,148
Industrial Conglomerates (0.5%)		
PT Bakrie & Brothers Tbk*	12,250,000	705,987
Machinery (0.3%)		
PT United Tractors Tbk	323,000	426,309
Metals & Mining (0.7%)		
Straits Resources, Ltd.	153,000	1,002,573
TOTAL INDONESIA		2,781,017
Israel (1.2%)		
Pharmaceuticals (1.2%)		
Teva Pharmaceutical Industries, Ltd. ADR	37,280	1,707,424
TOTAL ISRAEL		1,707,424
Kazakhstan (0.4%)		
Oil & Gas (0.4%)		
KazMunaiGas Exploration Production GDR	18,300	570,960
TOTAL KAZAKHSTAN		570,960

	Number of Shares	Value
COMMON STOCKS		
Kuwait (0.6%)		
Financial Services (0.6%)		
Global Investment House KSCC GDR*	40,200	$ 753,750
TOTAL KUWAIT		753,750
Malaysia (1.8%)		
Construction & Engineering (0.2%)		
WCT Engineering Berhad	280,000	262,433
Industrial Conglomerates (1.6%)		
IOI Corporation Berhad	489,075	1,117,258
Kumpulan Sime Darby Bhd	404,000	1,145,385
		2,262,643
TOTAL MALAYSIA		2,525,076
Mexico (6.2%)		
Beverages (0.6%)		
Fomento Economico Mexicano SAB de CV ADR	18,731	852,448
Construction Materials (0.7%)		
Cemex SA de CV ADR*§	41,708	1,030,188
Diversified Financials (0.4%)		
Grupo Financiero Banorte SAB de CV Series O§	130,000	611,913
Media (0.3%)		
Grupo Televisa SA ADR§	15,000	354,300
Metals & Mining (0.8%)		
Grupo Mexico SA de CV Series B	463,350	1,052,276
Multiline Retail (0.5%)		
Wal-Mart de Mexico SAB de CV ADR§	18,000	717,118
Real Estate (0.8%)		
Urbi Desarrollos Urbanos SA de CV*§	307,772	1,064,862
Transportation Infrastructure (0.3%)		
Grupo Aeroportuario del Pacifico SA de CV ADR	14,300	419,991
Wireless Telecommunication Services (1.8%)		
America Movil SAB de CV ADR Series L	33,074	1,744,654
America Movil SAB de CV Series L§	266,342	704,386
		2,449,040
TOTAL MEXICO		8,552,136
Netherlands (0.3%)		
Food & Drug Retailing (0.3%)		
X 5 Retail Group NV GDR*	13,000	435,778
TOTAL NETHERLANDS		435,778
Poland (1.1%)		
Banks (1.1%)		
Powszechna Kasa Oszczednosci Bank Polski SA	70,000	1,507,181
TOTAL POLAND		1,507,181

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Russia (14.5%)		
Banks (1.6%)		
Sberbank RF	712,000	$ 2,244,227
Electric Utilities (0.5%)		
RAO Unified Energy System of Russia	630,900	662,445
TGK-5 JSC*	5	0
		662,445
Food Products (0.2%)		
Uralkali GDR	4,500	324,651
Industrial Conglomerates (1.1%)		
Mining and Metallurgical Company Norilsk Nickel ADR	62,377	1,578,138
Metals & Mining (1.0%)		
Evraz Group SA GDR	11,500	1,339,750
Oil & Gas (7.8%)		
Eurasia Drilling Company Ltd. GDR*	27,000	700,650
Gazprom	433,914	6,312,581
Gazprom ADR*	15,700	906,970
Lukoil ADR	22,100	2,179,060
Rosneft Oil Co.*	54,000	626,400
		10,725,661
Pharmaceuticals (0.6%)		
Pharmstandard GDR*	29,000	798,950
Wireless Telecommunication Services (1.7%)		
Mobile Telesystems	103,000	1,184,209
OAO Vimpel Communications ADR	37,345	1,108,399
		2,292,608
TOTAL RUSSIA		19,966,430
Singapore (1.5%)		
Energy Equipment & Services (0.6%)		
First Resources, Ltd.*	916,120	768,822
Food Products (0.5%)		
Indofood Agri Resources, Ltd.*	378,000	710,112
Marine (0.4%)		
Cosco Corp. (Singapore), Ltd.§	266,699	630,218
TOTAL SINGAPORE		2,109,152
South Africa (5.6%)		
Banks (0.3%)		
FirstRand, Ltd.§	252,052	426,750
Construction & Engineering (0.8%)		
Group Five, Ltd.	63,300	361,944
Murray & Roberts Holdings, Ltd.§	70,600	781,254
		1,143,198

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
South Africa		
Construction Materials (0.5%)		
Pretoria Portland Cement Company, Ltd.	164,819	$ 601,775
Metals & Mining (2.2%)		
Anglo Platinum, Ltd.	5,200	865,000
Impala Platinum Holdings, Ltd.	40,700	1,599,863
Sentula Mining, Ltd.	290,000	497,416
		2,962,279
Oil & Gas (0.7%)		
Sasol	16,500	971,498
Wireless Telecommunication Services (1.1%)		
MTN Group, Ltd.	96,600	1,529,442
TOTAL SOUTH AFRICA		7,634,942
South Korea (11.2%)		
Auto Components (0.4%)		
Hyundai Mobis	6,200	501,868
Banks (1.1%)		
Kookmin Bank	14,010	823,401
Shinhan Financial Group Company, Ltd.	15,396	693,455
		1,516,856
Beverages (0.5%)		
Hite Brewery Company, Ltd.	6,100	676,195
Construction & Engineering (1.3%)		
Daelim Industrial Co.	5,600	572,282
Doosan Heavy Industries and Construction Company, Ltd.§	6,200	585,940
Hyundai Development Co.	13,760	696,689
		1,854,911
Household Durables (0.5%)		
Woongjin Coway Company, Ltd.	25,000	732,991
Machinery (1.7%)		
Daewoo Shipbuilding & Marine Engineering Company, Ltd.	25,000	976,006
Hyundai Heavy Industries Company, Ltd.	2,250	695,729
Pyeong San Company, Ltd.§	13,500	638,032
		2,309,767
Metals & Mining (1.3%)		
POSCO ADR	13,900	1,803,942
Multiline Retail (0.8%)		
Hyundai Department Store Company, Ltd.	5,829	471,416
Shinsegae Company, Ltd.	1,150	618,484
		1,089,900
Semiconductor Equipment & Products (2.5%)		
Samsung Electronics Company, Ltd.	5,811	3,471,712

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
South Korea		
Tobacco (0.5%)		
KT&G Corp.	7,600	$ 654,257
Wireless Telecommunication Services (0.6%)		
SK Telecom Company, Ltd.	4,500	815,371
TOTAL SOUTH KOREA		15,427,770
Taiwan (10.7%)		
Banks (0.5%)		
Chinatrust Financial Holding Company, Ltd.*	730,000	704,173
Chemicals (0.5%)		
Taiwan Fertilizer Company, Ltd.	169,000	633,584
Communications Equipment (0.6%)		
D-Link Corp.	400,000	538,368
Zyxel Communications Corp.	415,000	346,029
		884,397
Computers & Peripherals (0.6%)		
Asustek Computer, Inc.	170,000	461,752
Foxconn Technology Company, Ltd.	72,000	332,839
		794,591
Construction Materials (0.7%)		
Asia Cement Corp.	610,908	913,325
Diversified Financials (0.7%)		
First Financial Holding Company, Ltd.	390,000	427,493
Yuanta Financial Holdings Company, Ltd.*	860,900	601,774
		1,029,267
Diversified Telecommunication Services (0.6%)		
Chunghwa Telecom Company, Ltd.	320,000	823,499
Electronic Equipment & Instruments (1.4%)		
Catcher Technology Company, Ltd.	100,000	284,202
Hon Hai Precision Industry Company, Ltd.	256,395	1,260,846
InnoLux Display Corp.	184,227	329,384
		1,874,432
Food Products (0.5%)		
Uni-President Enterprises Corp.	536,770	643,949
Industrial Conglomerates (0.6%)		
Far Eastern Textile, Ltd.	432,000	561,782
Tatung Company, Ltd.*	850,000	342,245
		904,027
Insurance (0.4%)		
Cathay Financial Holding Company, Ltd.	284,043	617,045
Marine (0.2%)		
Wan Hai Lines Ltd.	390,000	300,370

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Taiwan		
Metals & Mining (0.8%)		
China Steel Corp.	690,559	$ 1,064,527
Multiline Retail (0.2%)		
Far Eastern Department Stores Company, Ltd.	205,000	217,745
Real Estate (0.2%)		
Cathay Real Estate Development Company, Ltd.	610,000	340,113
Semiconductor Equipment & Products (2.2%)		
MediaTek, Inc.	54,000	621,655
Taiwan Semiconductor Manufacturing Company, Ltd.*	1,113,596	2,366,233
		2,987,888
TOTAL TAIWAN		14,732,932
Thailand (3.4%)		
Banks (0.7%)		
Bangkok Bank Public Company, Ltd.	108,000	388,110
Kasikornbank Public Company, Ltd.	295,000	635,861
		1,023,971
Construction & Engineering (0.7%)		
Italian - Thai Development Public Company, Ltd.	3,500,000	604,557
Land and Houses Public Company, Ltd	1,500,000	332,853
		937,410
Marine (0.2%)		
Thoresen Thai Agencies Public Company Ltd.	188,000	230,537
Metals & Mining (0.6%)		
Banpu Public Company, Ltd.	51,000	806,624
Oil & Gas (0.7%)		
PTT Exploration & Production PCL	160,000	923,583
Wireless Telecommunication Services (0.5%)		
Advanced Info Service Public Company, Ltd.	260,000	695,977
TOTAL THAILAND		4,618,102
Turkey (0.7%)		
Banks (0.3%)		
Turkiye Is Bankasi Series C	112,000	367,181
Commercial Services & Supplies (0.4%)		
TAV Havalimanlari Holding AS*	83,250	555,694
TOTAL TURKEY		922,875
TOTAL COMMON STOCKS (Cost $91,756,160)		119,817,123

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Emerging Markets Portfolio
Schedule of Investments (continued)
June 30, 2008 (unaudited)

	Number of Shares	Value
PREFERRED STOCKS (7.9%)		
Brazil (7.9%)		
Banks (0.9%)		
Banco Itau Holding Financeira SA	62,625	$ 1,283,606
Beverages (0.5%)		
Companhia de Bebidas das Americas ADR§	10,200	646,170
Diversified Telecommunication Services (0.5%)		
Telemar Norte Leste SA Class A	11,100	614,146
Industrial Conglomerates (0.6%)		
Bradespar SA	30,100	829,477
Metals & Mining (2.2%)		
Companhia Vale do Rio Doce ADR	103,300	3,082,472
Oil & Gas (2.6%)		
Petroleo Brasileiro SA - Petrobras ADR	50,600	3,583,998
Road & Rail (0.6%)		
All America Latina Logistica	58,000	752,304
TOTAL PREFERRED STOCKS (Cost $2,830,061)		10,792,173
SHORT-TERM INVESTMENTS (14.9%)		
State Street Navigator Prime Portfolio§§	16,256,141	16,256,141
	Par (000)	
State Street Bank and Trust Co. Euro Time Deposit, 0.850%, 07/01/08	$4,242	4,242,000
TOTAL SHORT-TERM INVESTMENTS (Cost $20,498,141)		20,498,141
TOTAL INVESTMENTS AT VALUE (109.9%) (Cost $115,084,362)		151,107,437
LIABILITIES IN EXCESS OF OTHER ASSETS (-9.9%)		(13,603,367)
NET ASSETS (100.0%)		$137,504,070

INVESTMENT ABBREVIATIONS

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

* 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 — Emerging Markets Portfolio
Statement of Assets and Liabilities
June 30, 2008 (unaudited)

Assets	
Investments at value, including collateral for securities on loan of $16,256,141 (Cost $115,084,362) (Note 2)	$151,107,437[1]
Cash	558
Foreign currency at value (cost $964,676)	959,403
Receivable for investments sold	2,316,986
Dividend and interest receivable	366,183
Receivable for portfolio shares sold	84,780
Prepaid expenses and other assets	17,806
Total Assets	154,853,153
Liabilities	
Advisory fee payable (Note 3)	125,661
Administrative services fee payable (Note 3)	7,060
Payable upon return of securities loaned (Note 2)	16,256,141
Payable for investments purchased	705,608
Payable for portfolio shares redeemed	175,841
Deferred foreign tax liability (Note 2)	45,198
Trustees' fee payable	9,091
Other accrued expenses payable	24,483
Total Liabilities	17,349,083
Net Assets	
Capital stock, $.001 par value (Note 6)	6,704
Paid-in capital (Note 6)	31,115,542
Undistributed net investment income	1,918,555
Accumulated net realized gain from investments and foreign currency transactions	68,492,297
Net unrealized appreciation from investments and foreign currency translations	35,970,972
Net Assets	$137,504,070
Shares outstanding	6,704,084
Net asset value, offering price, and redemption price per share	$20.51

[1] Including $15,454,644 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, 2008 (unaudited)

Investment Income (Note 2)	
Dividends	$ 1,552,589
Interest	23,329
Securities lending	93,840
Foreign taxes withheld	(147,103)
Total investment income	1,522,655
Expenses	
Investment advisory fees (Note 3)	694,863
Administrative services fees (Note 3)	87,769
Custodian fees	75,521
Interest expense (Note 4)	17,240
Audit and tax fees	16,782
Trustees' fees	13,111
Legal fees	6,481
Transfer agent fees	4,499
Commitment fees (Note 4)	2,887
Insurance expense	2,020
Miscellaneous expense	5,071
Total expenses	926,244
Less: fees waived (Note 3)	(121,011)
Net expenses	805,233
Net investment income	717,422
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items	
Net realized gain from investments (net of Foreign Capital Gain Tax $93,804)	11,740,863
Net realized loss from foreign currency transactions	(65,509)
Net change in unrealized appreciation (depreciation) from investments	(35,405,635)
Net change in unrealized appreciation (depreciation) from foreign currency translations	50,665
Net realized and unrealized loss from investments and foreign currency related items	(23,679,616)
Net decrease in net assets resulting from operations	$(22,962,194)

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, 2008 (unaudited)	For the Year Ended December 31, 2007
From Operations		
Net investment income	$ 717,422	$ 1,789,326
Net realized gain from investments and foreign currency transactions	11,675,354	57,537,557
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	(35,354,970)	(14,030,363)
Net increase (decrease) in net assets resulting from operations	(22,962,194)	45,296,520
From Dividends and Distributions		
Dividends from net investment income	—	(2,363,281)
Distributions from net realized gains	—	(24,399,983)
Net decrease in net assets resulting from dividends and distributions	—	(26,763,264)
From Capital Share Transactions (Note 6)		
Proceeds from sale of shares	14,816,455	40,554,090
Reinvestment of dividends and distributions	—	26,763,264
Net asset value of shares redeemed	(34,166,845)	(148,352,555)
Net decrease in net assets from capital share transactions	(19,350,390)	(81,035,201)
Net decrease in net assets	(42,312,584)	(62,501,945)
Net Assets		
Beginning of period	179,816,654	242,318,599
End of period	$137,504,070	$ 179,816,654
Undistributed net investment income	$ 1,918,555	$ 1,201,133

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, 2008 (unaudited)	For the Year Ended December 31,				
		2007	2006	2005	2004	2003
Per share data						
Net asset value, beginning of period	$ 23.58	$ 21.85	$ 16.82	$ 13.25	$ 10.63	$ 7.44
INVESTMENT OPERATIONS						
Net investment income	0.10	0.37	0.21	0.14	0.12	0.07
Net gain (loss) on investments and foreign currency related items (both realized and unrealized)	(3.17)	5.58	5.19	3.53	2.53	3.12
Total from investment operations	(3.07)	5.95	5.40	3.67	2.65	3.19
LESS DIVIDENDS AND DISTRIBUTIONS						
Dividends from net investment income	—	(0.37)	(0.11)	(0.10)	(0.03)	—
Distributions from net realized gains	—	(3.85)	(0.26)	—	—	—
Total dividends and distributions	—	(4.22)	(0.37)	(0.10)	(0.03)	—
Net asset value, end of period	$ 20.51	$ 23.58	$ 21.85	$ 16.82	$ 13.25	$ 10.63
Total return[1]	(13.02)%	29.44%	32.51%	27.84%	25.02%	42.88%
RATIOS AND SUPPLEMENTAL DATA						
Net assets, end of period (000s omitted)	$137,504	$179,817	$242,319	$186,190	$115,224	$73,782
Ratio of expenses to average net assets	1.09%[2]	1.30%	1.36%	1.40%	1.40%	1.40%
Ratio of net investment income to average net assets	0.98%[2]	0.94%	1.11%	1.11%	1.21%	0.94%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.16%[2]	0.15%	0.23%	0.25%	0.29%	0.41%
Portfolio turnover rate	34%	62%	80%	77%	121%	167%

[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 (the "1940 Act"), 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, 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.

Note 2. Significant Accounting Policies

The Portfolio adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Portfolio would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- Level 1 — quoted prices in active markets for identical investments
- Level 2 — other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's investments carried at value:

Valuation Inputs	Investments in Securities	Other Financial Instruments*
Level 1 — Quoted Prices	$ 67,683,423	$ —
Level 2 — Other Significant Observable Inputs	83,424,014	—
Level 3 — Significant Unobservable Inputs	—	—
Total	$151,107,437	$ —

* Other financial instruments include futures, forwards and swap contracts.

Note 2. Significant Accounting Policies

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.

During June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation 48 ("FIN 48" or the "Interpretation"), *Accounting for Uncertainty in Income Taxes — an interpretation of FASB statement 109.* The Portfolio has reviewed its' current tax positions and has determined that no provision for income tax is required in the Portfolio's financial statements. The

Note 2. Significant Accounting Policies

Portfolio's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

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 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, 2008, 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.

Note 2. Significant Accounting Policies

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, 2008, total earnings from the Portfolio's investment in cash collateral received in connection with securities lending arrangements was $273,848, of which $156,459 was rebated to borrowers (brokers). The Portfolio retained $93,840 in income from the cash collateral investment, and SSB, as lending agent, was paid $23,549. 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 performance measurement period will generally be 36 months. During the period from October 1, 2006 through September 30, 2007, only the Base Fee applied to the Portfolio. The fee adjustment went 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 and Performance Adjustment are calculated and accrued 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.

Note 3. Transactions with Affiliates and Related Parties

	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, 2008, investment advisory fees earned and voluntarily waived were $882,948 and $121,011, respectively, less a performance fee adjustment of $188,085. Fee waivers and reimbursements are voluntary and may be discontinued by Credit Suisse at anytime.

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, 2008, co-administrative services fees earned by CSAMSI were $66,221.

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, 2008, co-administrative services fees earned by SSB (including out-of-pocket expenses) were $21,548.

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, 2008, Merrill was paid $8,474 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%. Effective June 2008, Deutsche Bank, A.G. no longer serves as administrative agent and syndication agent to the credit facility. At June 30, 2008, the Portfolio had no loans outstanding under the Credit Facility. During the six months ended June 30, 2008, the Portfolio had borrowings under the Credit Facility as follows:

Average Daily Loan Balance	Weighted Average Interest Rate %	Maximum Daily Loan Outstanding
$10,329,071	4.292%	$14,314,000

Note 5. Purchases and Sales of Securities

For the six months ended June 30, 2008, purchases and sales of investment securities (excluding short-term investments) were $49,312,406 and $72,360,935, respectively.

At June 30, 2008, 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 $115,084,362, $43,601,948, $(7,578,873) and $36,023,075, 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, 2008 (unaudited)	For the Year Ended December 31, 2007
Shares sold	681,187	1,735,883
Shares issued in reinvestment of dividends and distributions	—	1,264,207
Shares redeemed	(1,604,010)	(6,461,658)
Net decrease	(922,823)	(3,461,568)

Note 6. Capital Share Transactions

On June 30, 2008, 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
3	93%

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 March 2008, FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("FAS 161"), an amendment of FASB Statement No. 133. FAS 161 requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and hedging activities are accounted for, and (c) how derivative instruments and related hedging activities affect a fund's financial position, financial performance, and cash flows. Management of the Portfolio does not believe the adoption of FAS 161 will materially impact the financial statement amounts, but will require additional disclosures. This will include qualitative and quantitative disclosures on derivative positions existing at period end and the effect of using derivatives during the reporting period. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008.

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, email 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 May 13, 2008.

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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P.O. Box 55030, Boston, MA 02205-5030
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CREDIT SUISSE ASSET MANAGEMENT SECURITIES, INC., DISTRIBUTOR. TREMK-SAR-0608

CREDIT SUISSE

CREDIT SUISSE FUNDS

Semiannual Report

June 30, 2008
(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, 2008; 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, 2008 (unaudited)

August 8, 2008

Dear Shareholder:

For the six months ended June 30, 2008, Credit Suisse Trust — Global Small Cap Portfolio[1] (the "Portfolio") had a loss of -7.03%, versus a loss of -9.87% for the Morgan Stanley Capital International World Small Cap Index.[2]

Market Review: A tough period for consumers

The six-month period ended June 30, 2008, was a volatile one for equity markets.

Internationally, the main drivers of negative equity market performance have been the freezing up of the credit markets. This has had far reaching consequences in the United States and around the world. The risk premium demanded by investors has increased worldwide, and emerging markets have suffered the most — falling as much as 40% in some geographic regions.

At the beginning of the year, investors struggled with the impact of a declining housing market in the United States, the emergence of a housing market slowdown across the United Kingdom and Europe, and the effect of these developments on global growth. Worries soon spread to the rest of the global economy, and we have since seen material negative revisions in growth expectations across geographies. This seems unlikely to abate as we are now entering a low growth, high interest rate, high inflation period where the risks for central bank policies are magnified. However, the news is not all negative. In fact, valuations using midcycle returns have priced in much of the bad news and are now becoming attractive.

Financial companies have made many headlines in the past six months, and most of them are negative. And European banks have potentially worse problems than those in the United States as leverage is greater, return on equity has further to decline, and the yield curve is inverted. Consequently, the ability to reliquify bank balance sheets is very low.

Domestically, there have also been many drivers of negative equity market performance. On June 25, the Federal Reserve left its benchmark interest rate at 2%, ending the most aggressive series of rate cuts in two decades. The cuts began at an unscheduled meeting on January 22, when the Fed cut rates 75 basis points. They cut an additional 50 bps at the end of January, and 75 basis points at the March meeting (in an 8-2 vote) to bring the rate down to 2.25%. The Fed also lowered the discount rate 75 bps to 2.5%.

In April, the S&P/Case-Shiller Home Price Index reported a 15.3% drop from a year earlier. This was after a 14.3% decline in March. Home prices in 20 U.S. metropolitan areas fell in April by the highest percentage on record. All 20 cities in the index showed a year-over-year decrease in prices for April. However, eight of the cities showed an increase in month-over-month home prices.

Beginning in mid-July, the Federal Housing Administration will begin an expanded effort to help a larger group of troubled homeowners refinance their adjustable mortgages. Under the plan, homeowners would be eligible to refinance even if they have missed up to three monthly mortgage payments over the previous 12 months.

Nonfarm payrolls fell 62,000 in June, while the unemployment rate held at 5.5%. Employment continued to fall in construction, manufacturing, and employment services, while healthcare and mining added jobs. In May, the Consumer Price Index rose 4.2% — the average for the past decade was 2.7%.

The Conference Board's U.S. consumer confidence index fell to 50.4 in June — the lowest level in more than 16 years (since February 1992) — from a revised 58.1 in May. The report also showed that Americans forecast inflation to be 3.4% for the next five years, matching May's reading as the highest since 1995.

Additionally, crude oil futures grew approximately 40% in Q2 2008, causing a strain on household spending.

Strategic Review and Outlook: Expect continued volatility in the near term

For the six-month period, the Portfolio outperformed the benchmark. The largest contributors to relative performance came primarily from stock selection within the materials, consumer staples, and industrial sectors. The largest detractors to relative performance, however, came from stock selection in the financial, telecomm services, and healthcare sectors.

As of June 30, 2008, the Portfolio's largest overweights were in the energy (+2.84%), and healthcare (+2.30%) sectors, while the largest underweights were in the information technology (-3.52%) and consumer discretionary (-2.66%) sectors. Additionally, we were underweight risk-premium factors. This helped in the current market environment as it's been driven by recession and inflation fears.

Domestically, in regard to growth, the Federal Reserve believes that the substantial easing thus far, in combination with ongoing measures to foster market liquidity, should help to promote moderate growth over time and to mitigate the risks to economic activity. The Fed believes that the U.S. will grow "appreciably" below trend in 2008, and has therefore revised its economic outlooks. For 2008, the real gross domestic product (GDP) forecast was revised up from 0.3 – 1.2% in April's forecast to 1.0 – 1.6%. Despite the recent sharp increase to 5.5% in the unemployment rate, the projection for 2008 was unchanged at 5.5 – 5.7%. Not surprisingly, the headline personal consumption expenditures (PCE) price index's inflation forecast for 2008 was revised up to 3.8 – 4.2%, reflecting the continued rise in commodity prices. However, the projection for PCE core inflation remained unchanged at 2.2 – 2.4%. Inflation forecasts for 2009 and 2010 saw only minor changes.

Wall Street analysts are divided on how higher energy costs may affect growth. The nearly 40% rise in oil prices this year absorbs more consumer dollars, pulling spending away from other goods and services. And, despite the federal government's $70.8 billion injection into the economy through tax rebates, this may add momentum to price increases. In addition, analysts believe that household spending will again ease after the tax rebates are spent.

On July 8, 2008, Federal Reserve Chairman, Ben Bernanke announced that the Fed may extend securities dealers' access to direct loans from the central bank into 2009 as long as emergency conditions continue to prevail. Bernanke also endorsed proposals to set up a federal liquidation process for failing investment banks.

The Fed remains concerned that the declining housing market will not reach its bottom, and that financial markets will not become more stable before some time next year. Additionally, they believe that the economy could continue to suffer as a result of declining consumer confidence, a sluggish global economy, and the widespread effects of the rapid jump in oil prices.

The survival of the two largest mortgage finance companies, Fannie Mae and Freddie Mac, has been questioned and will remain a topic of concern for the next months. The Federal Reserve said it would make one of its short-term lending programs available to the two companies. An official said that the Fed's decision to permit the companies to borrow from its so-called discount window was approved at the request of the Treasury, but that it was temporary and would probably end once Congress approves the Treasury's new plan. Some officials briefed on the plan said Congress could be asked to extend the total line of credit to these institutions up to $300 billion.

Internationally, the Portfolio has very little emerging market exposure, and is positioned to gain from higher structural inflation, which we believe will remain the key focus for international investors going forward. The Portfolio is investing in companies that have both a superior ability to pass on costs to their customers and a low elasticity of demand. We will continue to look for high quality companies with large barriers to entry benefiting from global themes. Domestically, although we expect the market to remain volatile in the short term, we are comfortable with our balanced investment process going forward.

On or about October 15, 2008, the investment strategy used for the U.S. equity portion of the portfolio's assets will change to an actively managed approach from a quantitative approach. After that date, U.S. equity securities for the portfolio will be selected through a fundamental analysis approach which seeks to identify through a bottom-up investment approach fundamentally strong companies trading at a discount to their projected growth rates or intrinsic asset values. The portfolio manager may sell securities to realize profits, limit losses or take advantage of better investment opportunities. The portfolio will still maintain a policy of investing at least (i) 80% of its net assets, plus any borrowings for investment purposes, in equity securities of small companies from a broad range of countries, including the U.S., and (ii) 30% of its assets in companies located or conducting a majority of their business outside the U.S. Also, the portion of the portfolio's net assets that may be invested in issuers in emerging markets has been increased from 20% to 35%.

Sincerely,

Jordan Low
Robert Graham-Brown

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, 2008[1]

1 Year	5 Years	10 Years	Since Inception	Inception Date
(16.20)%	11.52%	1.83%	3.51%	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.*

The annualized gross expense ratio is 1.65%. The annualized net expense ratio after fee waivers and/or expense reimbursements is 1.00%.

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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 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, 2008.

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 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, 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 for a $1,000 Investment
for the six month period ended June 30, 2008

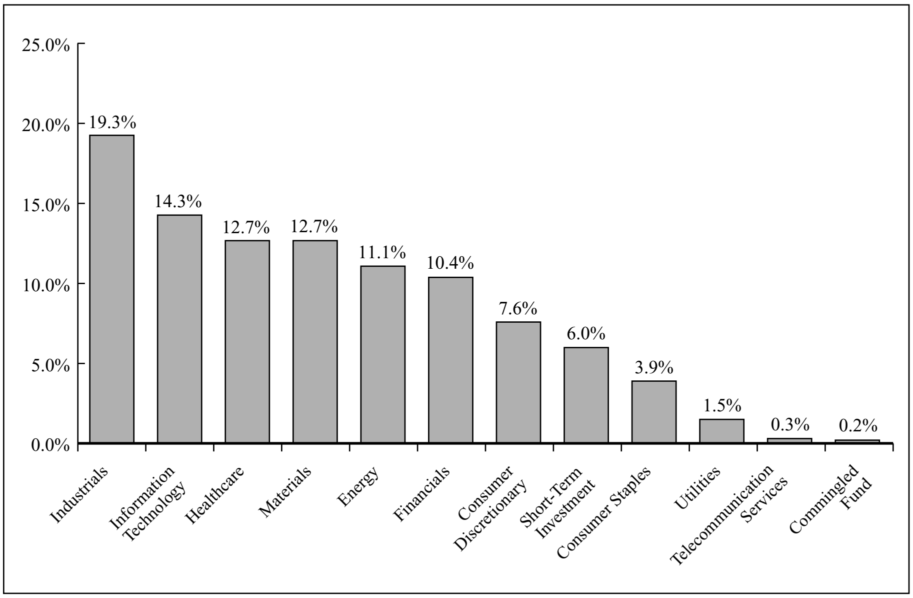
Actual Portfolio Return	
Beginning Account Value 1/1/08	$1,000.00
Ending Account Value 6/30/08	$ 929.70
Expenses Paid per $1,000*	$ 4.80
Hypothetical 5% Portfolio Return	
Beginning Account Value 1/1/08	$1,000.00
Ending Account Value 6/30/08	$1,019.89
Expenses Paid per $1,000*	$ 5.02
Annualized Expense Ratios*	1.00%

* *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 366.*

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, 2008 (unaudited)

	Number of Shares	Value
COMMON STOCKS (93.5%)		
Australia (2.1%)		
Construction & Engineering (2.1%)		
Ausenco, Ltd.	96,116	$ 1,404,332
TOTAL AUSTRALIA		1,404,332
Austria (1.1%)		
Pharmaceuticals (1.1%)		
Intercell AG*	15,237	752,367
TOTAL AUSTRIA		752,367
Belgium (2.6%)		
Metals & Mining (2.6%)		
Umicore	35,290	1,736,897
TOTAL BELGIUM		1,736,897
Bermuda (0.7%)		
Airlines (0.0%)		
Aircastle, Ltd.§	300	2,523
Commercial Services & Supplies (0.0%)		
VistaPrint, Ltd.*§	300	8,028
Diversified Financials (0.0%)		
MF Global, Ltd.*§	1,600	10,096
Hotels, Restaurants & Leisure (0.0%)		
Orient-Express Hotels, Ltd. Class A§	300	13,032
Household Durables (0.0%)		
Helen of Troy, Ltd.*	100	1,612
Insurance (0.6%)		
Allied World Assurance Holdings, Ltd.	1,200	47,544
Arch Capital Group, Ltd.*	1,200	79,584
Argo Group International Holdings, Ltd.*	1,000	33,560
Aspen Insurance Holdings, Ltd.	2,600	61,542
Assured Guaranty, Ltd.§	500	8,995
Endurance Specialty Holdings, Ltd.§	1,400	43,106
Flagstone Reinsurance Holdings Ltd.	100	1,179
IPC Holdings, Ltd.	1,700	45,135
Max Capital Group, Ltd.§	1,400	29,862
Montpelier Re Holdings, Ltd.§	800	11,800
Platinum Underwriters Holdings, Ltd.§	1,400	45,654
		407,961
Marine (0.1%)		
TBS International, Ltd. Class A*§	1,000	39,950
Pharmaceuticals (0.0%)		
Warner Chilcott, Ltd. Class A*§	900	15,255
TOTAL BERMUDA		498,457

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Schedule of Investments (continued)
June 30, 2008 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
British Virgin Islands (0.0%)		
Air Freight & Couriers (0.0%)		
UTI Worldwide, Inc.§	800	$ 15,960
TOTAL BRITISH VIRGIN ISLANDS		15,960
Canada (0.0%)		
Machinery (0.0%)		
GSI Group, Inc.*	100	776
Media (0.0%)		
Lions Gate Entertainment Corp.*§	1,200	12,432
TOTAL CANADA		13,208
Cayman Islands (0.2%)		
Food Products (0.1%)		
Fresh Del Monte Produce, Inc.*§	1,400	32,998
Internet Software & Services (0.1%)		
SINA Corp.*§	1,900	80,845
TOTAL CAYMAN ISLANDS		113,843
China (0.7%)		
Communications Equipment (0.7%)		
ZTE Corp. Series H	95,019	457,234
TOTAL CHINA		457,234
Finland (1.5%)		
Auto Components (1.5%)		
Nokian Renkaat Oyj	21,893	1,039,152
TOTAL FINLAND		1,039,152
France (3.0%)		
Software (3.0%)		
UbiSoft Entertainment SA*	23,191	2,029,510
TOTAL FRANCE		2,029,510
Germany (3.5%)		
Electrical Equipment (2.1%)		
SGL Carbon AG*	20,695	1,451,794
Internet Software & Services (1.4%)		
Wirecard AG*	71,630	918,797
TOTAL GERMANY		2,370,591
Gibraltar (1.2%)		
Hotels, Restaurants & Leisure (1.2%)		
888 Holdings PLC	285,983	813,668
TOTAL GIBRALTAR		813,668

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Schedule of Investments (continued)
June 30, 2008 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
Luxembourg (1.4%)		
Specialty Retail (1.4%)		
Oriflame Cosmetics SA	14,686	$ 939,604
TOTAL LUXEMBOURG		939,604
Netherlands (5.2%)		
Electronic Equipment & Instruments (2.4%)		
Gemalto NV*	45,167	1,639,991
Energy Equipment & Services (0.2%)		
Core Laboratories NV*§	700	99,645
Transportation Infrastructure (2.6%)		
Koninklijke Boskalis Westminster NV	33,847	1,800,911
TOTAL NETHERLANDS		3,540,547
Netherlands Antilles (0.0%)		
Energy Equipment & Services (0.0%)		
Schlumberger, Ltd.	300	32,229
TOTAL NETHERLANDS ANTILLES		32,229
Norway (1.7%)		
Energy Equipment & Services (1.7%)		
Sevan Marine ASA*	93,558	1,164,167
TOTAL NORWAY		1,164,167
Panama (0.0%)		
Energy Equipment & Services (0.0%)		
Willbros Group, Inc.*§	200	8,762
TOTAL PANAMA		8,762
Puerto Rico (0.1%)		
Banks (0.1%)		
First Bancorp.§	1,100	6,974
Popular, Inc.§	3,200	21,088
Santander Bancorp§	2,100	22,281
TOTAL PUERTO RICO		50,343
Russia (4.6%)		
Food Products (1.9%)		
Wimm-Bill-Dann Foods ADR*	12,157	1,279,160
Pharmaceuticals (2.7%)		
Pharmstandard Reg S GDR*	66,391	1,829,072
TOTAL RUSSIA		3,108,232
Singapore (0.0%)		
Semiconductor Equipment & Products (0.0%)		
Verigy, Ltd.*	400	9,084
TOTAL SINGAPORE		9,084

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
Spain (2.4%)		
Biotechnology (2.4%)		
Grifols SA	52,076	$ 1,659,785
TOTAL SPAIN		1,659,785
United Kingdom (7.1%)		
Commercial Services & Supplies (1.8%)		
Serco Group PLC	137,158	1,216,090
Industrial Conglomerates (2.1%)		
Intertek Group PLC	73,500	1,438,458
Oil & Gas (2.6%)		
Petrofac Ltd.	118,048	1,728,374
Road & Rail (0.6%)		
Arriva PLC	31,647	429,411
TOTAL UNITED KINGDOM		4,812,333
United States (54.4%)		
Aerospace & Defense (0.4%)		
Cubic Corp.§	2,400	53,472
Curtiss-Wright Corp.§	600	26,844
DRS Technologies, Inc.§	600	47,232
GenCorp, Inc.*	200	1,432
General Dynamics Corp.	300	25,260
Northrop Grumman Corp.	300	20,070
The Boeing Co.	300	19,716
United Technologies Corp.	1,300	80,210
		274,236
Air Freight & Couriers (0.2%)		
Hub Group, Inc. Class A*§	1,500	51,195
Ryder System, Inc.§	700	48,216
United Parcel Service, Inc. Class B	200	12,294
		111,705
Airlines (0.0%)		
AMR Corp.*§	200	1,024
Continental Airlines, Inc. Class B*§	1,300	13,143
JetBlue Airways Corp.*§	100	373
Republic Airways Holdings, Inc.*§	700	6,062
		20,602
Auto Components (0.3%)		
American Axle & Manufacturing Holdings, Inc.§	1,051	8,398
ATC Technology Corp.*	1,700	39,576
Autoliv, Inc.§	800	37,296
Cooper Tire & Rubber Co.§	3,600	28,224
Federal Signal Corp.§	300	3,600
Lear Corp.*§	1,300	18,434

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Auto Components		
LKQ Corp.*§	1,344	$ 24,286
Modine Manufacturing Co.§	100	1,237
Spartan Motors, Inc.	100	747
Visteon Corp.*§	1,000	2,630
WABCO Holdings, Inc.§	500	23,230
		187,658
Automobiles (0.0%)		
Avis Budget Group, Inc.*§	600	5,022
Thor Industries, Inc.§	200	4,252
Winnebago Industries, Inc.§	100	1,019
		10,293
Banks (2.4%)		
AMCORE Financial, Inc.§	1,422	8,049
BancFirst Corp.§	700	29,960
Bank of Hawaii Corp.§	700	33,460
Beneficial Mutual Bancorp, Inc.*§	100	1,107
BOK Financial Corp.§	18,494	988,504
Boston Private Financial Holdings, Inc.§	100	567
Cathay General Bancorp§	1,900	20,653
Central Pacific Financial Corp.§	1,900	20,254
Chemical Financial Corp.§	1,300	26,520
Citizens Republic Bancorp, Inc.§	1,300	3,666
City Holding Co.	100	4,077
Community Trust Bancorp, Inc.§	500	13,130
Corus Bankshares, Inc.§	100	416
East West Bancorp, Inc.§	3,400	24,004
F.N.B. Corp.§	800	9,424
First Commonwealth Financial Corp.§	500	4,665
First Financial Bancorp.	100	920
First Niagara Financial Group, Inc.§	3,600	46,296
Flagstar Bancorp, Inc.§	100	301
Frontier Financial Corp.§	2,200	18,744
Hancock Holding Co.§	400	15,716
Hanmi Financial Corp.§	5,000	26,050
Harleysville National Corp.	100	1,116
Hudson City Bancorp, Inc.	100	1,668
NBT Bancorp, Inc.§	100	2,061
PacWest Bancorp§	1,600	23,808
Park National Corp.§	200	10,780
PrivateBancorp, Inc.	100	3,038
Prosperity Bancshares, Inc.§	1,600	42,768
Provident Bankshares Corp.§	500	3,190
Provident New York Bancorp§	100	1,106
Sterling Bancshares, Inc.§	600	5,454

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Banks		
Sterling Financial Corp.§	1,100	$ 4,554
SVB Financial Group*§	1,800	86,598
Synovus Financial Corp.§	3,800	33,174
The Colonial BancGroup, Inc.§	1,700	7,514
The South Financial Group, Inc.§	1,000	3,920
TrustCo Bank Corp NY§	500	3,710
UCBH Holdings, Inc.§	800	1,800
Umpqua Holdings Corp.§	500	6,065
United Community Banks, Inc.§	600	5,118
Valley National Bancorp§	1,100	17,347
Washington Federal, Inc.§	3,100	56,110
Webster Financial Corp.§	1,900	35,340
Westamerica BanCorporation§	100	5,259
		1,657,981
Beverages (0.2%)		
Boston Beer Company, Inc. Class A*§	1,100	44,748
The Coca-Cola Co.	1,400	72,772
The Pepsi Bottling Group, Inc.	500	13,960
		131,480
Biotechnology (1.1%)		
Alkermes, Inc.*§	1,600	19,776
Allos Therapeutics, Inc.*	100	691
Arena Pharmaceuticals, Inc.*§	200	1,038
BioMarin Pharmaceutical, Inc.*§	3,800	110,124
Celgene Corp.*	787	50,266
Cell Genesys, Inc.*	200	520
Cubist Pharmaceuticals, Inc.*§	2,400	42,864
CV Therapeutics, Inc.*	400	3,292
Dendreon Corp.*§	700	3,115
Enzo Biochem, Inc.*	100	1,122
Enzon Pharmaceuticals, Inc.*§	2,700	19,224
Exelixis, Inc.*§	1,600	8,000
Genentech, Inc.*	100	7,590
Geron Corp.*§	200	690
Human Genome Sciences, Inc.*§	100	521
IDEXX Laboratories, Inc.*	1,900	92,606
Indevus Pharmaceuticals, Inc.*§	1,500	2,355
Isis Pharmaceuticals, Inc.*§	300	4,089
Luminex Corp.*§	200	4,110
Martek Biosciences Corp.*§	1,600	53,936
OSI Pharmaceuticals, Inc.*§	1,500	61,980
Pharmanet Development Group, Inc.*	3,000	47,310
Regeneron Pharmaceuticals, Inc.*§	2,400	34,656
Rigel Pharmaceuticals, Inc.*§	200	4,532
RTI Biologics, Inc.*	200	1,750
Sangamo BioSciences, Inc.*	100	995

	Number of Shares	Value
COMMON STOCKS		
United States		
Biotechnology		
Savient Pharmaceuticals, Inc.*§	800	$ 20,240
Seattle Genetics, Inc.*§	3,200	27,072
Third Wave Technologies, Inc.*	200	2,232
United Therapeutics Corp.*§	497	48,582
ViroPharma, Inc.*§	1,674	18,514
XenoPort, Inc.*§	800	31,224
ZymoGenetics, Inc.*	200	1,684
		726,700
Building Products (0.2%)		
Apogee Enterprises, Inc.	100	1,616
Crane Co.	1,400	53,942
NCI Building Systems, Inc.*§	476	17,483
Simpson Manufacturing Co., Inc.§	200	4,748
USG Corp.*§	1,200	35,484
		113,273
Chemicals (7.9%)		
Ashland, Inc.§	900	43,380
Aventine Renewable Energy Holdings, Inc.*§	200	880
Calgon Carbon Corp.*§	2,900	44,834
CF Industries Holdings, Inc.§	19,804	3,026,051
Chemtura Corp.	100	584
Cytec Industries, Inc.	700	38,192
Ferro Corp.§	200	3,752
FMC Corp.§	1,500	116,160
Innospec, Inc.	2,500	47,050
Intrepid Potash, Inc.*§	28,904	1,901,305
Minerals Technologies, Inc.§	600	38,154
Monsanto Co.	100	12,644
Olin Corp.§	1,800	47,124
OM Group, Inc.*§	1,200	39,348
PolyOne Corp.*	800	5,576
Spartech Corp.	100	943
Symyx Technologies, Inc.*	100	698
		5,366,675
Commercial Services & Supplies (1.8%)		
Advance America Cash Advance Centers, Inc.§	100	508
Arbitron, Inc.§	800	38,000
Atlas Air Worldwide Holdings, Inc.*	900	44,514
Basin Water, Inc.*§	100	468
Brink's Co.	1,700	111,214
Clean Harbors, Inc.*§	1,200	85,272
Coinstar, Inc.*	100	3,271
Consolidated Graphics, Inc.*§	700	34,489
Convergys Corp.*§	2,000	29,720
Corinthian Colleges, Inc.*§	100	1,161

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Commercial Services & Supplies		
CoStar Group, Inc.*§	100	$ 4,445
Covanta Holding Corp.*§	1,600	42,704
CSG Systems International, Inc.*§	3,200	35,264
Darling International, Inc.*§	3,000	49,560
DeVry, Inc.	900	48,258
EnergySolutions, Inc.§	200	4,470
Global Cash Access Holdings, Inc.*§	800	5,488
Headwaters, Inc.*§	200	2,354
Heidrick & Struggles International, Inc.§	1,200	33,168
Herman Miller, Inc.§	1,200	29,868
Hewitt Associates, Inc. Class A*§	1,200	45,996
Iconix Brand Group, Inc.*	300	3,624
ITT Educational Services, Inc.*§	430	35,531
Kforce, Inc.*	100	849
Koppers Holdings, Inc.§	900	37,683
Korn/Ferry International*	2,400	37,752
Macquarie Infrastructure Co., LLC§	300	7,587
Mueller Water Products, Inc. Class A§	800	6,456
Navigant Consulting, Inc.*§	2,100	41,076
Net 1 UEPS Technologies, Inc.*§	600	14,580
On Assignment, Inc.*	100	802
PHH Corp.*	400	6,140
Pre-Paid Legal Services, Inc.*§	1,100	44,682
Sotheby's§	900	23,733
Tetra Technologies, Inc.*	2,500	56,550
TrueBlue, Inc.*§	200	2,642
United Stationers, Inc.*§	900	33,255
Waste Management, Inc.	4,800	181,008
Watson Wyatt Worldwide, Inc. Class A§	600	31,734
		1,215,876
Commingled Fund (0.2%)		
iShares Russell 2000 Index Fund§	1,600	110,448
Communications Equipment (0.6%)		
3Com Corp.*§	4,500	9,540
Arris Group, Inc.*§	3,093	26,136
Atheros Communications*§	800	24,000
Cisco Systems, Inc.*	1,400	32,564
CommScope, Inc.*§	799	42,163
Comtech Telecommunications Corp.*§	1,000	49,000
Corning, Inc.	300	6,915
DSP Group, Inc.*	100	700
Echelon Corp.*§	100	1,090
Emulex Corp.*§	3,000	34,950
Extreme Networks, Inc.*§	800	2,272
FalconStor Software, Inc.*	100	708
InterDigital, Inc.*§	2,100	51,072

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Communications Equipment		
Ixia*	200	$ 1,390
Powerwave Technologies, Inc.*§	1,000	4,250
QUALCOMM, Inc.	1,000	44,370
Sonus Networks, Inc.*§	3,500	11,970
Sycamore Networks, Inc.*§	1,800	5,796
Tekelec*§	400	5,884
Tellabs, Inc.*	2,900	13,485
UTStarcom, Inc.*§	700	3,829
ViaSat, Inc.*§	1,900	38,399
		410,483
Computers & Peripherals (0.2%)		
Avid Technology, Inc.*§	200	3,398
Dell, Inc.*	1,100	24,068
Hewlett-Packard Co.	900	39,789
Hutchinson Technology, Inc.*§	2,500	33,600
Novatel Wireless, Inc.*§	1,900	21,147
Palm, Inc.§	800	4,312
Sigma Designs, Inc.*§	1,100	15,279
Synaptics, Inc.*§	100	3,773
		145,366
Construction & Engineering (0.2%)		
Comfort Systems USA, Inc.	200	2,688
EMCOR Group, Inc.*§	1,900	54,207
MasTec, Inc.*§	300	3,198
Shaw Group, Inc.*§	1,800	111,222
		171,315
Construction Materials (0.0%)		
Eagle Materials, Inc.§	300	7,599
Texas Industries, Inc.§	200	11,226
		18,825
Containers & Packaging (0.2%)		
Graphic Packaging Holding Co.*§	700	1,414
Myers Industries, Inc.	3,400	27,710
Rock-Tenn Co. Class A§	2,600	77,974
Smurfit-Stone Container Corp.*	1,800	7,326
		114,424
Distributors (0.1%)		
Beacon Roofing Supply, Inc.*§	200	2,122
Pool Corp.§	300	5,328
The Andersons, Inc.§	100	4,071
WESCO International, Inc.*§	600	24,024
		35,545

	Number of Shares	Value
COMMON STOCKS		
United States		
Diversified Financials (4.2%)		
American Express Co.	6,400	$ 241,088
AmeriCredit Corp.*§	1,371	11,818
Apollo Investment Corp.§	1,600	22,928
Ares Capital Corp.§	900	9,072
BGC Partners, Inc. Class A*	200	1,510
BlackRock Kelso Capital Corp.§	300	2,838
BlackRock, Inc.§	100	17,700
CapitalSource, Inc.§	2,100	23,268
CBIZ, Inc.*§	2,800	22,260
Citigroup, Inc.	6,000	100,560
CompuCredit Corp.*§	100	600
E*TRADE Financial Corp.*§	5,500	17,270
Eaton Vance Corp.§	1,200	47,712
EZCORP, Inc. Class A*	100	1,275
FCStone Group, Inc.*§	1,100	30,723
Franklin Resources, Inc.§	200	18,330
GAMCO Investors, Inc. Class A§	500	24,810
Greenhill & Company, Inc.§	300	16,158
Guaranty Financial Group, Inc.*§	1,900	10,203
Hercules Technology Growth Capital, Inc.	100	893
IndyMac Bancorp, Inc.§	200	124
Interactive Brokers Group, Inc. Class A*§	2,100	67,473
Jefferies Group, Inc.§	1,200	20,184
JPMorgan Chase & Co.	108	3,706
LaBranche & Company, Inc.*	300	2,124
MCG Capital Corp.§	1,028	4,091
MSCI, Inc. Class A*	300	10,887
Nasdaq OMX Group, Inc.*§	1,200	31,860
National Financial Partners Corp.§	200	3,964
NewAlliance Bancshares, Inc.§	138,408	1,727,332
Raymond James Financial, Inc.§	1,500	39,585
State Street Corp.	800	51,192
T. Rowe Price Group, Inc.§	800	45,176
Texas Capital Bancshares, Inc.*§	1,500	24,000
The Charles Schwab Corp.	600	12,324
The First Marblehead Corp.§	100	257
The Goldman Sachs Group, Inc.	1,100	192,390
Waddell & Reed Financial, Inc. Class A	100	3,501
World Acceptance Corp.*§	900	30,303
		2,891,489
Diversified Telecommunication Services (0.2%)		
Cincinnati Bell, Inc.*§	3,400	13,532
Clearwire Corp. Class A*§	500	6,480
EchoStar Corp. Class A*§	200	6,244
General Communication, Inc. Class A*§	100	687
Hughes Communications, Inc.*	100	4,909

	Number of Shares	Value
COMMON STOCKS		
United States		
Diversified Telecommunication Services		
NeuStar, Inc. Class A*§	1,100	$ 23,716
PAETEC Holding Corp.*§	500	3,175
Premiere Global Services, Inc.*§	3,300	48,114
		106,857
Electric - Integrated (0.0%)		
VeraSun Energy Corp.*§	300	1,239
Electric Utilities (0.7%)		
Black Hills Corp.§	1,500	48,090
CH Energy Group, Inc.§	100	3,557
CMS Energy Corp.§	2,700	40,230
El Paso Electric Co.*§	2,400	47,520
Northeast Utilities	1,800	45,954
OGE Energy Corp.	1,300	41,223
Ormat Technologies, Inc.§	1,100	54,098
PG&E Corp.§	4,100	162,729
PNM Resources, Inc.	920	11,003
Puget Energy, Inc.	1,500	35,985
The Empire District Electric Co.	200	3,708
		494,097
Electrical Equipment (0.4%)		
Acuity Brands, Inc.§	200	9,616
Baldor Electric Co.§	1,000	34,980
Capstone Turbine Corp.*§	1,200	5,028
Encore Wire Corp.§	2,400	50,856
Energy Conversion Devices, Inc.*	200	14,728
Evergreen Solar, Inc.*§	1,100	10,659
FuelCell Energy, Inc.*§	400	2,840
Infinera Corp.*§	700	6,174
Molex, Inc. Class A§	600	13,746
Plug Power, Inc.*	200	470
Regal-Beloit Corp.§	1,100	46,475
Superior Essex, Inc.*§	900	40,167
Thomas & Betts Corp.*§	687	26,003
		261,742
Electronic Equipment & Instruments (4.7%)		
American Superconductor Corp.*§	29,880	1,071,198
AZZ, Inc.*§	1,200	47,880
Benchmark Electronics, Inc.*§	2,400	39,216
CTS Corp.	100	1,005
Exar Corp.*	200	1,508
FLIR Systems, Inc.*§	2,700	109,539
Ingram Micro, Inc.*§	2,400	42,600
Itron, Inc.*§	16,192	1,592,483
KEMET Corp.*§	400	1,296

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Schedule of Investments (continued)
June 30, 2008 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
United States		
Electronic Equipment & Instruments		
Methode Electronics, Inc.§	2,200	$ 22,990
Molex, Inc.§	2,800	68,348
MTS Systems Corp.§	700	25,116
Newport Corp.*	100	1,139
Plexus Corp.*§	600	16,608
Rofin-Sinar Technologies, Inc.*§	400	12,080
TTM Technologies, Inc.*	200	2,642
Universal Display Corp.*§	100	1,232
Varian, Inc.*§	2,400	122,544
Vishay Intertechnology, Inc.*	2,077	18,423
		3,197,847
Energy Equipment & Services (1.1%)		
Allis-Chalmers Energy, Inc.*	2,000	35,600
Atwood Oceanics, Inc.*§	700	87,038
Basic Energy Services, Inc.*	2,700	85,050
Complete Production Services, Inc.*	1,500	54,630
Dril-Quip, Inc.*	794	50,022
Global Industries, Ltd.*	3,000	53,790
Grey Wolf, Inc.*§	700	6,321
Halliburton Co.§	4,600	244,122
Trico Marine Services, Inc.*§	1,400	50,988
Unit Corp.*	700	58,079
		725,640
Food & Drug Retailing (0.6%)		
Longs Drug Stores Corp.§	900	37,899
Nash Finch Co.§	900	30,843
Rite Aid Corp.*§	5,400	8,586
Spartan Stores, Inc.§	1,200	27,600
Sysco Corp.§	2,100	57,771
Terra Industries, Inc.§	4,500	222,075
Winn-Dixie Stores, Inc.*§	2,400	38,448
		423,222
Food Products (0.9%)		
Cal-Maine Foods, Inc.§	1,800	59,382
Chiquita Brands International, Inc.*§	1,300	19,721
Corn Products International, Inc.	1,200	58,932
Del Monte Foods Co.	4,500	31,950
General Mills, Inc.	2,600	158,002
Green Mountain Coffee Roasters, Inc.*§	100	3,757
Herbalife, Ltd.§	1,300	50,375
Hormel Foods Corp.§	1,500	51,915
Kellogg Co.	100	4,802
Kraft Foods, Inc. Class A	6,800	193,460
Sanderson Farms, Inc.§	100	3,452
TreeHouse Foods, Inc.*§	200	4,852
		640,600

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Forestry & Paper (0.0%)		
AbitibiBowater, Inc.§	400	$ 3,732
Glatfelter§	100	1,351
Louisiana-Pacific Corp.§	100	849
Mercer International, Inc.*	100	748
Wausau Paper Corp.§	100	771
		7,451
Gas Utilities (0.7%)		
Energen Corp.§	1,400	109,242
National Fuel Gas Co.§	2,800	166,544
Northwest Natural Gas Co.§	2,100	97,146
Petrohawk Energy Corp.*§	1,600	74,096
Piedmont Natural Gas Company, Inc.§	600	15,696
The Laclede Group, Inc.	100	4,037
		466,761
Healthcare Equipment & Supplies (3.2%)		
Accuray, Inc.*§	200	1,458
Boston Scientific Corp.*	100	1,229
CONMED Corp.*§	1,900	50,445
Haemonetics Corp.*§	800	44,368
Halozyme Therapeutics, Inc.*§	200	1,076
Hill-Rom Holdings, Inc.§	400	10,792
Hillenbrand, Inc.§	400	8,560
Hologic, Inc.*§	2,000	43,600
Illumina, Inc.*§	20,903	1,820,860
Invacare Corp.§	2,000	40,880
Kinetic Concepts, Inc.*§	400	15,964
Masimo Corp.*§	300	10,305
Mentor Corp.§	100	2,782
Meridian Bioscience, Inc.§	2,350	63,262
STERIS Corp.§	1,400	40,264
SurModics, Inc.*§	800	35,872
Symmetry Medical, Inc.*§	100	1,622
Zoll Medical Corp.*	100	3,367
		2,196,706
Healthcare Providers & Services (1.5%)		
Air Methods Corp.*§	800	20,000
Amedisys, Inc.*§	300	15,126
Amerigroup Corp.*	800	16,640
AMN Healthcare Services, Inc.*§	1,300	21,996
AmSurg Corp.*§	2,200	53,570
Apria Healthcare Group, Inc.*§	2,900	56,231
CIGNA Corp.	5,000	176,950
Community Health Systems, Inc.*	900	29,682
Cross Country Healthcare, Inc.*	100	1,441
eResearchTechnology, Inc.*	200	3,488

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Schedule of Investments (continued)
June 30, 2008 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
United States		
Healthcare Providers & Services		
HEALTHSOUTH Corp.*§	800	$ 13,304
Henry Schein, Inc.*§	1,300	67,041
LifePoint Hospitals, Inc.*§	900	25,470
MAXIMUS, Inc.	1,600	55,712
Molina Healthcare, Inc.*§	1,000	24,340
Odyssey HealthCare, Inc.*§	100	974
Omnicell, Inc.*§	100	1,318
Owens & Minor, Inc.§	600	27,414
PARAXEL International Corp.*§	5,700	149,967
Pediatrix Medical Group, Inc.*§	700	34,461
Stewart Enterprises, Inc. Class A§	800	5,760
Sun Healthcare Group, Inc.*	100	1,339
Sunrise Senior Living, Inc.*§	2,700	60,696
WellCare Health Plans, Inc.*	4,000	144,600
		1,007,520
Hotels, Restaurants & Leisure (0.6%)		
Boyd Gaming Corp.§	500	6,280
Carmike Cinemas, Inc.§	100	587
CBRL Group, Inc.§	2,500	61,275
CEC Entertainment, Inc.*§	1,400	39,214
Chipotle Mexican Grill, Inc. Class A*	100	8,262
Chipotle Mexican Grill, Inc. Class B*§	300	22,608
Choice Hotels International, Inc.§	1,500	39,750
Denny's Corp.*§	700	1,988
Great Wolf Resorts, Inc.*§	100	437
Isle of Capri Casinos, Inc.*§	100	479
Jack in the Box, Inc.*§	704	15,777
Landry's Restaurants, Inc.§	2,300	41,331
Leapfrog Enterprises, Inc.*	100	832
LIFE TIME FITNESS, Inc.*§	100	2,955
Panera Bread Co. Class A*§	100	4,626
Papa John's International, Inc.*§	2,600	69,134
Penn National Gaming, Inc.*§	800	25,720
Pinnacle Entertainment, Inc.*	300	3,147
Ruby Tuesday, Inc.§	100	540
Shuffle Master, Inc.*§	100	494
Triarc Companies, Inc. Class A	100	640
Triarc Companies, Inc. Class B§	100	633
WMS Industries, Inc.*§	1,500	44,655
		391,364
Household Durables (0.4%)		
American Greetings Corp. Class A§	2,300	28,382
Beazer Homes USA, Inc.§	200	1,114
Blyth, Inc.§	306	3,681
Champion Enterprises, Inc.*§	500	2,925
Furniture Brands International, Inc.§	2,600	34,736

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Schedule of Investments (continued)
June 30, 2008 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
United States		
Household Durables		
HNI Corp.§	200	$ 3,532
Hovnanian Enterprises, Inc. Class A*	100	548
KB Home§	1,200	20,316
La-Z-Boy, Inc.§	700	5,355
Lennar Corp. Class A§	500	6,170
NVR, Inc.*§	200	100,016
Snap-on, Inc.§	800	41,608
Standard Pacific Corp.§	200	676
Tempur-Pedic International, Inc.§	600	4,686
The Ryland Group, Inc.§	505	11,014
Tupperware Brands Corp.§	200	6,844
		271,603
Household Products (0.0%)		
Prestige Brands Holdings, Inc.*	100	1,066
The Procter & Gamble Co.	500	30,405
		31,471
Industrial Conglomerates (0.8%)		
3M Co.	200	13,918
Carlisle Companies, Inc.§	1,200	34,800
Chemed Corp.§	272	9,958
General Electric Co.	4,900	130,781
Raven Industries, Inc.§	100	3,278
Textron, Inc.	500	23,965
Walter Industries, Inc.§	2,800	304,556
		521,256
Insurance (1.0%)		
Aflac, Inc.	2,500	157,000
Ambac Financial Group, Inc.§	2,200	2,948
American Equity Investment Life Holding Co.§	3,000	24,450
CNA Surety Corp.*§	1,300	16,432
Conseco, Inc.*§	2,800	27,776
Employers Holdings, Inc.§	1,900	39,330
HCC Insurance Holdings, Inc.	2,100	44,394
Horace Mann Educators Corp.	200	2,804
Infinity Property & Casualty Corp.	100	4,152
LandAmerica Financial Group, Inc.§	360	7,988
MBIA, Inc.§	2,100	9,219
MGIC Investment Corp.§	1,300	7,943
National Interstate Corp.§	800	14,704
Philadelphia Consolidated Holding Corp.*	1,800	61,146
Phoenix Companies, Inc.§	3,800	28,918
PICO Holdings, Inc.*§	100	4,345
PMA Capital Corp. Class A*	100	921
Radian Group, Inc.§	6,000	8,700
Reinsurance Group of America, Inc.§	1,000	43,520

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Insurance		
Selective Insurance Group, Inc.§	1,900	$ 35,644
StanCorp Financial Group, Inc.§	800	37,568
State Auto Financial Corp.§	2,300	55,039
The PMI Group, Inc.§	400	780
United Fire & Casualty Co.§	1,600	43,088
Universal American Financial Corp.*	300	3,066
W.R. Berkley Corp.	100	2,438
Zenith National Insurance Corp.	900	31,644
		715,957
Internet & Catalog Retail (0.1%)		
Coldwater Creek, Inc.*§	200	1,056
Insight Enterprises, Inc.*	1,800	21,114
NutriSystem, Inc.	100	1,414
Systemax, Inc.§	1,100	19,415
		42,999
Internet Software & Services (0.4%)		
Acme Packet, Inc.*§	100	776
Allscripts Heathcare Solutions, Inc.*§	100	1,241
Ariba, Inc.*§	700	10,297
Art Technology Group, Inc.*§	900	2,880
Blue Coat Systems, Inc.*§	1,600	22,576
CMGI, Inc.*§	200	2,120
Cogent Communications Group, Inc.*§	300	4,020
EarthLink, Inc.*§	1,427	12,344
InfoSpace, Inc.	100	833
Internet Capital Group, Inc.*	100	773
Interwoven, Inc.*	200	2,402
j2 Global Communications, Inc.*§	2,200	50,600
NIC, Inc.	200	1,366
S1 Corp.*	300	2,271
Sohu.com, Inc.*§	1,600	112,704
SonicWALL, Inc.*§	300	1,935
The Trizetto Group, Inc.*§	200	4,276
Vignette Corp.*§	1,700	20,400
		253,814
IT Consulting & Services (0.2%)		
Acxiom Corp.§	1,000	11,490
Automatic Data Processing, Inc.	700	29,330
CIBER, Inc.*	100	621
IHS, Inc. Class A*§	1,100	76,560
Innerworkings, Inc.*§	100	1,196
Ness Technologies, Inc.*	100	1,012
Sykes Enterprises, Inc.*§	200	3,772
Tyler Technologies, Inc.*§	100	1,357
Unisys Corp.*§	4,000	15,800
		141,138

	Number of Shares	Value
COMMON STOCKS		
United States		
Leisure Equipment & Products (0.1%)		
Brunswick Corp.§	1,600	$ 16,960
Callaway Golf Co.§	1,800	21,294
Polaris Industries, Inc.§	600	24,228
RC2 Corp.*§	1,600	29,696
Smith & Wesson Holding Corp.*	200	1,042
		93,220
Machinery (1.7%)		
Actuant Corp. Class A§	900	28,215
AGCO Corp.*§	3,400	178,194
Applied Industrial Technologies, Inc.§	1,600	38,672
Badger Meter, Inc.§	1,000	50,530
Barnes Group, Inc.§	1,500	34,635
Blount International, Inc.*§	200	2,322
Briggs & Stratton Corp.§	300	3,804
Ceradyne, Inc.*§	601	20,614
Chart Industries, Inc.*§	900	43,776
Columbus McKinnon Corp.*§	1,500	36,120
Dionex Corp.*§	1,100	73,007
Dover Corp.	1,300	62,881
EnPro Industries, Inc.*§	100	3,734
Flow International Corp.*§	100	780
Force Protection, Inc.*§	200	662
FreightCar America, Inc.§	1,200	42,600
Gardner Denver, Inc.*	2,300	130,640
Illinois Tool Works, Inc.§	1,300	61,763
Kaydon Corp.§	500	25,705
Kennametal, Inc.	1,200	39,060
Mueller Industries, Inc.	1,800	57,960
Reliance Steel & Aluminum Co.§	900	69,381
Robbins & Myers, Inc.§	1,200	59,844
Taylor Devices, Inc.*	200	1,278
The Manitowoc Company, Inc.§	1,200	39,036
The Timken Co.	1,100	36,234
Titan International, Inc.§	900	32,058
Wabash National Corp.	100	756
		1,174,261
Marine (0.2%)		
American Commercial Lines, Inc.*§	200	2,186
Cal Dive International, Inc.*§	544	7,774
Eagle Bulk Shipping, Inc.§	300	8,871
Genco Shipping & Trading, Ltd.§	1,000	65,200
Overseas Shipholding Group, Inc.§	344	27,355
		111,386

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — Global Small Cap Portfolio
Schedule of Investments (continued)
June 30, 2008 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
United States		
Media (0.6%)		
CKX, Inc.*§	200	$ 1,750
Cox Radio, Inc. Class A*§	100	1,180
Entercom Communications Corp.§	2,200	15,444
Entravision Communications Corp. Class A*§	200	804
Harte-Hanks, Inc.§	2,200	25,190
Idearc, Inc.§	1,100	2,585
LodgeNet Interactive Corp.*§	100	491
Meredith Corp.§	700	19,803
Netflix, Inc.*§	700	18,249
News Corp. Class A	700	10,528
R.H. Donnelley Corp.*§	200	600
Regal Entertainment Group Class A§	2,700	41,256
Scholastic Corp.*§	200	5,732
Sinclair Broadcast Group, Inc. Class A	300	2,280
The E.W. Scripps Co. Class A§	1,000	41,540
The McClatchy Co. Class A	300	2,034
The New York Times Co. Class A§	1,500	23,085
The Walt Disney Co.§	4,700	146,640
Time Warner, Inc.§	2,000	29,600
Warner Music Group Corp.§	100	714
		389,505
Metals & Mining (1.9%)		
AK Steel Holding Corp.	3,200	220,800
Alpha Natural Resources, Inc.*	3,700	385,873
Arch Coal, Inc.	800	60,024
Century Aluminum Co.*§	500	33,245
Cleveland-Cliffs, Inc.	6	715
Coeur d'Alene Mines Corp.*§	5,900	17,110
Compass Minerals International, Inc.§	2,600	209,456
Esmark, Inc.*§	200	3,824
Foundation Coal Holdings, Inc.§	700	62,006
Hecla Mining Co.*§	1,800	16,668
Horsehead Holding Corp.*§	100	1,216
International Coal Group, Inc.*§	1,400	18,270
James River Coal Co.*§	100	5,869
Kaiser Aluminum Corp.§	600	32,118
Massey Energy Co.§	2,300	215,625
Steel Dynamics, Inc.§	800	31,256
USEC, Inc.*§	900	5,472
		1,319,547
Multi-Utilities (0.0%)		
Aquila, Inc.*§	4,300	16,211

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Multiline Retail (0.4%)		
99 Cents Only Stores*	100	$ 660
Big Lots, Inc.*§	2,100	65,604
BJ's Wholesale Club, Inc.*§	1,400	54,180
Bon-Ton Stores, Inc.§	100	522
Dillard's, Inc. Class A§	500	5,785
Dollar Tree, Inc.*	3,000	98,070
Fred's, Inc. Class A§	200	2,248
Retail Ventures, Inc.*§	200	920
Saks, Inc.*§	1,500	16,470
Wal-Mart Stores, Inc.	600	33,720
		278,179
Office Electronics (0.1%)		
IKON Office Solutions, Inc.§	900	10,152
Zebra Technologies Corp.*	1,200	39,168
		49,320
Oil & Gas (5.5%)		
Alon USA Energy, Inc.§	146	1,746
Anadarko Petroleum Corp.	2,000	149,680
Berry Petroleum Co. Class A§	600	35,328
BPZ Resources, Inc.*§	1,600	47,040
Brigham Exploration Co.*§	200	3,166
Bronco Drilling Co, Inc.*§	1,900	34,922
Cabot Oil & Gas Corp.§	1,200	81,276
Chevron Corp.	2,600	257,738
Comstock Resources, Inc.*§	900	75,987
Concho Resources, Inc.*	700	26,110
ConocoPhillips	600	56,634
Continental Resources, Inc.*§	800	55,456
Delek US Holdings, Inc.§	312	2,874
El Paso Corp.§	8,100	176,094
Exxon Mobil Corp.	600	52,878
Frontier Oil Corp.§	1,285	30,724
Gulfport Energy Corp.*§	3,500	57,645
Harvest Natural Resources, Inc.*§	100	1,106
Holly Corp.§	1,000	36,920
McMoRan Exploration Co.*§	200	5,504
Occidental Petroleum Corp.	600	53,916
Parallel Petroleum Corp.*	200	4,026
Petroleum Development Corp.*§	1,000	66,490
PetroQuest Energy, Inc.*§	200	5,380
Pioneer Drilling Co.*	3,100	58,311
SandRidge Energy, Inc.*§	33,132	2,139,665
Stone Energy Corp.*	1,500	98,865
Swift Energy Co.*§	200	13,212
TXCO Resources, Inc.*§	100	1,176
VAALCO Energy, Inc.*	400	3,388

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Oil & Gas		
W&T Offshore, Inc.§	2,100	$ 122,871
Warren Resources, Inc.*§	400	5,872
Western Refining, Inc.§	100	1,184
		3,763,184
Paper & Forest Products (0.1%)		
Potlatch Corp.§	200	9,024
Rayonier Inc.§	700	29,722
		38,746
Personal Products (0.1%)		
Alberto-Culver Co.§	1,500	39,405
Chattem, Inc.*§	300	19,515
NBTY, Inc.*	691	22,153
		81,073
Pharmaceuticals (0.6%)		
Abbott Laboratories	800	42,376
Abraxis BioScience, Inc.	100	1,672
Alnylam Pharmaceuticals, Inc.*§	500	13,365
American Oriental Bioengineering, Inc.*§	400	3,948
APP Pharmaceuticals, Inc.*	100	1,672
ARIAD Pharmaceuticals, Inc.*§	200	480
Cypress Bioscience, Inc.*	100	719
Durect Corp.*	200	734
Eli Lilly & Co.§	1,200	55,392
InterMune, Inc.*	100	1,312
Johnson & Johnson	500	32,170
King Pharmaceuticals, Inc.*§	2,959	30,981
MannKind Corp.*§	100	300
Medicis Pharmaceutical Corp. Class A§	2,000	41,560
Merck & Co., Inc.	300	11,307
Mylan, Inc.*	2,200	26,554
Nektar Therapeutics*§	600	2,010
Obagi Medical Products, Inc.*§	100	855
Pain Therapeutics, Inc.*	100	790
Par Pharmaceutical Cos, Inc.*§	1,500	24,345
Salix Pharmaceuticals, Ltd.*	300	2,109
Sciele Pharma, Inc.§	1,500	29,025
Sepracor, Inc.*§	2,200	43,824
Theravance, Inc.*	100	1,187
Valeant Pharmaceuticals International*§	300	5,133
Watson Pharmaceuticals, Inc.*	1,600	43,472
		417,292

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Real Estate (1.5%)		
Alexandria Real Estate Equities, Inc.§	100	$ 9,734
American Campus Communities, Inc.	200	5,568
Anthracite Capital, Inc.§	3,600	25,344
Anworth Mortgage Asset Corp.	2,100	13,671
Ashford Hospitality Trust§	900	4,158
BioMed Realty Trust, Inc.§	600	14,718
Brandywine Realty Trust§	1,200	18,912
BRE Properties, Inc.§	700	30,296
CapLease, Inc.	200	1,498
Capstead Mortgage Corp.	300	3,255
CBL & Associates Properties, Inc.§	500	11,420
Cedar Shopping Centers, Inc.	200	2,344
Chimera Investment Corp.	100	901
Colonial Properties Trust§	600	12,012
Corporate Office Properties Trust§	300	10,299
Cousins Properties, Inc.§	200	4,620
DCT Industrial Trust, Inc.§	1,900	15,732
DiamondRock Hospitality Co.§	900	9,801
Digital Realty Trust, Inc.§	500	20,455
Douglas Emmett, Inc.§	1,000	21,970
DuPont Fabros Technology, Inc.§	200	3,728
Entertainment Properties Trust§	500	24,720
Equity One, Inc.§	200	4,110
Extra Space Storage, Inc.§	700	10,752
FelCor Lodging Trust, Inc.§	900	9,450
First Industrial Realty Trust, Inc.§	900	24,723
Forestar Real Estate Group, Inc.*§	200	3,810
Franklin Street Properties Corp.§	500	6,320
Glimcher Realty Trust§	100	1,118
Gramercy Capital Corp.§	1,200	13,908
Health Care REIT, Inc.§	800	35,600
Healthcare Realty Trust, Inc.§	400	9,508
Hersha Hospitality Trust	300	2,265
Highwoods Properties, Inc.§	500	15,710
Hilltop Holdings, Inc.*	200	2,062
Home Properties, Inc.§	100	4,806
Hospitality Properties Trust§	1,500	36,690
HRPT Properties Trust	3,100	20,987
Inland Real Estate Corp.§	400	5,768
Investors Real Estate Trust	400	3,816
iStar Financial, Inc.§	1,600	21,136
Jones Lang LaSalle, Inc.§	600	36,114
Kilroy Realty Corp.§	100	4,703
LaSalle Hotel Properties§	200	5,026
Lexington Realty Trust§	500	6,815
Mack-Cali Realty Corp.	900	30,753
Maguire Properties, Inc.§	200	2,434

Credit Suisse Trust — Global Small Cap Portfolio
Schedule of Investments (continued)
June 30, 2008 (unaudited)

	Number of Shares	Value
COMMON STOCKS		
United States		
Real Estate		
Medical Properties Trust, Inc.§	500	$ 5,060
MFA Mortgage Investments, Inc.§	1,600	10,432
Mid-America Apartment Communities, Inc.§	400	20,416
National Health Investors, Inc.§	400	11,404
National Retail Properties, Inc.	1,000	20,900
Nationwide Health Properties, Inc.§	1,000	31,490
Newcastle Investment Corp.	300	2,103
NorthStar Realty Finance Corp.	400	3,328
Omega Healthcare Investors, Inc.	1,600	26,640
Parkway Properties, Inc.	1,600	53,968
Pennsylvania Real Estate Investment Trust§	600	13,884
Post Properties, Inc.§	300	8,925
RAIT Financial Trust§	400	2,968
Ramco-Gershenson Properties Trust§	1,200	24,648
Realty Income Corp.§	1,400	31,864
Senior Housing Properties Trust	1,200	23,436
Strategic Hotels & Resorts, Inc.§	700	6,559
Sunstone Hotel Investors, Inc.§	900	14,940
Tanger Factory Outlet Centers, Inc.§	100	3,593
Taubman Centers, Inc.§	400	19,460
The St. Joe Co.§	900	30,888
U-Store-It Trust§	300	3,585
Washington Real Estate Investment Trust	300	9,015
Weingarten Realty Investors§	1,100	33,352
		996,398
Road & Rail (0.6%)		
Arkansas Best Corp.§	1,400	51,296
GATX Corp.§	2,600	115,258
Heartland Express, Inc.§	1,000	14,910
J.B. Hunt Transport Services, Inc.§	1,400	46,592
Kansas City Southern*§	1,100	48,389
Knight Transportation, Inc.§	500	9,150
Werner Enterprises, Inc.§	5,700	105,906
YRC Worldwide, Inc.*§	400	5,948
		397,449
Semiconductor Equipment & Products (1.1%)		
Adaptec, Inc.*	900	2,880
Advanced Energy Industries, Inc.*§	2,700	36,990
Amkor Technology, Inc.*§	4,400	45,804
ANADIGICS, Inc.*§	500	4,925
Applied Materials, Inc.	1,700	32,453
Applied Micro Circuits Corp.*	500	4,280
Atmel Corp.*§	5,200	18,096
Axcelis Technologies, Inc.*§	700	3,416
Brooks Automation, Inc.*	100	827

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Semiconductor Equipment & Products		
Cabot Microelectronics Corp.*§	1,000	$ 33,150
Cirrus Logic, Inc.*§	500	2,780
Cree, Inc.*§	1,200	27,372
Cymer, Inc.*§	1,400	37,632
Cypress Semiconductor Corp.*§	1,878	46,480
EMCORE Corp.*	200	1,252
Entegris, Inc.*§	5,700	37,335
Integrated Device Technology, Inc.*§	2,206	21,928
Intel Corp.	1,500	32,220
International Rectifier Corp.*	600	11,520
Kulicke and Soffa Industries, Inc.*	300	2,187
Lattice Semiconductor Corp.*§	800	2,504
Micrel, Inc.§	300	2,745
Microsemi Corp.*§	1,100	27,698
MKS Instruments, Inc.*§	2,300	50,370
OmniVision Technologies, Inc.*§	800	9,672
ON Semiconductor Corp.*§	100	917
Photronics, Inc.*	200	1,408
PMC-Sierra, Inc.*§	100	765
QLogic Corp.*§	2,900	42,311
RF Micro Devices, Inc.*§	3,600	10,440
Silicon Image, Inc.*§	700	5,075
Silicon Storage Technology, Inc.*§	600	1,662
SiRF Technology Holdings, Inc.*§	200	864
Spansion, Inc. Class A*§	900	2,025
Teradyne, Inc.*§	3,600	39,852
Texas Instruments, Inc.	1,800	50,688
Trident Microsystems, Inc.*	100	365
TriQuint Semiconductor, Inc.*	1,300	7,878
Varian Semiconductor Equipment Associates, Inc.*§	870	30,293
Zoran Corp.*	6,500	76,050
		767,109
Software (1.1%)		
Advent Software, Inc.*§	300	10,824
ANSYS, Inc.*§	1,200	56,544
Aspen Technology, Inc.*	4,400	58,520
Commvault Systems, Inc.*§	200	3,328
Compuware Corp.*	4,400	41,976
Epicor Software Corp.*	300	2,073
JDA Software Group, Inc.*§	2,200	39,820
Macrovision Solutions Corp.*§	700	10,472
Magma Design Automation, Inc.*	100	607
Mentor Graphics Corp.*§	100	1,580
Metavante Technologies, Inc.*	900	20,358
MICROS Systems, Inc.*§	1,200	36,588
MicroStrategy, Inc. Class A*	800	51,800

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Software		
MSC.Software Corp.*	200	$ 2,196
Novell, Inc.*§	6,300	37,107
Parametric Technology Corp.*§	3,700	61,679
Progress Software Corp.*§	1,600	40,912
Solera Holdings, Inc.*	100	2,766
SPSS, Inc.*§	1,500	54,555
SuccessFactors, Inc.*	100	1,095
Sybase, Inc.*§	4,400	129,448
Take-Two Interactive Software, Inc.*	500	12,785
Taleo Corp. Class A*§	1,600	31,344
The Ultimate Software Group, Inc.*§	100	3,563
TIBCO Software, Inc.*§	100	765
VeriFone Holdings, Inc.*§	600	7,170
Wind River Systems, Inc.*§	600	6,534
		726,409
Specialty Retail (0.6%)		
Asbury Automotive Group, Inc.§	100	1,285
Bare Escentuals, Inc.*§	400	7,492
Barnes & Noble, Inc.§	2,000	49,680
Borders Group, Inc.	300	1,800
Buckle, Inc.§	1,100	50,303
Cabela's, Inc.*§	200	2,202
Cato Corp. Class A§	1,800	25,632
Charming Shoppes, Inc.*§	1,000	4,590
Chico's FAS, Inc.*§	100	537
Christopher & Banks Corp.§	100	680
Circuit City Stores, Inc.§	1,400	4,046
CSK Auto Corp.*§	200	2,096
Hibbett Sports, Inc.*§	100	2,110
Jo-Ann Stores, Inc.*§	1,700	39,151
Jos. A. Bank Clothiers, Inc.*§	1,300	34,775
Men's Wearhouse, Inc.§	2,300	37,467
Pier 1 Imports, Inc.*§	500	1,720
Rent-A-Center, Inc.*§	2,600	53,482
Stage Stores, Inc.§	200	2,334
The Gymboree Corp.*§	800	32,056
The Pep Boys-Manny, Moe & Jack§	300	2,616
The Wet Seal, Inc. Class A*	400	1,908
United Rentals, Inc.*	900	17,649
Urban Outfitters, Inc.*§	1,700	53,023
Zale Corp.*§	600	11,334
		439,968

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
COMMON STOCKS		
United States		
Textiles & Apparel (0.4%)		
Crocs, Inc.*§	700	$ 5,607
Deckers Outdoor Corp.*§	200	27,840
Fossil, Inc.*§	1,500	43,605
Jones Apparel Group, Inc.§	2,048	28,160
NIKE, Inc. Class B§	600	35,766
Quiksilver, Inc.*§	1,300	12,766
Sealy Corp.§	200	1,148
Under Armour, Inc. Class A*§	100	2,564
Warnaco Group, Inc.*§	1,200	52,884
Wolverine World Wide, Inc.§	1,800	48,006
		258,346
Tobacco (0.0%)		
Alliance One International, Inc.*§	100	511
Vector Group, Ltd.§	1,200	19,356
		19,867
Water Utilities (0.0%)		
California Water Service Group§	800	26,216
Wireless Telecommunication Services (0.1%)		
Aruba Networks, Inc.*§	800	4,184
Centennial Communications Corp.*§	3,700	25,863
Goamerica, Inc.*§	100	750
ICO Global Communications (Holdings), Ltd.*§	800	2,608
Leap Wireless International, Inc.*§	400	17,268
TerreStar Corp.*§	500	1,990
USA Mobility, Inc.*§	2,600	19,630
		72,293
TOTAL UNITED STATES		37,049,637
TOTAL COMMON STOCKS (Cost $62,537,139)		63,619,942

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT-TERM INVESTMENTS (35.4%)		
State Street Navigator Prime Portfolio§§	20,080,189	$ 20,080,189
	Par (000)	
State Street Bank and Trust Co. Euro Time Deposit, 0.850%, 7/01/08	$4,028	4,028,000
TOTAL SHORT-TERM INVESTMENTS (Cost $24,108,189)		24,108,189
TOTAL INVESTMENTS AT VALUE (128.9%) (Cost $86,645,328)		87,728,131
LIABILITIES IN EXCESS OF OTHER ASSETS (-28.9%)		(19,665,448)
NET ASSETS (100.0%)		$ 68,062,683

INVESTMENT ABBREVIATIONS
ADR = American Depositary Receipt
GDR = Global Depositary Receipt

* Non-income producing security.

§ Security or portion thereof is out on loan.

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

Credit Suisse Trust — Global Small Cap Portfolio
Statement of Assets and Liabilities
June 30, 2008 (unaudited)

Assets	
Investments at value, including collateral for securities on loan of $20,080,189 (Cost $86,645,328) (Note 2)	$ 87,728,131[1]
Cash	127
Foreign currency at value (cost $505,527)	515,373
Receivable for investments sold	190,903
Dividend and interest receivable	35,659
Receivable for portfolio shares sold	5,737
Prepaid expenses and other assets	16,960
Total Assets	88,492,890
Liabilities	
Advisory fee payable (Note 3)	35,199
Payable upon return of securities loaned (Note 2)	20,080,189
Payable for investments purchased	163,893
Payable for portfolio shares redeemed	83,890
Trustees' fee payable	9,091
Other accrued expenses payable	57,945
Total Liabilities	20,430,207
Net Assets	
Capital stock, $.001 par value (Note 6)	5,201
Paid-in capital (Note 6)	87,706,558
Undistributed net investment income	1,544,623
Accumulated net realized loss on investments and foreign currency transactions	(22,286,691)
Net unrealized appreciation from investments and foreign currency translations	1,092,992
Net Assets	$ 68,062,683
Shares outstanding	5,201,123
Net asset value, offering price, and redemption price per share	$13.09

[1] Including $19,604,113 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, 2008 (unaudited)

Investment Income (Note 2)	
Dividends	$ 769,395
Interest	12,096
Securities lending	114,949
Foreign taxes withheld	(41,007)
Total investment income	855,433
Expenses	
Investment advisory fees (Note 3)	455,819
Administrative services fees (Note 3)	43,498
Custodian fees	30,898
Printing fees (Note 3)	27,895
Audit and tax fees	13,344
Trustees' fees	13,111
Transfer agent fees	5,251
Interest expense (Note 4)	3,941
Legal fees	3,920
Commitment fees (Note 4)	1,540
Insurance expense	1,035
Total expenses	600,252
Less: fees waived (Note 3)	(235,598)
Net expenses	364,654
Net investment income	490,779
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items	
Net realized loss from investments	(2,264,741)
Net realized loss from foreign currency transactions	(127,663)
Net change in unrealized appreciation (depreciation) from investments	(4,407,488)
Net change in unrealized appreciation (depreciation) from foreign currency translations	9,666
Net realized and unrealized loss from investments and foreign currency related items	(6,790,226)
Net decrease in net assets resulting from operations	$(6,299,447)

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, 2008 (unaudited)	For the Year Ended December 31, 2007
From Operations		
Net investment income	$ 490,779	$ 1,081,979
Net realized gain (loss) from investments and foreign currency transactions	(2,392,404)	5,947,961
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	(4,397,822)	(9,598,158)
Net decrease in net assets resulting from operations	(6,299,447)	(2,568,218)
From Capital Share Transactions (Note 6)		
Proceeds from sale of shares	2,206,580	8,774,027
Net asset value of shares redeemed	(14,728,805)	(38,426,851)
Net decrease in net assets from capital share transactions	(12,522,225)	(29,652,824)
Net decrease in net assets	(18,821,672)	(32,221,042)
Net Assets		
Beginning of period	86,884,355	119,105,397
End of period	$ 68,062,683	$ 86,884,355
Undistributed net investment income	$ 1,544,623	$ 1,053,844

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, 2008 (unaudited)	For the Year Ended December 31, 2007	2006	2005	2004	2003
Per share data						
Net asset value, beginning of period	$ 14.08	$ 14.67	$ 12.95	$ 11.15	$ 9.45	$ 6.40
INVESTMENT OPERATIONS						
Net investment income (loss)	0.09	0.18	(0.00)[1]	(0.04)	(0.09)	(0.06)
Net gain (loss) on investments and foreign currency related items (both realized and unrealized)	(1.08)	(0.77)	1.72	1.84	1.79	3.11
Total from investment operations	(0.99)	(0.59)	1.72	1.80	1.70	3.05
Net asset value, end of period	$ 13.09	$ 14.08	$ 14.67	$ 12.95	$ 11.15	$ 9.45
Total return[2]	(7.03)%	(4.02)%	13.28%	16.14%	17.99%	47.66%
RATIOS AND SUPPLEMENTAL DATA						
Net assets, end of period (000s omitted)	$68,063	$86,884	$119,105	$129,308	$110,110	$102,577
Ratio of expenses to average net assets	1.00%[3]	1.37%	1.40%	1.40%	1.40%	1.40%
Ratio of net investment income (loss) to average net assets	1.35%[3]	1.01%	(0.02)%	(0.39)%	(0.85)%	(0.94)%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.65%[3]	0.21%	0.16%	0.19%	0.17%	0.23%
Portfolio turnover rate	92%	76%	117%	75%	79%	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 (the "1940 Act"), 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, 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.

Note 2. Significant Accounting Policies

The Portfolio adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Portfolio would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- Level 1 — quoted prices in active markets for identical investments
- Level 2 — other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's investments carried at value:

Valuation Inputs	Investments in Securities	Other Financial Instruments*
Level 1 — Quoted Prices	$61,079,586	$ —
Level 2 — Other Significant Observable Inputs	26,648,545	—
Level 3 — Significant Unobservable Inputs	—	—
Total	$87,728,131	$ —

* Other financial instruments include futures, forwards and swap contracts.

Note 2. Significant Accounting Policies

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.

During June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation 48 ("FIN 48" or the "Interpretation"), *Accounting for Uncertainty in Income Taxes — an interpretation of FASB statement 109*. The Portfolio has reviewed its' current tax positions and has determined that no provision for income tax is required in the Portfolio's financial statements. The

Note 2. Significant Accounting Policies

Portfolio's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

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 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, 2008, 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 and/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 contract. Risks of entering into futures contracts for hedging purposes include the possibility that a change in the value of the

Note 2. Significant Accounting Policies

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, 2008, the Portfolio had no open futures contracts.

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, 2008, total earnings from the Portfolio's investment in cash collateral received in connection with securities lending arrangements was $379,079, of which $235,323 was rebated to borrowers (brokers). The Portfolio retained $114,949 in income from the cash collateral investment, and SSB, as lending agent, was paid $28,807. 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) 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, 2008, investment advisory fees earned and voluntarily waived were $455,819 and $235,598, 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 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. As of April 1, 2008, Credit Suisse Japan no longer serves as sub-investment advisor to 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, 2008, co-administrative services fees earned by CSAMSI were $32,819.

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, 2008, co-administrative services fees earned by SSB (including out-of-pocket expenses) were $10,679.

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, 2008, Merrill was paid $1,316 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%. Effective June 2008, Deutsche Bank, A.G. no longer serves as administrative agent and syndication agent to the credit facility. At June 30, 2008, the Portfolio had no loans outstanding under the Credit Facility. During the six months ended June 30, 2008, the Portfolio had borrowings under the Credit Facility as follows:

Average Daily Loan Balance	Weighted Average Interest Rate %	Maximum Daily Loan Outstanding
$1,156,484	3.958%	$1,693,000

Note 5. Purchases and Sales of Securities

For the six months ended June 30, 2008, purchases and sales of investment securities (excluding short-term investments) were $66,480,318 and $83,088,542, respectively.

At June 30, 2008, 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 $86,645,328, $6,913,668, $(5,830,865) and $1,082,803, 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, 2008 (unaudited)	For the Year Ended December 31, 2007
Shares sold	171,543	576,327
Shares redeemed	(1,141,820)	(2,523,446)
Net decrease	(970,277)	(1,947,119)

On June 30, 2008, 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	74%

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 March 2008, FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("FAS 161"), an amendment of FASB Statement No. 133. FAS 161 requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and hedging activities are accounted for, and (c) how derivative instruments and related hedging activities affect a fund's financial position, financial performance, and cash flows. Management of the Portfolio does not believe the adoption of FAS 161 will materially impact the financial statement amounts, but will require additional disclosures. This will include qualitative and quantitative disclosures on derivative positions existing at period end and the effect of using derivatives during the reporting period. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008.

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, email 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 May 13, 2008.

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.

CREDIT SUISSE

P.O. Box 55030, Boston, MA 02205-5030
800-222-8977 ■ www.credit-suisse.com/us

CREDIT SUISSE ASSET MANAGEMENT SECURITIES, INC., DISTRIBUTOR. TRGSC-SAR-0608

Dreyfus Investment Portfolios, MidCap Stock Portfolio

SEMIANNUAL REPORT June 30, 2008

BNY MELLON
ASSET MANAGEMENT

Dreyfus

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus portfolio are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus portfolio.

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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, 2008, through June 30, 2008.

The U.S. equity markets remained turbulent over the first half of 2008 and ended with June posting one of the worst monthly performance slumps on record. A continuously weakening U.S. housing market, surging inflation, devaluation of the U.S. dollar and lingering credit concerns continued to dampen investor sentiment. Of the ten economic sectors represented by the S&P 500® Composite Stock Index, only two — energy and materials — posted positive absolute returns for the reporting period. The financials sector was the hardest-hit industry group, primarily due to massive sub-prime related losses among global financial institutions.

While the U.S and global economy clearly has slowed, the news is not all bad. We have seen signs of more orderly deleveraging among financial institutions, and it appears that most of the damage caused by last year's sub-prime fiasco has been exposed and, to an extent, ameliorated. Moreover, the global upsurge in inflation should persist longer in fast-growing emerging markets than in more developed countries. These factors support our view that many areas of the stock market may have been punished too severely in the downturn, creating potential long-term opportunities for patient investors. As always, your financial advisor can help you identify suitable investments that may be right for you and your long-term investment goals.

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

Thank you for your continued confidence and support.

Sincerely,

Jonathan R. Baum
Chief Executive Officer
The Dreyfus Corporation
July 15, 2008

DISCUSSION OF PERFORMANCE

For the period of January 1, 2008, through June 30, 2008, as provided by the Franklin Portfolio Associates Midcap Team, Portfolio Managers

Portfolio and Market Performance Overview

For the six-month period ended June 30, 2008, Dreyfus Investment Portfolios, MidCap Stock Portfolio's Initial shares produced a total return of –4.59%, and its Service shares produced a total return of –4.65%.[1] In comparison, the portfolio's benchmark, the Standard & Poor's MidCap 400 Index (the "S&P 400 Index"), produced a total return of –3.90% for the same period.[2]

Stocks were driven lower during the reporting period by slowing U.S. economic growth and the continuing impact of a credit crisis in fixed-income markets. While these factors affected stocks in all market capitalization ranges, midcap stocks generally experienced milder declines than their large- and small-cap counterparts. The portfolio's returns lagged its benchmark, primarily due to a handful of disappointing individual security selections.

The Portfolio's Investment Approach

The portfolio seeks 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 S&P 400 Index. To pursue this goal, the portfolio normally invests at least 80% of its assets in stocks of midsize companies. The portfolio invests in growth and value stocks, which are chosen through a disciplined investment process that combines computer modeling techniques, fundamental analysis and risk management. Consistency of returns compared to the S&P 400 Index is a primary goal of the investment process.

Value Factors Undermined Second Quarter Performance

U.S. stocks generally produced disappointing results over the first half of 2008 amid an onslaught of negative economic news. As housing values continued to plummet, mortgage defaults, delinquencies and foreclosures rose sharply. At the same time, escalating commodity prices burdened consumers with soaring gasoline and home heating expenditures and rising food costs. Meanwhile, a credit crisis that began in 2007 continued to batter commercial banks, investment banks and bond insurers.

Equity markets performed erratically in this challenging environment. The S&P 400 Index declined from January through March 2008, and then rose into positive territory in April and May before declining again in June. The impact of momentum and value factors on stock performance varied as well, with value factors significantly underperforming during the second quarter of 2008. Because the portfolio generally produces its strongest performance at times when its proprietary value and momentum factors both play a significant role in a stock's market behavior, the market's reluctance to reward value factors late in the reporting period detracted from returns.

Soaring commodity prices and a variety of company-specific problems undermined earnings and revenues for several holdings, further contributing to the portfolio's relative underperformance. For example, managed health care services provider Humana fell sharply after cutting earnings forecasts in the face of rising costs. Humana was sold during the reporting period. Higher costs also hurt greeting card maker American Greetings and oil refiner Sunoco, which was sold during the reporting period. Heavy equipment manufacturer Oshkosh lost ground when the company's earlier profit forecasts proved too optimistic in light of widespread reductions in capital spending. Electronic game retailer GameStop slipped despite posting strong earnings and revenues due to concerns regarding the company's future growth.

Stock Selections Limited Losses

Several of the portfolio's holdings benefited from the same rising commodity prices responsible for some of the declines mentioned above. For example, independent oil and gas exploration and production companies, such as Cimarex Energy and Noble Energy, were bolstered by rising energy prices and increased production levels. Strong global energy demand also fueled profits for oil tanker owner and operator Frontline. Engineering company Fluor raised earnings forecasts on the basis of its involvement in several energy-related international construction projects. AK Steel Holding advanced due to robust orders for steel products from international customers. Agricultural chemical maker Mosaic profited from high fertilizer prices driven by rising global food and alternative energy production. The portfolio also benefited from mildly overweighted exposure to oil and natural gas services providers, such as National Oilwell Varco and Cameron International.

A few other holdings rose in response to positive company-specific developments. Edwards Lifesciences reported strong first quarter earnings and raised guidance on future earnings prospects due to strong European demand for the company's cardiovascular products. Industrial machinery maker Gardner Denver also issued better-than-expected first quarter earnings and raised its forecasts. Finally, discount retailer Big Lots bounced back from weak returns in 2007 as consumers grew increasingly price conscious.

Remaining Focused on Individual Stocks

Consistent with our emphasis on individual stock selection as the basis for enhancing performance, we have reduced the total number of portfolio holdings from 205 on January 1, 2008, to 142 as of the end of the reporting period. We are pleased to note that the market in 2008 so far appears to be rewarding a relatively balanced mix of growth and momentum factors. A balance of these factors has historically characterized strong-performing stocks, which is why such a balance forms the basis for the disciplined stock selection strategy to which we remain committed.

July 15, 2008

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 May 1, 2009, 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. Franklin Portfolio Associates is an independently managed, wholly owned subsidiary of The Bank of New York Mellon Corporation. Franklin Portfolio Associates has no affiliation to the Franklin Templeton Group of Funds or Franklin Resources, Inc. The portfolio managers are dual employees of Franklin Portfolio Associates and Dreyfus.*

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, 2008 to June 30, 2008. 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, 2008

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 3.89	$ 4.37
Ending value (after expenses)	$954.10	$953.50

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, 2008

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.02	$ 4.52
Ending value (after expenses)	$1,020.89	$1,020.39

† *Expenses are equal to the portfolio's annualized expense ratio of .80% for Initial shares and .90% for Service shares, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2008 (Unaudited)

Common Stocks—99.5%	Shares		Value ($)
Consumer Discretionary—12.7%			
Aeropostale	82,375	a,b	2,580,809
American Greetings, Cl. A	194,200		2,396,428
Blyth	55,700	a	670,071
Brinker International	108,850	a	2,057,265
Callaway Golf	109,000	a	1,289,470
DeVry	34,200		1,833,804
Dollar Tree	91,400	b	2,987,866
Expedia	35,250	a,b	647,895
Family Dollar Stores	79,150		1,578,251
GameStop, Cl. A	59,300	a,b	2,395,720
Gentex	84,550	a	1,220,902
Hanesbrands	25,450	a,b	690,713
Hasbro	32,650		1,166,258
ITT Educational Services	20,400	a,b	1,685,652
Priceline.com	4,400	a,b	508,024
Scholastic	16,200	a,b	464,292
Service Corporation International	94,200	a	928,812
Tiffany & Co.	26,900	a	1,096,175
Urban Outfitters	136,900	b	4,269,911
Warnaco Group	58,850	a,b	2,593,520
			33,061,838
Consumer Staples—3.3%			
BJ's Wholesale Club	21,000	a,b	812,700
Church & Dwight	54,900		3,093,615
Hormel Foods	41,150	a	1,424,202
J.M. Smucker	14,000		568,960
PepsiAmericas	41,100		812,958
Universal	42,500	a	1,921,850
			8,634,285
Energy—13.4%			
Cameron International	36,400	a,b	2,014,740
Cimarex Energy	78,350	a	5,458,644
Denbury Resources	158,800	b	5,796,200
FMC Technologies	53,900	b	4,146,527
Frontline	45,900	a	3,202,902

Common Stocks (continued)	Shares		Value ($)
Energy (continued)			
Holly	22,650	a	836,238
National Oilwell Varco	36,800	b	3,264,896
Noble Energy	43,600		4,384,416
Patterson-UTI Energy	22,800		821,712
Pride International	17,650	b	834,668
Southwestern Energy	66,300	b	3,156,543
Superior Energy Services	18,350	b	1,011,819
			34,929,305
Financial—14.0%			
AMB Property	34,150		1,720,477
American Financial Group	99,175		2,652,931
Cincinnati Financial	45,100		1,145,540
FirstMerit	82,100	a	1,339,051
HCC Insurance Holdings	134,550		2,844,387
Hospitality Properties Trust	134,400	a	3,287,424
Host Hotels & Resorts	65,000	a	887,250
Janus Capital Group	42,300	a	1,119,681
Jones Lang LaSalle	42,900	a	2,582,151
Nasdaq OMX Group	43,500	a,b	1,154,925
Philadelphia Consolidated Holding	45,600	b	1,549,032
Potlatch	18,800	a	848,256
ProLogis	45,950		2,497,382
Raymond James Financial	81,000	a	2,137,590
Reinsurance Group of America	14,100	a	613,632
StanCorp Financial Group	49,900		2,343,304
SVB Financial Group	47,600	a,b	2,290,036
Synovus Financial	93,400	a	815,382
TCF Financial	187,600	a	2,256,828
Transatlantic Holdings	8,300		468,701
W.R. Berkley	36,100		872,176
Weingarten Realty Investors	39,500	a	1,197,640
			36,623,776

Common Stocks (continued)	Shares		Value ($)
Health Care—10.2%			
Apria Healthcare Group	81,700	b	1,584,163
Dentsply International	90,600		3,334,080
Edwards Lifesciences	23,300	a,b	1,445,532
Endo Pharmaceuticals Holdings	24,200	b	585,398
Express Scripts	17,100	b	1,072,512
Henry Schein	15,500	a,b	799,335
Intuitive Surgical	12,100	b	3,259,740
Invitrogen	116,500	b	4,573,790
Kinetic Concepts	37,300	a,b	1,488,643
Lincare Holdings	76,600	a,b	2,175,440
Medicis Pharmaceutical, Cl. A	42,750	a	888,345
Par Pharmaceutical Cos.	52,300	a,b	848,829
Patterson Cos.	30,700	a,b	902,273
STERIS	39,600		1,138,896
Techne	14,300	b	1,106,677
Warner Chilcott, Cl. A	80,600	b	1,366,170
			26,569,823
Industrial—16.0%			
AGCO	42,250	a,b	2,214,322
Allied Waste Industries	237,850	b	3,001,667
Dun & Bradstreet	36,800		3,225,152
Dycom Industries	65,400	a,b	949,608
Fluor	13,000		2,419,040
Gardner Denver	55,700	b	3,163,760
GATX	37,300	a	1,653,509
Harsco	10,550		574,025
Herman Miller	19,250	a	479,133
HNI	24,400	a	430,904
Hubbell, Cl. B	57,250		2,282,557
Jacobs Engineering Group	33,100	b	2,671,170
KBR	69,800		2,436,718
Kennametal	22,500		732,375

Common Stocks (continued)	Shares		Value ($)
Industrial (continued)			
L-3 Communications Holdings	16,200		1,472,094
Manitowoc	54,400	[a]	1,769,632
Manpower	34,200		1,991,808
MPS Group	85,900	[b]	913,117
Oshkosh	55,500	[a]	1,148,295
Rockwell Automation	16,300		712,799
SPX	34,050		4,485,407
Steelcase, Cl. A	56,600	[a]	567,698
Toro	26,200	[a]	871,674
URS	7,800	[b]	327,366
Zebra Technologies, Cl. A	39,700	[b]	1,295,808
			41,789,638
Information Technology—11.4%			
Activision	61,400	[b]	2,091,898
ADC Telecommunications	60,100	[a,b]	887,677
Avnet	41,000	[b]	1,118,480
CommScope	46,700	[a,b]	2,464,359
Computer Sciences	45,900	[b]	2,149,956
Harris	41,000		2,070,090
Ingram Micro, Cl. A	36,700	[b]	651,425
Intersil, Cl. A	93,300	[a]	2,269,056
Jabil Circuit	48,200		790,962
MasterCard, Cl. A	4,600	[a]	1,221,392
Mettler-Toledo International	13,500	[b]	1,280,610
NCR	22,100	[b]	556,920
Parametric Technology	52,200	[b]	870,174
Semtech	144,100	[a,b]	2,027,487
Sybase	63,800	[b]	1,876,996
Synopsys	38,100	[b]	910,971
Tech Data	62,200	[b]	2,107,958
Western Digital	105,550	[a,b]	3,644,642
Xerox	47,350		642,066
			29,633,119

Common Stocks (continued)	Shares		Value ($)
Materials—10.5%			
AK Steel Holding	61,000		4,209,000
Carpenter Technology	39,400		1,719,810
CF Industries Holdings	13,100		2,001,680
Crown Holdings	73,800	b	1,918,062
Lubrizol	20,000		926,600
Minerals Technologies	66,300	a	4,216,017
Mosaic	11,400	b	1,649,580
Olin	41,800		1,094,324
Owens-Illinois	53,300	b	2,222,077
Reliance Steel & Aluminum	16,900		1,302,821
Terra Industries	80,800	a,b	3,987,480
Worthington Industries	108,600	a	2,226,300
			27,473,751
Telecommunication Services—1.2%			
Telephone & Data Systems	49,300		2,330,411
Windstream	56,600	a	698,444
			3,028,855
Utilities—6.8%			
Alliant Energy	59,650		2,043,609
CenterPoint Energy	191,700		3,076,785
Pepco Holdings	64,650		1,658,273
Sierra Pacific Resources	374,000		4,753,540
Southern Union	102,200	a	2,761,444
UGI	32,700		938,817
WGL Holdings	70,000	a	2,431,800
			17,664,268
Total Common Stocks (cost $258,302,949)			**259,408,658**

Other Investment—.7%			
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $1,693,000)	1,693,000	c	**1,693,000**

Investment of Cash Collateral for Securities Loaned—30.0%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $78,265,853)	78,265,853 [c]	**78,265,853**
Total Investments (cost $338,261,802)	**130.2%**	**339,367,511**
Liabilities, Less Cash and Receivables	**(30.2%)**	**(78,695,605)**
Net Assets	**100.0%**	**260,671,906**

[a] *All or a portion of these securities are on loan. At June 30, 2008, the total market value of the portfolio's securities on loan is $75,331,959 and the total market value of the collateral held by the portfolio is $79,087,281, consisting of cash collateral of $78,265,853 and U.S. Government and agency securities valued at $821,428.*

[b] *Non-income producing security.*

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

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Money Market Investments	30.7	Materials	10.5
Industrial	16.0	Health Care	10.2
Financial	14.0	Utilities	6.8
Energy	13.4	Consumer Staples	3.3
Consumer Discretionary	12.7	Telecommunication Services	1.2
Information Technology	11.4		**130.2**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2008 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $75,331,959)—Note 1(b):		
Unaffiliated issuers	258,302,949	259,408,658
Affiliated issuers	79,958,853	79,958,853
Cash		32,455
Dividends and interest receivable		219,296
Receivable for shares of Beneficial Interest subscribed		9,863
Prepaid expenses		6,669
		339,635,794
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		183,495
Liability for securities on loan—Note 1(b)		78,265,853
Payable for shares of Beneficial Interest redeemed		458,856
Accrued expenses		55,684
		78,963,888
Net Assets ($)		**260,671,906**
Composition of Net Assets ($):		
Paid-in capital		273,781,538
Accumulated undistributed investment income—net		1,182,525
Accumulated net realized gain (loss) on investments		(15,397,866)
Accumulated net unrealized appreciation (depreciation) on investments		1,105,709
Net Assets ($)		**260,671,906**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	235,938,070	24,733,836
Shares Outstanding	18,772,062	1,975,699
Net Asset Value Per Share ($)	**12.57**	**12.52**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2008 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $215 foreign taxes withheld at source):	
Unaffiliated issuers	1,956,455
Affiliated issuers	24,686
Income from securities lending	183,821
Total Income	**2,164,962**
Expenses:	
Investment advisory fee—Note 3(a)	1,048,122
Distribution fees—Note 3(b)	39,835
Professional fees	28,048
Prospectus and shareholders' reports	15,964
Custodian fees—Note 3(b)	14,410
Shareholder servicing costs—Note 3(b)	3,170
Trustees' fees and expenses—Note 3(c)	1,981
Interest expense—Note 2	629
Miscellaneous	7,876
Total Expenses	**1,160,035**
Less—waiver of fees due to undertaking—Note 3(a)	(23,802)
Less—reduction in fees due to earnings credits—Note 1(b)	(44)
Net Expenses	**1,136,189**
Investment Income—Net	**1,028,773**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	(14,707,043)
Net unrealized appreciation (depreciation) on investments	(756,110)
Net Realized and Unrealized Gain (Loss) on Investments	**(15,463,153)**
Net (Decrease) in Net Assets Resulting from Operations	**(14,434,380)**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2008 (Unaudited)	Year Ended December 31, 2007
Operations ($):		
Investment income—net	1,028,773	2,678,677
Net realized gain (loss) on investments	(14,707,043)	37,593,511
Net unrealized appreciation (depreciation) on investments	(756,110)	(28,154,438)
Net Increase (Decrease) in Net Assets Resulting from Operations	**(14,434,380)**	**12,117,750**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(2,075,789)	(1,378,271)
Service Shares	(242,422)	(251,422)
Net realized gain on investments:		
Initial Shares	(33,614,382)	(39,159,213)
Service Shares	(4,819,634)	(9,828,752)
Total Dividends	**(40,752,227)**	**(50,617,658)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	6,723,723	18,299,663
Service Shares	1,043,062	4,556,463
Dividends reinvested:		
Initial Shares	35,690,171	40,537,484
Service Shares	5,062,056	10,080,174
Cost of shares redeemed:		
Initial Shares	(35,459,685)	(86,321,689)
Service Shares	(13,812,321)	(55,399,353)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**(752,994)**	**(68,247,258)**
Total Increase (Decrease) in Net Assets	**(55,939,601)**	**(106,747,166)**
Net Assets ($):		
Beginning of Period	316,611,507	423,358,673
End of Period	**260,671,906**	**316,611,507**
Undistributed investment income—net	1,182,525	2,471,963

	Six Months Ended June 30, 2008 (Unaudited)	Year Ended December 31, 2007
Capital Share Transactions:		
Initial Shares		
Shares sold	489,850	1,093,663
Shares issued for dividends reinvested	2,979,146	2,546,324
Shares redeemed	(2,579,980)	(5,194,938)
Net Increase (Decrease) in Shares Outstanding	**889,016**	**(1,554,951)**
Service Shares		
Shares sold	74,962	272,164
Shares issued for dividends reinvested	423,958	635,973
Shares redeemed	(1,048,017)	(3,308,648)
Net Increase (Decrease) in Shares Outstanding	**(549,097)**	**(2,400,511)**

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.

Initial Shares	Six Months Ended June 30, 2008 (Unaudited)	Year Ended December 31, 2007	2006	2005	2004	2003
Per Share Data ($):						
Net asset value, beginning of period	15.52	17.39	19.15	17.62	15.82	12.04
Investment Operations:						
Investment income–net[a]	.05	.12	.08	.08	.07	.04
Net realized and unrealized gain (loss) on investments	(.87)	.19	1.39	1.53	2.22	3.78
Total from Investment Operations	(.82)	.31	1.47	1.61	2.29	3.82
Distributions:						
Dividends from investment income–net	(.12)	(.07)	(.07)	(.01)	(.07)	(.04)
Dividends from net realized gain on investments	(2.01)	(2.11)	(3.16)	(.07)	(.42)	–
Total Distributions	(2.13)	(2.18)	(3.23)	(.08)	(.49)	(.04)
Net asset value, end of period	12.57	15.52	17.39	19.15	17.62	15.82
Total Return (%)	(4.59)[b]	1.50	7.75	9.17	14.48	31.72
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.80[c]	.80	.80	.79	.78	.82
Ratio of net expenses to average net assets[d]	.80[c]	.80	.80	.79	.78	.82
Ratio of net investment income to average net assets	.75[c]	.73	.48	.43	.43	.32
Portfolio Turnover Rate	46.35[b]	116.83	149.02	99.27	79.75	74.15
Net Assets, end of period ($ x 1,000)	235,938	277,602	338,081	362,789	344,979	302,253

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Ammualized.*
[d] *Expense waivers and/or reimbursements amounted to less than .01%.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2008 (Unaudited)	Year Ended December 31, 2007	2006	2005	2004	2003
Per Share Data ($):						
Net asset value, beginning of period	15.45	17.31	19.06	17.57	15.77	12.02
Investment Operations:						
Investment income—net[a]	.04	.09	.06	.04	.04	.02
Net realized and unrealized gain (loss) on investments	(.86)	.21	1.39	1.52	2.21	3.75
Total from Investment Operations	(.82)	.30	1.45	1.56	2.25	3.77
Distributions:						
Dividends from investment income—net	(.10)	(.05)	(.04)	–	(.03)	(.02)
Dividends from net realized gain on investments	(2.01)	(2.11)	(3.16)	(.07)	(.42)	–
Total Distributions	(2.11)	(2.16)	(3.20)	(.07)	(.45)	(.02)
Net asset value, end of period	12.52	15.45	17.31	19.06	17.57	15.77
Total Return (%)	(4.65)[b]	1.39	7.68	8.93	14.23	31.48
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	1.05[c]	1.05	1.05	1.04	1.03	1.06
Ratio of net expenses to average net assets	.90[c]	.90	.91	1.00	1.00	1.00
Ratio of net investment income to average net assets	.62[c]	.58	.37	.22	.22	.12
Portfolio Turnover Rate	46.35[b]	116.83	149.02	99.27	79.75	74.15
Net Assets, end of period ($ x 1,000)	24,734	39,009	85,277	89,264	81,680	58,224

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *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"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the portfolio's investment adviser.

MBSC Securities Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, is the distributor of the portfolio's shares, which are sold without a sales charge. 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, the allocation of certain transfer agency costs 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 ADRs 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.

Various inputs are used in determining the value of the portfolio's investments relating to FAS 157.

These inputs are summarized in the three broad levels listed below.

Level 1—quoted prices in active markets for identical securities.

Level 2—other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3—significant unobservable inputs (including portfolio's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2008 in valuing the portfolio's investments carried at fair value:

Valuation Inputs	Investments in Securities ($)	Other Financial Instruments ($)†
Level 1–Quoted Prices	339,367,511	0
Level 2–Other Significant Observable Inputs	0	0
Level 3–Significant Unobservable Inputs	0	0
Total	**339,367,511**	**0**

† *Other financial instruments include derivative instruments such as futures, forward currency exchange contracts and swap contracts, which are valued at the unrealized appreciation (depreciation) on the instrument.*

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gains and losses 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 arrangements with the custodian and cash management banks whereby the portfolio may receive earnings credits when positive cash balances are maintained, which are used to offset custody and cash management fees. For financial reporting purposes, the portfolio includes net earnings credits as an expense offset in the Statement of Operations.

Pursuant to a securities lending agreement with Mellon Bank, N.A. ("Mellon Bank"), a subsidiary of BNY Mellon and a Dreyfus affiliate, 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. Collateral is either in the form of cash, which can be invested in certain money market mutual funds managed by the Manager, U.S. Government and Agency securities or Letters of Credit. 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. During the period ended June 30, 2008, Mellon Bank earned $78,780 from lending portfolio securities, pursuant to the securities lending agreement.

(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 gains, 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 gains can be offset by capital loss carryovers, it is the policy of the portfolio not to distribute such gains. 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.

During the current year, the portfolio adopted 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 expense in the current year. The adoption of FIN 48 had no impact on the operations of the portfolio for the period ended June 30, 2008.

As of and during the period ended June 30, 2008, the portfolio did not have any liabilities for any unrecognized tax benefits. The portfolio recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the period, the portfolio did not incur any interest or penalties.

Each of the tax years in the three-year period ended December 31, 2007, remains subject to examination by the Internal Revenue Service and state taxing authorities.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2007 was as follows: ordinary income $10,308,755 and long-term capital gains $40,308,903. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Line of Credit:

Effective May 1, 2008, the portfolio participates with other Dreyfus-managed funds in a $300 million unsecured line of credit primarily to be utilized for temporary or emergency purposes. Interest is charged to the portfolio based on prevailing market rates in effect at the time of borrowing. Prior to May 1, 2008, the portfolio participated with other Dreyfus-managed funds in a $100 million unsecured line of credit.

The average daily amount of borrowings outstanding under the line of credit during the period ended June 30, 2008, was approximately $28,000, with a related weighted average annualized interest rate of 4.51%.

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, 2008 to May 1, 2009, 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, 2008, the Manager waived receipt of fees of $23,802, pursuant to the undertaking.

(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, 2008, Service shares were charged $39,835 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, 2008, the portfolio was charged $429 pursuant to the transfer agency agreement.

The portfolio compensates The Bank of New York, a subsidiary of BNY Mellon and a Dreyfus affiliate, under a cash management agreement for performing cash management services related to portfolio subscriptions and redemptions. During the period ended June 30, 2008, the portfolio was charged $44 pursuant to the cash management agreement.

The portfolio compensates Mellon Bank under a custody agreement for providing custodial services for the portfolio. During the period ended June 30, 2008, the portfolio was charged $14,410 pursuant to the custody agreement.

During the period ended June 30, 2008, the portfolio was charged $2,820 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 $169,809, Rule 12b-1 distribution plan fees $5,392, custodian fees $9,215, chief compliance officer fees $2,820 and transfer agency per account fees $141, which are offset against an expense reimbursement currently in effect in the amount of $3,882.

(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.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2008, amounted to $130,228,292 and $168,009,440, respectively.

At June 30, 2008, accumulated net unrealized appreciation on investments was $1,105,709, consisting of $30,228,053 gross unrealized appreciation and $29,122,344 gross unrealized depreciation.

At June 30, 2008, 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).

In March 2008, the FASB released Statement of Financial Accounting Standards No. 161 "Disclosures about Derivative Instruments and Hedging Activities" ("FAS 161"). FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The application of FAS 161 is required for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. At this time, management is evaluating the implications of FAS 161 and its impact on the financial statements and the accompanying notes has not yet been determined.

NOTE 5—Subsequent Event:

Effective July 1, 2008, BNY Mellon has reorganized and consolidated a number of its banking and trust company subsidiaries. As a result of the reorganization, any services previously provided to the portfolio by Mellon Bank, N.A. or Mellon Trust of New England, N.A. are now provided by The Bank of New York, which has changed its name to The Bank of New York Mellon.

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

The Bank of New York Mellon
One Wall Street
New York, NY 10286

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 1-800-SEC-0330.

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, 2008, 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, 2008

BNY MELLON
ASSET MANAGEMENT

Dreyfus

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

Contents

THE FUND

FOR MORE INFORMATION

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, 2008, through June 30, 2008.

The U.S. equity markets remained turbulent over the first half of 2008 and ended with June posting one of the worst monthly performance slumps on record. A continuously weakening U.S. housing market, surging inflation, devaluation of the U.S. dollar and lingering credit concerns continued to dampen investor sentiment. Of the ten economic sectors represented by the S&P 500® Composite Stock Index, only two — energy and materials — posted positive absolute returns for the reporting period. The financials sector was the hardest-hit industry group, primarily due to massive sub-prime related losses among global financial institutions.

While the U.S and global economy clearly has slowed, the news is not all bad. We have seen signs of more orderly deleveraging among financial institutions, and it appears that most of the damage caused by last year's sub-prime fiasco has been exposed and, to an extent, ameliorated. Moreover, the global upsurge in inflation should persist longer in fast-growing emerging markets than in more developed countries. These factors support our view that many areas of the stock market may have been punished too severely in the downturn, creating potential long-term opportunities for patient investors. As always, your financial advisor can help you identify suitable investments that may be right for you and your long-term investment goals.

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,

Jonathan R. Baum
Chief Executive Officer
The Dreyfus Corporation
July 15, 2008

DISCUSSION OF FUND PERFORMANCE

For the period from January 1, 2008, through June 30, 2008, as provided by John O'Toole and Jocelin Reed, Portfolio Managers

Fund and Market Performance Overview

For the six-month period ended June 30, 2008, The Dreyfus Socially Responsible Growth Fund's Initial shares produced a total return of –8.11%, and the fund's Service shares produced a total return of –8.20%.[1] In comparison, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced a total return of –11.90 % for the same period.[2]

During the reporting period, stocks declined amid economic concerns stemming from slower consumer spending and soaring food and energy prices. In addition, a credit crisis that began in the sub-prime mortgage market took a further toll on stock market performance. While these factors drove the fund's returns into negative territory, good individual stock selections and sector allocation decisions in the financials, health care, technology and energy sectors enabled the fund to outperform its benchmark.

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.

Benefiting from an Emphasis on Growth

Equity markets exhibited heightened levels of volatility during the reporting period, conditions that have historically tended to favor growth-oriented stocks. Accordingly, the fund emphasized issues exhibiting strong growth characteristics over their value-oriented counterparts. The fund's tilt toward growth stocks led to a significantly underweighted position in the financials sector. Most notably, the fund held only one bank stock, Northern Trust, which declined relatively modestly compared to the banking industry as a whole. In other segments of the financials sector, good individual stock selections, such as credit card processor MasterCard, enhanced performance compared to the benchmark.

The effectiveness of the fund's stock selection process limited losses in several other sectors. In the health care area, pharmaceutical developers Johnson & Johnson and Novartis performed better than most of their competitors, many of which came under pressure from generic drug makers. While the fund participated in declines in Wellpoint and other medical plan providers, the fund compensated for those losses to a degree by investing in medical products makers, such as Alcon and Baxter International, that showed positive earnings growth potential. Returns in the information technology sector benefited from the fund's investments in industry leaders with strong international exposure, such as International Business Machines and QUALCOMM.

Good stock selections also bolstered returns among energy stocks, the market's best-performing sector, more than making up for the fund's underweighted energy exposure. We emphasized independent exploration-and-production companies involved with clean-burning natural gas, such as XTO Energy, Anadarko Petroleum and Nexen.

On the other hand, several of the fund's consumer cyclical holdings delivered relatively weak returns, including auction house Sotheby's, apparel retailer American Eagle Outfitters and Weight Watchers International. In the media area, News Corp. declined in response to weaker advertising revenues. In the basic materials sector, chemical companies with high input costs, such as 3M, detracted from returns, as did lack of exposure to high-flying metals-and-mining companies.

Focusing on Growth in a Slowing Economy

As of the end of the reporting period, market volatility remained relatively high, and valuations of growth-oriented stocks stood at historically attractive levels. Accordingly, the fund has continued to favor growth stocks, particularly in the health care and technology sectors. Conversely, we have found relatively few opportunities among financial companies, where credit-related concerns have continued to depress stock prices, or in the energy sector, where commodity prices appear to have reached unsustainable levels.

Alternative Energy as an Area for Socially Responsible Investment

Alternative energy providers are benefiting from rising oil prices and global interest in renewable energy sources, creating attractive opportunities among carefully selected stocks. During the reporting period, the fund initiated an investment in First Solar, a leading manufacturer of solar panels and related technologies. A longstanding holding, United Technologies, is a leading developer of fuel cell technology. Both companies are involved in profitable, industrial-scale projects around the world, and both meet the fund's criteria for investments with excellent growth potential while contributing to the enhancement of the quality of life in America through their strong environmental profiles. For further information regarding the fund's approach to socially responsible investing, please consult the fund's prospectus.

July 15, 2008

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, 2008 to June 30, 2008. 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, 2008

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 3.91	$ 5.10
Ending value (after expenses)	$918.90	$918.00

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, 2008

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.12	$ 5.37
Ending value (after expenses)	$1,020.79	$1,019.54

† *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 182/366 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2008 (Unaudited)

Common Stocks—99.3%	Shares		Value ($)
Consumer Discretionary—9.7%			
American Eagle Outfitters	100,050		1,363,681
Autoliv	20,700		965,034
Choice Hotels International	58,500		1,550,250
Coach	93,525	a	2,701,002
Deckers Outdoor	7,600	a	1,057,920
McDonald's	41,800		2,349,996
News, Cl. B	340,175		5,221,686
NIKE, Cl. B	55,325		3,297,923
Tiffany & Co.	45,200	b	1,841,900
TJX Cos.	81,000		2,549,070
Walt Disney	129,050		4,026,360
Weight Watchers International	30,125		1,072,751
			27,997,573
Consumer Staples—9.9%			
Costco Wholesale	75,750		5,313,105
General Mills	54,925		3,337,792
Kimberly-Clark	63,500		3,796,030
PepsiCo	151,250		9,617,987
Procter & Gamble	106,375		6,468,664
			28,533,578
Energy—11.0%			
Anadarko Petroleum	83,125		6,221,075
ENSCO International	50,600	b	4,085,444
National Oilwell Varco	47,925	a	4,251,906
Nexen	79,625		3,165,094
Noble	71,325		4,633,272
Smith International	40,100		3,333,914
XTO Energy	87,575		5,999,763
			31,690,468
Financial—5.4%			
Aflac	23,825		1,496,210
Chubb	43,525		2,133,160
Donaldson	24,550		1,095,912
Goldman Sachs Group	24,475		4,280,677
Northern Trust	61,075		4,187,913
TD Ameritrade Holding	128,600	b	2,326,374
			15,520,246

Common Stocks (continued)	Shares		Value ($)
Health Care—16.4%			
Aetna	75,250		3,049,882
Alcon	24,375		3,968,006
Amgen	81,500	a	3,843,540
AstraZeneca Group, ADR	45,600		1,939,368
Baxter International	91,075		5,823,335
Becton, Dickinson & Co.	61,925		5,034,502
Genzyme	69,900	a	5,034,198
Johnson & Johnson	148,375		9,546,448
Novartis, ADR	96,325		5,301,728
WellPoint	82,550	a	3,934,333
			47,475,340
Industrial—13.9%			
3M	50,225		3,495,158
Danaher	55,625	b	4,299,813
Emerson Electric	173,000		8,554,850
Equifax	41,250		1,386,825
First Solar	7,025	a	1,916,561
Herman Miller	92,300	b	2,297,347
Nordson	26,200	b	1,909,718
Quanta Services	56,400	a	1,876,428
Rockwell Automation	25,875		1,131,514
Rockwell Collins	70,750		3,393,170
Ryder System	22,400	b	1,542,912
United Technologies	105,600		6,515,520
Woodward Governor	46,600		1,661,756
			39,981,572
Information Technology—23.7%			
Accenture, Cl. A	91,375		3,720,790
Apple	49,825	a	8,342,698
Applied Materials	160,325		3,060,604
EMC	182,450	a	2,680,191
Google, Cl. A	12,900	a	6,790,818
Hewitt Associates, Cl. A	51,300	a	1,966,329
Intel	125,775		2,701,647
International Business Machines	101,825		12,069,317

Common Stocks (continued)	Shares		Value ($)
Information Technology (continued)			
MasterCard, Cl. A	13,925		3,697,366
Microsoft	424,450		11,676,620
National Semiconductor	113,375		2,328,723
STMicroelectronics (New York Shares)	89,525	b	924,793
Symantec	83,625	a	1,618,144
Texas Instruments	204,900		5,769,984
Xerox	96,425		1,307,523
			68,655,547
Materials—2.8%			
Air Products & Chemicals	38,425		3,798,696
Calgon Carbon	67,400	a	1,042,004
Praxair	35,000		3,298,400
			8,139,100
Telecommunication Services—4.5%			
Cisco Systems	264,950	a	6,162,737
QUALCOMM	110,400		4,898,448
Windstream	167,625		2,068,493
			13,129,678
Utilities—2.0%			
NiSource	106,050		1,900,416
Sempra Energy	68,125		3,845,656
			5,746,072
Total Common Stocks (cost $256,029,241)			**286,869,174**

Short-Term Investments—.0%	Principal Amount ($)	Value ($)
Negotiable Bank Certificate Of Deposit		
Self-Help Credit Union 2.78%, 9/15/08 (cost $100,000)	100,000	**100,000**

Other Investment—.7%	Shares		Value ($)
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $1,902,000)	1,902,000	c	**1,902,000**

Investment of Cash Collateral for Securities Loaned—4.1%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Plus Fund (cost $11,717,780)	11,717,780 [c]	**11,717,780**
Total Investments (cost $269,749,021)	**104.1%**	**300,588,954**
Liabilities, Less Cash and Receivables	**(4.1%)**	**(11,965,749)**
Net Assets	**100.0%**	**288,623,205**

ADR—American Depository Receipts

[a] *Non-income producing security.*

[b] *All or a portion of these securities are on loan. At June 30, 2008, the total market value of the fund's securities on loan is $11,846,672 and the total market value of the collateral held by the fund is $12,290,326, consisting of cash collateral of $11,717,780 and U.S. Government and agency securities valued at $572,546.*

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

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Information Technology	23.7	Financial	5.4
Health Care	16.4	Short-Term/Money Market Investments	4.8
Industrial	13.9	Telecommunication Services	4.5
Energy	11.0	Materials	2.8
Consumer Staples	9.9	Utilities	2.0
Consumer Discretionary	9.7		**104.1**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2008 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $11,846,672)—Note 1(b):		
Unaffiliated issuers	256,129,241	286,969,174
Affiliated issuers	13,619,780	13,619,780
Cash		446,652
Dividends and interest receivable		243,464
Receivable for shares of Common Stock subscribed		4,272
Prepaid expenses		45,784
		301,329,126
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		199,775
Liability for securities on loan—Note 1(b)		11,717,780
Payable for investment securities purchased		420,865
Payable for shares of Common Stock redeemed		234,729
Interest payable—Note 2		3,385
Accrued expenses		129,387
		12,705,921
Net Assets ($)		**288,623,205**
Composition of Net Assets ($):		
Paid-in capital		437,697,123
Accumulated undistributed investment income—net		966,870
Accumulated net realized gain (loss) on investments		(180,880,721)
Accumulated net unrealized appreciation (depreciation) on investments		30,839,933
Net Assets ($)		**288,623,205**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	281,092,541	7,530,664
Shares Outstanding	10,100,506	272,302
Net Asset Value Per Share ($)	**27.83**	**27.66**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2008 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $34,894 foreign taxes withheld at source):	
Unaffiliated issuers	2,158,611
Affiliated issuers	17,752
Income from securities lending	34,341
Total Income	**2,210,704**
Expenses:	
Investment advisory fee—Note 3(a)	1,131,938
Professional fees	53,596
Custodian fees—Note 3(c)	14,976
Prospectus and shareholders' reports	13,662
Shareholder servicing costs—Note 3(c)	13,713
Distribution fees—Note 3(b)	9,998
Directors' fees and expenses—Note 3(d)	2,886
Loan commitment fees—Note 2	600
Interest expense—Note 2	44
Miscellaneous	10,000
Total Expenses	**1,251,413**
Less—reduction in fees due to earnings credits—Note 1(b)	(71)
Net Expenses	**1,251,342**
Investment Income—Net	**959,362**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	(1,753,767)
Net unrealized appreciation (depreciation) on investments	(26,662,153)
Net Realized and Unrealized Gain (Loss) on Investments	**(28,415,920)**
Net (Decrease) in Net Assets Resulting from Operations	**(27,456,558)**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2008 (Unaudited)	Year Ended December 31, 2007
Operations ($):		
Investment income—net	959,362	2,101,645
Net realized gain (loss) on investments	(1,753,767)	11,483,091
Net unrealized appreciation (depreciation) on investments	(26,662,153)	14,439,012
Net Increase (Decrease) in Net Assets Resulting from Operations	**(27,456,558)**	**28,023,748**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(2,021,732)	(1,943,866)
Service Shares	(31,418)	(31,270)
Total Dividends	**(2,053,150)**	**(1,975,136)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	4,543,174	12,658,980
Service Shares	487,983	762,545
Dividends reinvested:		
Initial Shares	2,021,732	1,943,866
Service Shares	31,418	31,270
Cost of shares redeemed:		
Initial Shares	(28,032,962)	(83,100,413)
Service Shares	(1,155,543)	(4,016,664)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(22,104,198)**	**(71,720,416)**
Total Increase (Decrease) in Net Assets	**(51,613,906)**	**(45,671,804)**
Net Assets ($):		
Beginning of Period	340,237,111	385,908,915
End of Period	**288,623,205**	**340,237,111**
Undistributed investment income—net	966,870	2,060,658

	Six Months Ended June 30, 2008 (Unaudited)	Year Ended December 31, 2007
Capital Share Transactions:		
Initial Shares		
Shares sold	157,689	425,875
Shares issued for dividends reinvested	73,812	67,825
Shares redeemed	(993,589)	(2,796,135)
Net Increase (Decrease) in Shares Outstanding	**(762,088)**	**(2,302,435)**
Service Shares		
Shares sold	17,161	25,792
Shares issued for dividends reinvested	1,154	1,098
Shares redeemed	(41,002)	(134,965)
Net Increase (Decrease) in Shares Outstanding	**(22,687)**	**(108,075)**

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, 2008 (Unaudited)	Year Ended December 31, 2007	2006	2005	2004	2003
Per Share Data ($):						
Net asset value, beginning of period	30.50	28.45	26.08	25.17	23.79	18.90
Investment Operations:						
Investment income—net[a]	.09	.17	.13	.03	.09	.02
Net realized and unrealized gain (loss) on investments	(2.57)	2.04	2.27	.88	1.39	4.89
Total from Investment Operations	(2.48)	2.21	2.40	.91	1.48	4.91
Distributions:						
Dividends from investment income—net	(.19)	(.16)	(.03)	–	(.10)	(.02)
Net asset value, end of period	27.83	30.50	28.45	26.08	25.17	23.79
Total Return (%)	(8.11)[b]	7.78	9.20	3.62	6.21	26.00
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.82[c]	.82	.83	.81	.82	.84
Ratio of net expenses to average net assets	.82[c,d]	.82	.83	.81	.82	.84
Ratio of net investment income to average net assets	.64[c]	.58	.50	.10	.38	.12
Portfolio Turnover Rate	9.55[b]	22.71	32.19	94.99	55.54	63.17
Net Assets, end of period ($ x 1,000)	281,093	331,313	374,537	418,916	488,994	521,262

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
[d] *Expense waivers and/or reimbursements amounted to less than .01%.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2008 (Unaudited)	Year Ended December 31, 2007	2006	2005	2004	2003
Per Share Data ($):						
Net asset value, beginning of period	30.25	28.21	25.90	25.06	23.69	18.84
Investment Operations:						
Investment income (loss)—net [a]	.06	.10	.07	(.04)	.04	(.03)
Net realized and unrealized gain (loss) on investments	(2.54)	2.02	2.24	.88	1.37	4.88
Total from Investment Operations	(2.48)	2.12	2.31	.84	1.41	4.85
Distributions:						
Dividends from investment income—net	(.11)	(.08)	–	–	(.04)	(.00)[b]
Net asset value, end of period	27.66	30.25	28.21	25.90	25.06	23.69
Total Return (%)	(8.20)[c]	7.49	8.96	3.35	5.94	25.75
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	1.07[d]	1.07	1.08	1.06	1.06	1.09
Ratio of net expenses to average net assets	1.07[d,e]	1.07	1.08	1.06	1.06	1.09
Ratio of net investment income (loss) to average net assets	.40[d]	.33	.25	(.15)	.17	(.14)
Portfolio Turnover Rate	9.55[c]	22.71	32.19	94.99	55.54	63.17
Net Assets, end of period ($ x 1,000)	7,531	8,924	11,372	12,311	13,492	12,202

[a] *Based on average shares outstanding at each month end.*
[b] *Amount represents less than $.01 per share.*
[c] *Not annualized.*
[d] *Annualized.*
[e] *Expense waivers and/or reimbursements amounted to less than .01%.*
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"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the fund's investment adviser.

MBSC Securities Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, served as the distributor of the funds's shares, which are sold without a sales charge. 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, the allocation of certain transfer agency costs 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 ADRs 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.

Various inputs are used in determining the value of the fund's investments relating to FAS 157.

These inputs are summarized in the three broad levels listed below.

Level 1—quoted prices in active markets for identical securities.

Level 2—other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3—significant unobservable inputs (including fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2008 in valuing the fund's investments carried at fair value:

Valuation Inputs	Investments in Securities ($)	Other Financial Instruments ($)†
Level 1–Quoted Prices	300,488,954	0
Level 2–Other Significant Observable Inputs	100,000	0
Level 3–Significant Unobservable Inputs	0	0
Total	**300,588,954**	**0**

† *Other financial instruments include derivative instruments, such as futures, forward currency exchange contracts and swap contracts, which are valued at the unrealized appreciation (depreciation) on the instrument.*

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gains and losses 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 arrangements with the custodian and cash management banks whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset custody and cash management fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

Pursuant to a securities lending agreement with Mellon Bank, N.A. ("Mellon Bank"), a subsidiary of BNY Mellon and a Dreyfus affiliate, 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 will be maintained at all times. Collaterals are either in the form of cash, which can be invested in certain money market mutual funds managed by the Manager, U.S. Government and Agency securities or Letters of Credit. 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. During the period ended June 30, 2008, Mellon Bank earned $14,718 from lending fund portfolio securities, pursuant to the securities lending agreement.

(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 gains, 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 gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. 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.

During the current year, the fund adopted 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 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 expense in the current year. The adoption of FIN 48 had no impact on the operations of the fund for the period ended June 30, 2008.

As of and during the period ended June 30, 2008, the fund did not have any liabilities for any unrecognized tax benefits. The fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each of the tax years in the three-year period ended December 31, 2007, remains subject to examination by the Internal Revenue Service and state taxing authorities.

The fund has an unused capital loss carryover of $178,903,115 available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2007. If not applied, $55,297,899 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, 2007 was as follows: ordinary income $1,975,136. 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, 2008 was approximately $2,700, with a related weighted average annualized interest rate of 3.24%.

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, 2008, Service shares were charged $9,998 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, 2008, Initial shares were charged $8,710 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, 2008, the fund was charged $553 pursuant to the transfer agency agreement.

The fund compensates The Bank of New York, a subsidiary of BNY Mellon and a Dreyfus affiliate, under a cash management agreement for performing cash management services related to fund subscriptions and redemptions. During the period ended June 30, 2008, the fund was charged $71 pursuant to the cash management agreement.

The fund compensates Mellon Bank, under a custody agreement for providing custodial services for the fund. During the period ended June 30, 2008, the fund was charged $14,976 pursuant to the custody agreement.

During the period ended June 30, 2008, the fund was charged $2,820 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 $184,922, Rule 12b-1 distribution plan fees $1,607, shareholder services plan fees $995, custodian fees $9,231, chief compliance officer fees $2,820 and transfer agency per account fees $200.

(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.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2008, amounted to $29,016,297 and $52,830,411, respectively.

At June 30, 2008, accumulated net unrealized appreciation on investments was $30,839,933, consisting of $45,216,632 gross unrealized appreciation and $14,376,699 gross unrealized depreciation.

At June 30, 2008, 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).

In March 2008, the FASB released Statement of Financial Accounting Standards No. 161 "Disclosures about Derivative Instruments and Hedging Activities" ("FAS 161"). FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The application of FAS 161 is required for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. At this time, management is evaluating the implications of FAS 161 and its impact on the financial statements and the accompanying notes has not yet been determined.

NOTE 5—Subsequent Event:

Effective July 1, 2008, BNY Mellon has reorganized and consolidated a number of its banking and trust company subsidiaries. As a result of the reorganization, any services previously provided to the fund by Mellon Bank, N.A. or Mellon Trust of New England, N.A. are now provided by The Bank of New York, which has changed its name to The Bank of New York Mellon.

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

The Bank of New York Mellon
One Wall Street
New York, NY 10286

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 1-800-SEC-0330.

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, 2008, 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, 2008

SEMIANNUAL REPORT

DWS INVESTMENTS VIT FUNDS

DWS Equity 500 Index VIP

RESHAPING INVESTING.

DWS INVESTMENTS

Deutsche Bank Group

Contents

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 may not be able to mirror the S&P 500® 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. This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, derivatives may be more volatile and less liquid than traditional securities, and the Portfolio could suffer losses on its derivatives positions. All of these factors may result in greater share price volatility. Please read the prospectus for specific details regarding the Portfolio's risk profile.

"Standard & Poor's," "S&P," "S&P 500," "Standard & Poor's 500" and "500" are trademarks of The McGraw-Hill Companies, Inc., and have been licensed for use by the Portfolio's advisor. DWS Equity 500 Index VIP is not sponsored, endorsed, sold, nor promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in the Portfolio. There is no guarantee that the Portfolio will be able to mirror the S&P 500 index closely enough to track its performance.

DWS Investments is part of Deutsche Bank's Asset Management division and, within the US, represents the retail asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Investment Management Americas Inc. and DWS Trust Company.

Performance Summary

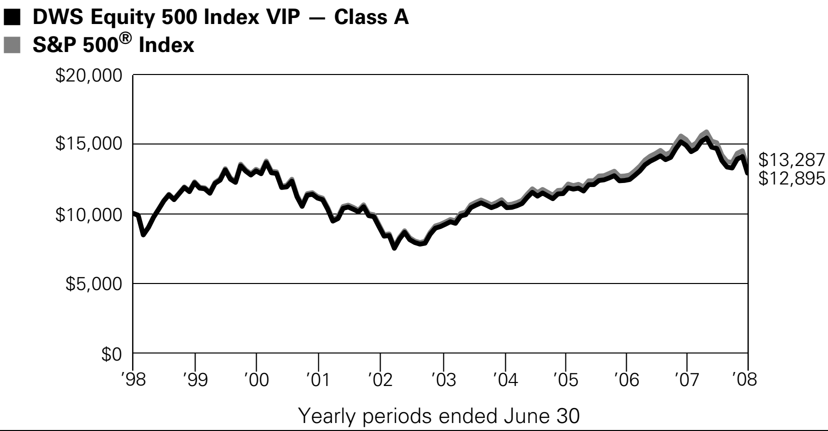
June 30, 2008

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 ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.31%, 0.56% and 0.71% 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, 2008.

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, 2008)

DWS Equity 500 Index VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$8,792	$8,664	$11,298	$14,226	$12,895
	Average annual total return	–12.08%	–13.36%	4.15%	7.30%	2.58%
S&P 500 Index	Growth of $10,000	$8,809	$8,688	$11,381	$14,413	$13,287
	Average annual total return	–11.91%	–13.12%	4.41%	7.58%	2.88%

DWS Equity 500 Index VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$8,782	$8,643	$11,221	$14,057	$12,904
	Average annual total return	–12.18%	–13.57%	3.91%	7.05%	4.22%
S&P 500 Index	Growth of $	$8,809	$8,688	$11,381	$14,413	$13,321
	Average annual total return	–11.91%	–13.12%	4.41%	7.58%	4.76%

DWS Equity 500 Index VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class**
Class B2	Growth of $10,000	$8,785	$8,641	N/A	N/A	$10,735
	Average annual total return	–12.15%	–13.59%	N/A	N/A	2.58%
S&P 500 Index	Growth of $10,000	$8,809	$8,688	N/A	N/A	$10,985
	Average annual total return	–11.91%	–13.12%	N/A	N/A	3.47%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *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-investments.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 funds. 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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	Class A	Class B	Class B2
Beginning Account Value 1/1/08	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 879.20	$ 878.20	$ 878.50
Expenses Paid per $1,000*	$ 1.31	$ 2.48	$ 2.94

Hypothetical 5% Portfolio Return	Class A	Class B	Class B2
Beginning Account Value 1/1/08	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,023.47	$1,022.23	$1,021.73
Expenses Paid per $1,000*	$ 1.41	$ 2.66	$ 3.17

* *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	0.28%	0.53%	0.63%

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, 2008

The first half of 2008 was a period of considerable economic uncertainty and significant turmoil throughout the capital markets. At mid-year 2008, the US economy is experiencing a number of interrelated problems including liquidity issues in financial markets, increased concern about rising prices for energy and food, and rising unemployment.

Essentially all equity indices posted negative returns for the six months ended June 30, 2008. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, had a total return of –11.05% for the six months ended June 2008. The Standard & Poor's 500® (the S&P 500) Index returned –11.91% for this period. The only industry sectors within the S&P 500 with positive returns for this period were energy, materials and utilities; the weakest sector by far was financials.

The Portfolio returned –12.08% (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 S&P 500 Index, the Portfolio's return is normally close to the return of the index.

The top two contributors to the return of the index and the Portfolio were Wal-Mart Stores, Inc. and International Business Machines Corp. Many of the stocks that contributed strongly to the return of the index and Portfolio were energy companies; these included Devon Energy Corp., Halliburton Co., Chevron Corp. and Chesapeake Energy Corp. The greatest detractor from performance for the index and Portfolio was General Electric Co., which has a weight of more than 2% in the index. Most of the other strong detractors for the index and Portfolio were in the financials sector; these included American International Group, Inc., Bank of America Corp. and Citigroup, Inc.

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 may not be able to mirror the S&P 500® 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. This Portfolio is subject to stock market risk, meaning stocks in the Portfolio may decline in value for extended periods due to the activities and financial prospects of individual companies, or due to general market and economic conditions. Additionally, derivatives may be more volatile and less liquid than traditional securities, and the Portfolio could suffer losses on its derivatives positions. All of these factors may result in greater share price volatility. Please read the prospectus for specific details regarding the Portfolio's 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 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.

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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, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	99%	99%
Cash Equivalents	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/08**	**12/31/07**
Information Technology	17%	17%
Energy	16%	13%
Financials	14%	18%
Health Care	12%	12%
Industrials	11%	11%
Consumer Staples	11%	10%
Consumer Discretionary	8%	8%
Utilities	4%	4%
Materials	4%	3%
Telecommunication Services	3%	4%
	100%	100%

Ten Largest Equity Holdings (19.3% of Net Assets)	
1. ExxonMobil Corp. Explorer and producer of oil and gas	**4.1%**
2. General Electric Co. Manufactures, distributes and markets electrical products	**2.4%**
3. Microsoft Corp. Developer of computer software	**2.0%**
4. Chevron Corp. Operator of petroleum exploration, delivery and refining facilities	**1.8%**
5. AT&T, Inc. Provider of communications services	**1.8%**
6. Procter & Gamble Co. Manufacturer of diversified consumer products	**1.6%**
7. Johnson & Johnson Provider of health care products	**1.6%**
8. International Business Machines Corp. Manufacturer of computers and provider of information processing services	**1.4%**
9. Apple, Inc. Manufacturer of personal computers and related personal computing and communication solutions	**1.3%**
10. ConocoPhillips Producer of petroleum and other natural gases	**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-investments.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-investments.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.

Common Stocks 98.8%

Consumer Discretionary 8.0%

	Shares	Value ($)
Auto Components 0.2%		
Goodyear Tire & Rubber Co.*	20,394	363,625
Johnson Controls, Inc.	50,238	1,440,826
		1,804,451
Automobiles 0.2%		
Ford Motor Co.* (a)	185,962	894,477
General Motors Corp. (a)	47,966	551,609
Harley-Davidson, Inc.	19,986	724,693
		2,170,779
Distributors 0.1%		
Genuine Parts Co.	13,909	**551,909**
Diversified Consumer Services 0.1%		
Apollo Group, Inc. "A"*	11,644	515,364
H&R Block, Inc.	27,596	590,554
		1,105,918
Hotels Restaurants & Leisure 1.2%		
Carnival Corp. (Unit)	37,046	1,221,036
Darden Restaurants, Inc.	11,854	378,617
International Game Technology	26,256	655,875
Marriott International, Inc. "A"	25,440	667,545
McDonald's Corp.	96,091	5,402,236
Starbucks Corp.*	61,728	971,599
Starwood Hotels & Resorts Worldwide, Inc.	15,825	634,108
Wendy's International, Inc.	7,411	201,727
Wyndham Worldwide Corp.	14,937	267,522
Yum! Brands, Inc.	40,216	1,411,179
		11,811,444
Household Durables 0.4%		
Black & Decker Corp.	5,122	294,566
Centex Corp.	10,635	142,190
D.R. Horton, Inc. (a)	23,500	254,975
Fortune Brands, Inc.	13,055	814,762
Harman International Industries, Inc.	4,900	202,811
KB HOME	7,792	131,919
Leggett & Platt, Inc.	14,064	235,853
Lennar Corp. "A" (a)	12,000	148,080
Newell Rubbermaid, Inc.	23,497	394,515
Pulte Homes, Inc.	18,382	177,019
Snap-on, Inc.	4,893	254,485
The Stanley Works	6,656	298,388
Whirlpool Corp.	6,388	394,331
		3,743,894
Internet & Catalog Retail 0.3%		
Amazon.com, Inc.*	26,228	1,923,299
Expedia, Inc.*	17,753	326,300
IAC/InterActiveCorp.*	15,400	296,912
		2,546,511
Leisure Equipment & Products 0.1%		
Eastman Kodak Co.	24,407	352,193
Hasbro, Inc.	11,686	417,424
Mattel, Inc.	30,698	525,550
		1,295,167
Media 2.8%		
CBS Corp. "B"	57,687	1,124,320
Clear Channel Communications, Inc.	42,152	1,483,751
Comcast Corp. "A"	250,987	4,761,223
E.W. Scripps Co. "A"	7,500	311,550
Gannett Co., Inc.	19,442	421,308
Interpublic Group of Companies, Inc.*	39,697	341,394
McGraw-Hill Companies, Inc.	27,264	1,093,832
Meredith Corp.	3,224	91,207
New York Times Co. "A" (a)	12,310	189,451
News Corp. "A"	195,254	2,936,620
Omnicom Group, Inc.	27,132	1,217,684
The DIRECTV Group, Inc.*	60,200	1,559,782
Time Warner, Inc.	303,230	4,487,804
Viacom, Inc. "B"*	53,687	1,639,601
Walt Disney Co. (a)	161,380	5,035,056
Washington Post Co. "B"	518	304,014
		26,998,597
Multiline Retail 0.7%		
Big Lots, Inc.* (a)	6,892	215,306
Dillard's, Inc. "A" (a)	4,851	56,126
Family Dollar Stores, Inc.	11,870	236,688
J.C. Penney Co., Inc.	18,822	683,050
Kohl's Corp.*	25,978	1,040,159
Macy's, Inc.	35,608	691,507
Nordstrom, Inc. (a)	14,848	449,895
Sears Holdings Corp.* (a)	5,943	437,761
Target Corp. (a)	66,010	3,068,805
		6,879,297
Specialty Retail 1.5%		
Abercrombie & Fitch Co. "A"	7,400	463,832
AutoNation, Inc.*	11,351	113,737
AutoZone, Inc.*	3,691	446,648
Bed Bath & Beyond, Inc.*	21,916	615,840
Best Buy Co., Inc.	29,336	1,161,706
GameStop Corp. "A"*	13,700	553,480
Home Depot, Inc.	143,785	3,367,445
Limited Brands, Inc.	25,370	427,484
Lowe's Companies, Inc.	124,000	2,573,000
Office Depot, Inc.*	23,203	253,841
RadioShack Corp.	11,145	136,749
Staples, Inc.	59,489	1,412,864
The Gap, Inc.	38,032	633,993
The Sherwin-Williams Co.	8,389	385,307
Tiffany & Co.	10,700	436,025
TJX Companies, Inc.	36,058	1,134,745
		14,116,696
Textiles, Apparel & Luxury Goods 0.4%		
Coach, Inc.*	28,900	834,632
Jones Apparel Group, Inc.	7,294	100,292
Liz Claiborne, Inc.	8,024	113,540
NIKE, Inc. "B"	32,150	1,916,461
Polo Ralph Lauren Corp.	4,900	307,622
VF Corp.	7,387	525,807
		3,798,354

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Consumer Staples 10.6%		
Beverages 2.4%		
Anheuser-Busch Companies, Inc.	60,409	3,752,607
Brown-Forman Corp. "B"	7,080	535,035
Coca-Cola Co.	169,314	8,800,942
Coca-Cola Enterprises, Inc.	24,350	421,255
Constellation Brands, Inc. "A"*	16,600	329,676
Molson Coors Brewing Co. "B"	11,784	640,225
Pepsi Bottling Group, Inc.	11,411	318,595
PepsiCo, Inc.	134,446	8,549,421
		23,347,756
Food & Staples Retailing 2.7%		
Costco Wholesale Corp.	36,745	2,577,294
CVS Caremark Corp.	121,190	4,795,488
Kroger Co.	56,463	1,630,087
Safeway, Inc.	37,127	1,059,976
SUPERVALU, Inc.	18,148	560,592
Sysco Corp.	50,857	1,399,076
Wal-Mart Stores, Inc.	197,227	11,084,158
Walgreen Co.	83,896	2,727,459
Whole Foods Market, Inc. (a)	12,000	284,280
		26,118,410
Food Products 1.5%		
Archer-Daniels-Midland Co.	54,607	1,842,986
Campbell Soup Co.	18,285	611,816
ConAgra Foods, Inc.	41,305	796,360
Dean Foods Co.*	11,500	225,630
General Mills, Inc.	28,428	1,727,570
H.J. Heinz Co.	26,679	1,276,590
Kellogg Co.	21,532	1,033,967
Kraft Foods, Inc. "A"	128,482	3,655,313
McCormick & Co., Inc.	11,714	417,721
Sara Lee Corp.	59,839	733,028
The Hershey Co.	14,246	466,984
Tyson Foods, Inc. "A"	22,800	340,632
Wm. Wrigley Jr. Co.	18,233	1,418,163
		14,546,760
Household Products 2.2%		
Clorox Co.	11,630	607,086
Colgate-Palmolive Co.	43,021	2,972,751
Kimberly-Clark Corp.	35,447	2,119,022
Procter & Gamble Co.	258,755	15,734,891
		21,433,750
Personal Products 0.2%		
Avon Products, Inc.	36,170	1,302,843
Estee Lauder Companies, Inc. "A"	9,700	450,565
		1,753,408
Tobacco 1.6%		
Altria Group, Inc.	177,470	3,648,783
Lorillard, Inc.*	14,702	1,016,790
Philip Morris International, Inc.*	178,770	8,829,450
Reynolds American, Inc.	14,528	678,022
UST, Inc.	12,535	684,537
		14,857,582
Energy 16.0%		
Energy Equipment & Services 3.6%		
Baker Hughes, Inc.	26,171	2,285,775
BJ Services Co.	24,886	794,859
Cameron International Corp.*	18,400	1,018,440
ENSCO International, Inc.	12,200	985,028
Halliburton Co.	73,973	3,925,747
Nabors Industries Ltd.*	23,796	1,171,477
National-Oilwell Varco, Inc.* (a)	35,200	3,122,944
Noble Corp.	22,790	1,480,438
Rowan Companies, Inc.	9,482	443,283
Schlumberger Ltd. (a)	101,118	10,863,107
Smith International, Inc.	17,000	1,413,380
Transocean, Inc.*	26,999	4,114,378
Weatherford International Ltd.*	57,588	2,855,789
		34,474,645
Oil, Gas & Consumable Fuels 12.4%		
Anadarko Petroleum Corp.	39,714	2,972,196
Apache Corp.	28,253	3,927,167
Cabot Oil & Gas Corp.	8,400	568,932
Chesapeake Energy Corp.	40,700	2,684,572
Chevron Corp. (a)	175,282	17,375,705
ConocoPhillips	130,742	12,340,737
CONSOL Energy, Inc.	15,500	1,741,735
Devon Energy Corp.	37,792	4,541,087
El Paso Corp.	59,554	1,294,704
EOG Resources, Inc.	21,057	2,762,678
ExxonMobil Corp. (a)	447,804	39,464,967
Hess Corp.	23,850	3,009,631
Marathon Oil Corp.	59,942	3,109,192
Massey Energy Co.	6,600	618,750
Murphy Oil Corp.	16,100	1,578,605
Noble Energy, Inc.	14,700	1,478,232
Occidental Petroleum Corp.	69,588	6,253,178
Peabody Energy Corp.	23,200	2,042,760
Range Resources Corp.	12,368	810,599
Southwestern Energy Co.*	29,600	1,409,256
Spectra Energy Corp.	53,691	1,543,079
Sunoco, Inc.	9,916	403,482
Tesoro Corp. (a)	12,600	249,102
Valero Energy Corp.	44,772	1,843,711
Williams Companies, Inc.	49,487	1,994,821
XTO Energy, Inc.	43,285	2,965,455
		118,984,333
Financials 14.1%		
Capital Markets 2.8%		
American Capital Strategies Ltd.	16,100	382,697
Ameriprise Financial, Inc.	18,805	764,799
Bank of New York Mellon Corp.	96,948	3,667,543
Charles Schwab Corp.	78,663	1,615,738
E*TRADE Financial Corp.* (a)	39,900	125,286
Federated Investors, Inc. "B"	7,200	247,824
Franklin Resources, Inc.	13,252	1,214,546
Janus Capital Group, Inc.	12,371	327,460
Legg Mason, Inc.	11,500	501,055
Lehman Brothers Holdings, Inc. (a)	59,842	1,185,470
Merrill Lynch & Co., Inc.	84,172	2,669,094
Morgan Stanley	93,840	3,384,809
Northern Trust Corp.	16,549	1,134,765
State Street Corp.	36,165	2,314,198
T. Rowe Price Group, Inc.	22,020	1,243,470
The Goldman Sachs Group, Inc.	33,433	5,847,432
		26,626,186
Commercial Banks 2.2%		
BB&T Corp. (a)	46,334	1,055,025
Comerica, Inc. (a)	13,137	336,701

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Fifth Third Bancorp.	46,406	472,413
First Horizon National Corp.	10,698	79,486
Huntington Bancshares, Inc.	31,660	182,678
KeyCorp.	41,429	454,890
M&T Bank Corp. (a)	6,450	454,983
Marshall & Ilsley Corp.	21,852	334,991
National City Corp. (a)	56,976	271,776
PNC Financial Services Group, Inc.	29,226	1,668,805
Regions Financial Corp.	58,861	642,174
SunTrust Banks, Inc.	29,871	1,081,928
US Bancorp.	147,554	4,115,281
Wachovia Corp.	183,899	2,855,951
Wells Fargo & Co.	279,948	6,648,765
Zions Bancorp.	9,111	286,905
		20,942,752
Consumer Finance 0.6%		
American Express Co.	98,125	3,696,369
Capital One Financial Corp.	31,802	1,208,794
Discover Financial Services	40,570	534,307
SLM Corp.*	40,278	779,379
		6,218,849
Diversified Financial Services 3.3%		
Bank of America Corp. (a)	377,386	9,008,204
CIT Group, Inc.	24,624	167,689
Citigroup, Inc.	459,731	7,705,092
CME Group, Inc.	4,600	1,762,674
IntercontinentalExchange, Inc.*	6,000	684,000
JPMorgan Chase & Co.	292,691	10,042,228
Leucadia National Corp.	14,500	680,630
Moody's Corp. (a)	17,252	594,159
NYSE Euronext	22,500	1,139,850
		31,784,526
Insurance 3.5%		
ACE Ltd.	28,276	1,557,725
Aflac, Inc.	40,237	2,526,884
Allstate Corp.	46,656	2,127,047
American International Group, Inc.	227,881	6,029,731
Aon Corp.	25,283	1,161,501
Assurant, Inc.	8,100	534,276
Chubb Corp.	30,970	1,517,840
Cincinnati Financial Corp.	14,509	368,529
Genworth Financial, Inc. "A"	36,700	653,627
Hartford Financial Services Group, Inc.	26,634	1,719,757
Lincoln National Corp.	21,969	995,635
Loews Corp.	30,682	1,438,986
Marsh & McLennan Companies, Inc.	43,313	1,149,960
MBIA, Inc. (a)	17,264	75,789
MetLife, Inc.	60,232	3,178,443
Principal Financial Group, Inc.	21,911	919,605
Progressive Corp.	57,456	1,075,576
Prudential Financial, Inc.	36,963	2,208,170
Safeco Corp.	7,618	511,625
The Travelers Companies, Inc.	51,271	2,225,161
Torchmark Corp.	7,610	446,326
Unum Group	30,165	616,874
XL Capital Ltd. "A"	15,377	316,151
		33,355,218

	Shares	Value ($)
Real Estate Investment Trusts 1.2%		
Apartment Investment & Management Co. "A" (REIT)	7,938	270,368
AvalonBay Communities, Inc. (REIT)	6,500	579,540
Boston Properties, Inc. (REIT)	10,200	920,244
Developers Diversified Realty Corp. (REIT)	10,200	354,042
Equity Residential (REIT)	23,130	885,185
General Growth Properties, Inc. (REIT)	22,900	802,187
HCP, Inc. (REIT)	18,900	601,209
Host Hotels & Resorts, Inc. (REIT)	44,800	611,520
Kimco Realty Corp. (REIT)	21,000	724,920
Plum Creek Timber Co., Inc. (REIT)	14,500	619,295
ProLogis (REIT)	22,100	1,201,135
Public Storage (REIT)	10,446	843,932
Simon Property Group, Inc. (REIT)	19,041	1,711,596
Vornado Realty Trust (REIT)	11,500	1,012,000
		11,137,173
Real Estate Management & Development 0.0%		
CB Richard Ellis Group, Inc. "A"*	14,900	**286,080**
Thrifts & Mortgage Finance 0.5%		
Countrywide Financial Corp.	55,238	234,762
Fannie Mae (a)	90,150	1,758,826
Freddie Mac	54,763	898,113
Hudson City Bancorp., Inc.	44,000	733,920
MGIC Investment Corp.	7,942	48,526
Sovereign Bancorp., Inc.	40,598	298,801
Washington Mutual, Inc. (a)	90,243	444,898
		4,417,846

Health Care 11.8%

	Shares	Value ($)
Biotechnology 1.4%		
Amgen, Inc.*	92,216	4,348,907
Biogen Idec, Inc.*	24,860	1,389,425
Celgene Corp.*	37,000	2,363,190
Genzyme Corp.*	22,703	1,635,070
Gilead Sciences, Inc.*	78,172	4,139,207
		13,875,799
Health Care Equipment & Supplies 2.1%		
Baxter International, Inc.	53,203	3,401,800
Becton, Dickinson & Co.	20,678	1,681,121
Boston Scientific Corp.*	114,165	1,403,088
C.R. Bard, Inc.	8,398	738,604
Covidien Ltd.	42,288	2,025,172
Hospira, Inc.*	13,420	538,276
Intuitive Surgical, Inc.*	3,300	889,020
Medtronic, Inc.	95,125	4,922,719
St. Jude Medical, Inc.*	28,688	1,172,766
Stryker Corp.	20,282	1,275,332
Varian Medical Systems, Inc.*	10,600	549,610
Zimmer Holdings, Inc.*	19,684	1,339,496
		19,937,004
Health Care Providers & Services 1.8%		
Aetna, Inc.	41,072	1,664,648
AmerisourceBergen Corp.	13,882	555,141
Cardinal Health, Inc.	30,200	1,557,716
CIGNA Corp.	23,805	842,459
Coventry Health Care, Inc.*	12,795	389,224
Express Scripts, Inc.*	21,268	1,333,929
Humana, Inc.*	14,375	571,694

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Laboratory Corp. of America Holdings*	9,391	653,895
McKesson Corp.	23,515	1,314,724
Medco Health Solutions, Inc.*	42,928	2,026,202
Patterson Companies, Inc.*	11,000	323,290
Quest Diagnostics, Inc.	13,316	645,426
Tenet Healthcare Corp.*	40,600	225,736
UnitedHealth Group, Inc.	104,108	2,732,835
WellPoint, Inc.*	44,588	2,125,064
		16,961,983
Health Care Technology 0.0%		
IMS Health, Inc.	16,930	**394,469**
Life Sciences Tools & Services 0.4%		
Applera Corp. — Applied Biosystems Group	14,329	479,735
Millipore Corp.*	4,615	313,174
PerkinElmer, Inc.	10,036	279,503
Thermo Fisher Scientific, Inc.*	35,421	1,974,012
Waters Corp.*	8,500	548,250
		3,594,674
Pharmaceuticals 6.1%		
Abbott Laboratories	130,782	6,927,523
Allergan, Inc.	26,024	1,354,549
Barr Pharmaceuticals, Inc.*	9,200	414,736
Bristol-Myers Squibb Co. (a)	167,762	3,444,154
Eli Lilly & Co.	83,837	3,869,916
Forest Laboratories, Inc.*	26,395	916,962
Johnson & Johnson	238,834	15,366,580
King Pharmaceuticals, Inc.*	21,286	222,864
Merck & Co., Inc.	181,959	6,858,035
Mylan, Inc. (a)	26,936	325,118
Pfizer, Inc.	573,389	10,017,106
Schering-Plough Corp.	137,450	2,706,390
Watson Pharmaceuticals, Inc.*	9,055	246,024
Wyeth	112,976	5,418,329
		58,088,286

Industrials 11.0%

	Shares	Value ($)
Aerospace & Defense 2.6%		
Boeing Co.	63,708	4,186,890
General Dynamics Corp.	33,734	2,840,403
Goodrich Corp.	10,561	501,225
Honeywell International, Inc.	62,847	3,159,947
L-3 Communications Holdings, Inc.	10,400	945,048
Lockheed Martin Corp.	28,593	2,820,985
Northrop Grumman Corp.	28,931	1,935,484
Precision Castparts Corp.	11,800	1,137,166
Raytheon Co.	35,796	2,014,599
Rockwell Collins, Inc.	13,631	653,743
United Technologies Corp.	82,500	5,090,250
		25,285,740
Air Freight & Logistics 0.9%		
C.H. Robinson Worldwide, Inc.	14,500	795,180
Expeditors International of Washington, Inc.	18,100	778,300
FedEx Corp.	26,265	2,069,420
United Parcel Service, Inc. "B"	86,558	5,320,720
		8,963,620
Airlines 0.1%		
Southwest Airlines Co.	61,995	**808,415**
Building Products 0.1%		
Masco Corp.	31,265	**491,798**
Commercial Services & Supplies 0.5%		
Allied Waste Industries, Inc.*	25,075	316,447
Avery Dennison Corp.	8,886	390,362
Cintas Corp.	11,542	305,978
Equifax, Inc.	10,991	369,517
Monster Worldwide, Inc.*	10,585	218,157
Pitney Bowes, Inc.	17,646	601,729
R.R. Donnelley & Sons Co.	18,229	541,219
Robert Half International, Inc.	13,600	325,992
Waste Management, Inc.	42,069	1,586,422
		4,655,823
Construction & Engineering 0.2%		
Fluor Corp.	7,525	1,400,252
Jacobs Engineering Group, Inc.*	10,300	831,210
		2,231,462
Electrical Equipment 0.5%		
Cooper Industries Ltd. "A"	14,728	581,756
Emerson Electric Co.	66,204	3,273,788
Rockwell Automation, Inc.	12,447	544,307
		4,399,851
Industrial Conglomerates 3.1%		
3M Co.	59,736	4,157,028
General Electric Co. (a)	844,832	22,548,566
Textron, Inc.	21,182	1,015,253
Tyco International Ltd.	40,888	1,637,156
		29,358,003
Machinery 1.9%		
Caterpillar, Inc.	52,136	3,848,680
Cummins, Inc.	17,212	1,127,730
Danaher Corp.	21,465	1,659,244
Deere & Co.	36,524	2,634,476
Dover Corp.	16,002	774,017
Eaton Corp.	13,905	1,181,508
Illinois Tool Works, Inc.	33,694	1,600,802
Ingersoll-Rand Co., Ltd. "A"	26,840	1,004,621
ITT Corp.	15,394	974,902
Manitowoc Co., Inc.	11,000	357,830
PACCAR, Inc.	30,901	1,292,589
Pall Corp.	10,153	402,871
Parker Hannifin Corp.	14,268	1,017,594
Terex Corp.*	8,500	436,645
		18,313,509
Road & Rail 1.1%		
Burlington Northern Santa Fe Corp.	24,838	2,481,068
CSX Corp.	34,348	2,157,398
Norfolk Southern Corp.	31,786	1,992,028
Ryder System, Inc.	4,852	334,206
Union Pacific Corp.	43,762	3,304,031
		10,268,731
Trading Companies & Distributors 0.0%		
W.W. Grainger, Inc.	5,509	**450,636**

Information Technology 16.2%

	Shares	Value ($)
Communications Equipment 2.5%		
Ciena Corp.* (a)	8,765	203,085
Cisco Systems, Inc.*	500,695	11,646,166
Corning, Inc.	133,422	3,075,377
JDS Uniphase Corp.*	18,978	215,590

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Juniper Networks, Inc.*	44,500	987,010
Motorola, Inc.	193,180	1,417,941
QUALCOMM, Inc.	137,220	6,088,452
Tellabs, Inc.*	35,416	164,684
		23,798,305
Computers & Peripherals 4.6%		
Apple, Inc.*	74,762	12,518,149
Dell, Inc.*	171,309	3,748,241
EMC Corp.*	175,267	2,574,672
Hewlett-Packard Co.	209,027	9,241,084
International Business Machines Corp.	116,402	13,797,129
Lexmark International, Inc. "A"*	8,068	269,713
NetApp, Inc.*	29,084	629,960
QLogic Corp.*	11,218	163,671
SanDisk Corp.*	19,100	357,170
Sun Microsystems, Inc.*	66,245	720,748
Teradata Corp.*	15,251	352,908
		44,373,445
Electronic Equipment & Instruments 0.3%		
Agilent Technologies, Inc.*	31,097	1,105,188
Jabil Circuit, Inc.	16,647	273,177
Molex, Inc.	12,017	293,335
Tyco Electronics Ltd.	40,488	1,450,280
		3,121,980
Internet Software & Services 1.7%		
Akamai Technologies, Inc.*	14,300	497,497
eBay, Inc.*	93,668	2,559,947
Google, Inc. "A"* (a)	19,753	10,398,374
VeriSign, Inc.*	16,500	623,700
Yahoo!, Inc.*	115,188	2,379,784
		16,459,302
IT Services 1.0%		
Affiliated Computer Services, Inc. "A"*	8,173	437,174
Automatic Data Processing, Inc.	43,908	1,839,745
Cognizant Technology Solutions Corp. "A"*	24,500	796,495
Computer Sciences Corp.*	12,844	601,613
Convergys Corp.*	10,872	161,558
Electronic Data Systems Corp.	42,591	1,049,442
Fidelity National Information Services, Inc.	14,600	538,886
Fiserv, Inc.*	13,842	628,012
Paychex, Inc.	27,211	851,160
Total System Services, Inc.	15,461	343,543
Unisys Corp.*	27,480	108,546
Western Union Co.	62,712	1,550,241
		8,906,415
Office Electronics 0.1%		
Xerox Corp.	76,188	**1,033,109**
Semiconductors & Semiconductor Equipment 2.5%		
Advanced Micro Devices, Inc.* (a)	50,960	297,097
Altera Corp.	25,386	525,490
Analog Devices, Inc.	24,535	779,477
Applied Materials, Inc.	114,830	2,192,105
Broadcom Corp. "A"*	37,921	1,034,864
Intel Corp.	485,445	10,427,358
KLA-Tencor Corp.	14,445	588,056
Linear Technology Corp.	18,814	612,772
LSI Corp.* (a)	54,013	331,640
MEMC Electronic Materials, Inc.*	19,300	1,187,722
Microchip Technology, Inc.	15,700	479,478
Micron Technology, Inc.*	64,520	387,120
National Semiconductor Corp.	18,326	376,416
Novellus Systems, Inc.* (a)	8,514	180,412
NVIDIA Corp.*	47,021	880,233
Teradyne, Inc.*	14,604	161,666
Texas Instruments, Inc.	112,079	3,156,145
Xilinx, Inc.	23,646	597,061
		24,195,112
Software 3.5%		
Adobe Systems, Inc.*	45,110	1,776,883
Autodesk, Inc.*	18,948	640,632
BMC Software, Inc.*	16,206	583,416
CA, Inc.	33,059	763,332
Citrix Systems, Inc.*	15,498	455,796
Compuware Corp.*	22,146	211,273
Electronic Arts, Inc.*	26,958	1,197,744
Intuit, Inc.*	27,170	749,077
Microsoft Corp.	678,871	18,675,741
Novell, Inc.*	30,136	177,501
Oracle Corp.*	336,178	7,059,738
Symantec Corp.*	71,252	1,378,726
		33,669,859
Materials 3.8%		
Chemicals 2.1%		
Air Products & Chemicals, Inc.	17,839	1,763,564
Ashland, Inc.	4,808	231,746
Dow Chemical Co. (a)	78,861	2,753,037
E.I. du Pont de Nemours & Co.	76,312	3,273,022
Eastman Chemical Co.	6,830	470,314
Ecolab, Inc.	14,866	639,089
Hercules, Inc.	10,007	169,419
International Flavors & Fragrances, Inc.	6,543	255,570
Monsanto Co.	46,516	5,881,483
PPG Industries, Inc.	13,850	794,574
Praxair, Inc.	26,585	2,505,370
Rohm & Haas Co.	10,694	496,629
Sigma-Aldrich Corp.	10,940	589,228
		19,823,045
Construction Materials 0.1%		
Vulcan Materials Co. (a)	8,825	**527,559**
Containers & Packaging 0.1%		
Ball Corp.	8,236	393,187
Bemis Co., Inc.	7,872	176,490
Pactiv Corp.*	11,119	236,056
Sealed Air Corp.	13,996	266,064
		1,071,797
Metals & Mining 1.4%		
AK Steel Holding Corp.	9,500	655,500
Alcoa, Inc.	69,081	2,460,665
Allegheny Technologies, Inc.	8,617	510,816
Freeport-McMoRan Copper & Gold, Inc.	32,499	3,808,558
Newmont Mining Corp.	38,432	2,004,613
Nucor Corp.	26,530	1,980,995
Titanium Metals Corp.	7,600	106,324
United States Steel Corp.	9,959	1,840,224
		13,367,695

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Paper & Forest Products 0.2%		
International Paper Co. (a)	36,272	845,138
MeadWestvaco Corp.	14,759	351,854
Weyerhaeuser Co.	17,898	915,304
		2,112,296
Telecommunication Services 3.3%		
Diversified Telecommunication Services 2.9%		
AT&T, Inc.	503,536	16,964,128
CenturyTel, Inc.	8,919	317,427
Citizens Communications Co.	27,490	311,737
Embarq Corp.	12,498	590,780
Qwest Communications International, Inc. (a)	128,940	506,734
Verizon Communications, Inc. (a)	241,629	8,553,667
Windstream Corp.	37,859	467,180
		27,711,653
Wireless Telecommunication Services 0.4%		
American Tower Corp. "A"*	33,600	1,419,600
Sprint Nextel Corp.	241,668	2,295,846
		3,715,446
Utilities 3.9%		
Electric Utilities 2.3%		
Allegheny Energy, Inc.	14,110	707,052
American Electric Power Co., Inc.	34,016	1,368,464
Duke Energy Corp.	107,183	1,862,840
Edison International	27,667	1,421,530
Entergy Corp.	16,256	1,958,523
Exelon Corp.	55,642	5,005,554
FirstEnergy Corp.	25,854	2,128,560
FPL Group, Inc.	34,584	2,268,019
Pepco Holdings, Inc.	17,300	443,745
Pinnacle West Capital Corp.	7,608	234,098
PPL Corp.	31,628	1,653,196
Progress Energy, Inc.	21,831	913,191
Southern Co.	65,004	2,269,940
		22,234,712
Gas Utilities 0.1%		
Nicor, Inc.	3,884	165,419
Questar Corp.	14,700	1,044,288
		1,209,707
Independent Power Producers & Energy Traders 0.3%		
AES Corp.* (a)	56,948	1,093,971
Constellation Energy Group, Inc.	15,110	1,240,531
Dynegy, Inc. "A"*	39,872	340,906
		2,675,408
Multi-Utilities 1.2%		
Ameren Corp.	17,369	733,493
CenterPoint Energy, Inc.	26,021	417,637
CMS Energy Corp.	22,772	339,303
Consolidated Edison, Inc.	23,122	903,839
Dominion Resources, Inc.	48,958	2,325,015
DTE Energy Co.	15,157	643,263
Integrys Energy Group, Inc.	6,800	345,644
NiSource, Inc.	23,708	424,847
PG&E Corp.	30,249	1,200,583
Public Service Enterprise Group, Inc. (a)	43,050	1,977,287
Sempra Energy	21,187	1,196,006
TECO Energy, Inc.	17,800	382,522
Xcel Energy, Inc.	34,057	683,524
		11,572,963
Total Common Stocks (Cost $847,352,067)		**946,767,902**

	Principal Amount ($)	Value ($)
Government & Agency Obligation 0.1%		
US Treasury Obligation		
US Treasury Bill, 2.173%**, 12/4/2008 (b) (Cost $871,812)	880,000	**872,061**

	Shares	Value ($)
Securities Lending Collateral 12.4%		
Daily Assets Fund Institutional, 2.74% (c) (d) (Cost $119,328,136)	119,328,136	**119,328,136**
Cash Equivalents 1.2%		
Cash Management QP Trust, 2.49% (c) (Cost $11,223,422)	11,223,422	**11,223,422**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $978,775,437)†	112.5	**1,078,191,521**
Other Assets and Liabilities, Net	(12.5)	**(119,480,094)**
Net Assets	100.0	**958,711,427**

* *Non-income producing security.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $998,948,415. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $79,243,106. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $229,525,596 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $150,282,490.*

(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, 2008 amounted to $117,421,917 which is 12.2% of net assets.*

(b) *At June 30, 2008, 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. Income earned by the Portfolio is net of borrower rebates.*

REIT: Real Estate Investment Trust

The accompanying notes are an integral part of the financial statements.

At June 30, 2008, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Depreciation ($)
S&P 500 Index	9/18/2008	40	13,205,220	12,811,000	**(394,220)**

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's assets carried at fair value:

Valuation Inputs	Investments in Securities at Value	Net Unrealized Depreciation on Other Financial Instruments††
Level 1 — Quoted Prices	$ 1,077,319,460	$ (394,220)
Level 2 — Other Significant Observable Inputs	872,061	—
Level 3 — Significant Unobservable Inputs	—	—
Total	**$ 1,078,191,521**	**$ (394,220)**

†† *Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as future contracts, which are valued at the unrealized appreciation/depreciation on the instrument.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $848,223,879) — including $117,421,917 of securities loaned	$	947,639,963
Investment in Daily Assets Fund Institutional (cost $119,328,136)*		119,328,136
Investment in Cash Management QP Trust (cost $11,223,422)		11,223,422
Total investments, at value (cost $978,775,437)		1,078,191,521
Cash		35,673
Dividends receivable		1,235,384
Receivable for investments sold		259,408
Interest receivable		51,625
Receivable for Portfolio shares sold		223,979
Receivable for daily variation margin on open futures contracts		10,987
Other assets		37,683
Total assets		1,080,046,260
Liabilities		
Payable upon return of securities loaned		119,328,136
Payable for investments purchased		872,117
Payable for Portfolio shares redeemed		783,922
Accrued management fee		139,285
Other accrued expenses and payables		211,373
Total liabilities		121,334,833
Net assets, at value	**$**	**958,711,427**
Net Assets Consist of		
Undistributed net investment income		9,296,150
Net unrealized appreciation (depreciation) on:		
Investments		99,416,084
Futures		(394,220)
Accumulated net realized gain (loss)		(23,745,315)
Paid-in capital		874,138,728
Net assets, at value	**$**	**958,711,427**
Class A		
Net Asset Value, offering and redemption price per share ($877,157,618 ÷ 65,634,610 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$**	**13.36**
Class B		
Net Asset Value, offering and redemption price per share ($53,413,273 ÷ 3,994,186 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$**	**13.37**
Class B2		
Net Asset Value, offering and redemption price per share ($28,140,536 ÷ 2,103,919 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$**	**13.38**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends	$	10,526,189
Interest		12,287
Interest — Cash Management QP Trust		87,546
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		177,703
Total Income		10,803,725
Expenses:		
Management fee		1,031,646
Administration fee		518,590
Custodian fee		25,947
Distribution service fees (Class B and Class B2)		120,108
Record keeping fee (Class B2)		26,887
Services to shareholders		1,063
Professional fees		39,312
Trustees' fees and expenses		21,431
Reports to shareholders		19,170
Other		33,134
Total expenses before expense reductions		1,837,288
Expense reductions		(243,101)
Total expenses after expense reductions		1,594,187
Net investment income (loss)		**9,209,538**
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain (loss) from:		
Investments		14,332,282
Futures		(495,440)
		13,836,842
Change in net unrealized appreciation (depreciation)		
Investments		(157,714,913)
Futures		(443,522)
		(158,158,435)
Net gain (loss)		(144,321,593)
Net increase (decrease) in net assets resulting from operations	**$**	**(135,112,055)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 9,209,538	$ 22,969,195
Net realized gain (loss)	13,836,842	113,424,087
Change in net unrealized appreciation (depreciation)	(158,158,435)	(54,265,444)
Net increase (decrease) in net assets resulting from operations	(135,112,055)	82,127,838
Distributions to shareholders from:		
Net investment income:		
Class A	(20,754,466)	(21,156,472)
Class B	(1,112,015)	(1,115,985)
Class B2	(765,628)	(629,996)
Total Distributions	(22,632,109)	(22,902,453)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	36,545,380	142,014,066
Reinvestment of distributions	20,754,466	21,156,472
Cost of shares redeemed	(82,578,262)	(285,852,359)
In-kind redemptions	—	(297,115,219)
Net increase (decrease) in net assets from Class A share transactions	(25,278,416)	(419,797,040)
Class B		
Proceeds from shares sold	1,488,386	14,114,550
Reinvestment of distributions	1,112,015	1,115,985
Cost of shares redeemed	(5,218,118)	(37,769,157)
Net increase (decrease) in net assets from Class B share transactions	(2,617,717)	(22,538,622)
Class B2		
Proceeds from shares sold	1,116,839	3,660,238
Reinvestment of distributions	765,628	629,996
Cost of shares redeemed	(16,507,763)	(15,637,931)
Net increase (decrease) in net assets from Class B2 share transactions	(14,625,296)	(11,347,697)
Increase (decrease) in net assets	(200,265,593)	(394,457,974)
Net assets at beginning of period	1,158,977,020	1,553,434,994
Net assets at end of period (including undistributed net investment income of $9,296,150 and $22,718,721, respectively)	**$ 958,711,427**	**$ 1,158,977,020**

Statement of Changes in Net Assets (continued)

Other Information	Six Months Ended June 30, 2008 (Unaudited)	Year Ended December 31, 2007
Class A		
Shares outstanding at beginning of period	67,350,398	94,305,191
Shares sold	2,580,733	9,198,622
Shares issued to shareholders in reinvestment of distributions	1,446,304	1,366,697
Shares redeemed	(5,742,825)	(18,652,060)
In-kind redemptions	—	(18,868,052)
Net increase (decrease) in Class A shares	(1,715,788)	(26,954,793)
Shares outstanding at end of period	**65,634,610**	**67,350,398**
Class B		
Shares outstanding at beginning of period	4,176,782	5,613,107
Shares sold	104,325	915,083
Shares issued to shareholders in reinvestment of distributions	77,384	72,046
Shares redeemed	(364,305)	(2,423,454)
Net increase (decrease) in Class B shares	(182,596)	(1,436,325)
Shares outstanding at end of period	**3,994,186**	**4,176,782**
Class B2		
Shares outstanding at beginning of period	3,113,678	3,841,811
Shares sold	78,070	240,022
Shares issued to shareholders in reinvestment of distributions	53,280	40,645
Shares redeemed	(1,141,109)	(1,008,800)
Net increase (decrease) in Class B2 shares	(1,009,759)	(728,133)
Shares outstanding at end of period	**2,103,919**	**3,113,678**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$15.53**	**$14.97**	**$13.11**	**$12.73**	**$11.64**	**$ 9.20**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.13	.27	.24	.21	.21	.15
Net realized and unrealized gain (loss)	(1.98)	.52	1.78	.37	1.01	2.41
Total from investment operations	(1.85)	.79	2.02	.58	1.22	2.56
Less distributions from:						
Net investment income	(.32)	(.23)	(.16)	(.20)	(.13)	(.12)
Net asset value, end of period	**$13.36**	**$15.53**	**$14.97**	**$13.11**	**$12.73**	**$11.64**
Total Return (%)	(12.08)[c]**	5.30[c]	15.52[c]	4.68	10.59[c]	28.16[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	877	1,046	1,412	1,102	790	627
Ratio of expenses before expense reductions and/or recoupments (%)	.33*	.33	.28	.27	.28	.30
Ratio of expenses after expense reductions and/or recoupments (%)	.28*	.30	.27	.27	.29	.30
Ratio of net investment income (loss) (%)	1.80*	1.71	1.73	1.62	1.76	1.50
Portfolio turnover rate (%)	3**	7[d]	9	15	1	1

a *For the six months ended June 30, 2008 (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,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$15.52**	**$14.96**	**$13.10**	**$12.72**	**$11.63**	**$ 9.20**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.11	.23	.21	.17	.20	.14
Net realized and unrealized gain (loss)	(1.98)	.52	1.78	.38	.99	2.40
Total from investment operations	(1.87)	.75	1.99	.55	1.19	2.54
Less distributions from:						
Net investment income	(.28)	(.19)	(.13)	(.17)	(.10)	(.11)
Net asset value, end of period	**$13.37**	**$15.52**	**$14.96**	**$13.10**	**$12.72**	**$11.63**
Total Return (%)	(12.18)[c]**	5.03[c]	15.24[c]	4.42	10.32[c]	27.83
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	53	65	84	68	53	17
Ratio of expenses before expense reductions and/or recoupments (%)	.58*	.58	.53	.52	.53	.55
Ratio of expenses after expense reductions and/or recoupments (%)	.53*	.55	.52	.52	.54	.55
Ratio of net investment income (loss) (%)	1.55*	1.46	1.48	1.37	1.71	1.29
Portfolio turnover rate (%)	3**	7[d]	9	15	1	1

a *For the six months ended June 30, 2008 (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 B2

Years Ended December 31,	2008[a]	2007	2006	2005[b]
Selected Per Share Data				
Net asset value, beginning of period	**$15.51**	**$14.96**	**$13.09**	**$12.94**
Income (loss) from investment operations:				
Net investment income (loss)[c]	.10	.21	.19	.05
Net realized and unrealized gain (loss)	(1.97)	.52	1.79	.10
Total from investment operations	(1.87)	.73	1.98	.15
Less distributions from:				
Net investment income	(.26)	(.18)	(.11)	—
Net asset value, end of period	**$13.38**	**$15.51**	**$14.96**	**$13.09**
Total Return (%)[d]	(12.15)**	4.85	15.20	1.16**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period ($ millions)	28	48	57	59
Ratio of expenses before expense reductions (%)	.72*	.72	.67	.66*
Ratio of expenses after expense reductions (%)	.63*	.65	.63	.63*
Ratio of net investment income (loss) (%)	1.45*	1.36	1.37	1.34*
Portfolio turnover rate (%)	3**	7[e]	9	15

a *For the six months ended June 30, 2008 (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 an 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 Class B and Class B2 shares 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 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 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.

The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), which governs the application of generally accepted accounting principles that require fair value measurements of the Fund's assets and liabilities. Fair value is an estimate of the price the Fund would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels as follows:

- Level 1 — quoted prices in active markets for identical securities
- Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

For Level 1 inputs, the Fund uses unadjusted quoted prices in active markets for assets or liabilities with sufficient frequency and volume to provide pricing information as the most reliable evidence of fair value. The Fund's Level 2 valuation techniques include inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 observable inputs may include quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active in which there are few transactions, the prices are not current, or price quotations vary substantially over time or among market participants. Inputs that are observable for the asset or liability in Level 2 include such factors as interest rates, yield curves, prepayment speeds, credit risk, and default rates for similar liabilities. For Level 3 valuation techniques, the Fund uses unobservable inputs that reflect assumptions market participants would be expected to use in pricing the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available and are developed based on the best information available under the circumstances. In developing unobservable inputs, market participant assumptions are used if they are reasonably available without undue cost and effort.

The Fund may record changes to valuations based on the amount that might reasonably be expected to receive for a security upon its current sale consistent with the fair value measurement objective. Each determination is based on a consideration of all relevant factors, which are likely to vary from one pricing context to another. Examples of such factors may include, but are not limited to the type of the security, the existence of any contractual restrictions on the security's disposition, the price and extent of public trading in similar securities of the issue or of comparable companies, quotations or evaluated prices from broker-dealers and/or pricing services, information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange-traded securities), an analysis of the company's financial statements, an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold, and with respect to debt securities, the maturity, coupon, creditworthiness, currency denomination, and the movement of the market in which the security is normally traded. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value determined upon sale of those investments.

New Accounting Pronouncements. In March 2008, FASB issued Statement of Financial Accounting Standards No. 161 ("FAS 161") Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133. FAS 161 requires enhanced disclosure about an entity's derivative and hedging activities. FAS 161 is effective for fiscal years beginning after November 15, 2008. Management is currently evaluating the impact the adoption of FAS 161 will have on the Portfolio's financial statement disclosures.

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.

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 invests in futures 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. 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.

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.

At December 31, 2007, DWS Equity 500 Index VIP had a net tax basis capital loss carryforward of approximately $17,360,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2012, whichever occurs first. During the year ended December 31, 2007, the Portfolio utilized $42,684,000 of its prior year capital loss carryforward.

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2007 and has determined that no provision for income tax is required in the Portfolio's financial statements. The Portfolio's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

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 in-kind redemptions, 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.

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, 2008, purchases and sales of investment securities (excluding short-term investments) aggregated $27,301,208 and $87,335,529, respectively.

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 the 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 the Portfolio or delegates such responsibility to the Portfolio's subadvisor. Pursuant to the Investment Management Agreement with the Advisor, the Portfolio pays an annual 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, 2008 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 and interest) as follows:

Class A	.28%
Class B	.53%
Class B2	.63%

Accordingly, for the six months ended June 30, 2008, the Advisor waived a portion of its management fee aggregating $229,009 and the amount charged aggregated $802,637, which was equivalent to an annualized effective rate of 0.15% of the Portfolio's average daily net assets.

In addition, the Advisor reimbursed the Portfolio $7,840 of record keeping fees for Class B2 shares for the six months ended June 30, 2008.

Administration Fee. Pursuant to the Administrative Services Agreement, DIMA 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 six months ended June 30, 2008, DIMA received an Administration fee of $518,590, of which $83,013 is unpaid.

Distribution Service Agreement. DWS Investments Distributors, Inc. ("DIDI"), an affiliate of the Advisor, is the Portfolio's distributor. In accordance with the Distribution Plan, DIDI receives 12b-1 fees of 0.25% of average daily net assets of Class B and B2 shares. For the six months ended June 30, 2008, the Distribution Service Fees were as follows:

Distribution Service Fees	Total Aggregated	Unpaid at June 30, 2008
Class B	$ 72,317	$ 15,335
Class B2	47,791	6,628
	$ 120,108	**$ 21,963**

Service Provider Fees. DWS Investments Service Company ("DISC"), 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 DISC and DST Systems, Inc. ("DST"), DISC has delegated certain transfer agent, dividend paying agent and shareholder service agent functions to DST. DISC compensates DST out of the shareholder servicing fee they receive from the Portfolio. For the six months ended June 30, 2008, the amounts charged to the Portfolio by DISC were as follows:

Services to Shareholders	Total Aggregated	Waived	Unpaid at June 30, 2008
Class A	$ 446	$ 446	$ —
Class B	67	63	4
Class B2	69	69	—
	$ 582	**$ 578**	**$ 4**

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, 2008, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $4,073, of which $1,784 is unpaid.

Trustees' Fees and Expenses. The Portfolio paid each Trustee not affiliated with the Advisor retainer fees plus specified amounts for various committee services and for the Board Chairperson and Vice Chairperson.

In connection with the board consolidation on April 1, 2008, of the two DWS Portfolio Boards of Directors, certain Independent Board Members retired prior to their normal retirement date, and received a one-time retirement benefit. DIMA has agreed to reimburse the Portfolios for the cost of this benefit. For the six months ended June 30, 2008, the Portfolio paid its allocated portion of the retirement benefit of $5,450 to the non-continuing Independent Board Members, and the Portfolio was reimbursed by DIMA for this payment.

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, 2008, the Portfolio's custodian fee was reduced by $224 for custody credits earned.

E. Line of Credit

The Fund and other affiliated funds (the "Participants") share in a $490 million revolving credit facility provided by a syndication of banks. The Fund may borrow 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 on net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.35 percent. The Fund may borrow up to a maximum of 33 percent of its net assets under the agreement.

F. Ownership of the Portfolio

At June 30, 2008, 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 54% and 17%, respectively. At June 30, 2008, 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%.

Proxy Voting

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 are available on our Web site — www.dws-investments.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.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 26, 2007

Pursuant to an Order entered into by Deutsche Investment Management Americas and affiliates (collectively, "DeAM") with the Attorney General of New York, I, Thomas H. Mack, have been appointed the Independent Fee Consultant for the DWS Scudder Funds. My duties include preparing an annual written evaluation of the management fees DeAM charges the Funds, considering among other factors the management fees charged by other mutual fund companies for like services, management fees DeAM charges other clients for like services, DeAM's costs of supplying services under the management agreements and related profit margins, possible economies of scale if a Fund grows larger, and the nature and quality of DeAM's services, including fund performance. This report summarizes my evaluation for 2007, including my qualifications, the evaluation process for each of the DWS Scudder Funds, consideration of certain complex-level factors, and my conclusions.

Qualifications

For more than 30 years I have served in various professional capacities within the investment management business. I have held investment analysis and advisory positions, including securities analyst, portfolio strategist and director of investment policy with a large investment firm. I have also performed business management functions, including business development, financial management and marketing research and analysis.

Since 1991, I have been an independent consultant within the asset management industry. I have provided services to over 125 client organizations, including investment managers, mutual fund boards, product distributors and related organizations. Over the past several years I have completed a number of assignments for mutual fund boards, specifically including assisting boards with management contract renewal.

I hold a Master of Business Administration degree, with highest honors, from Harvard University; and Master of Science and Bachelor of Science (highest honors) degrees from the University of California at Berkeley. I am an independent director and audit committee financial expert for two closed-end mutual funds, serve on the board of directors of a private market research company, and have served in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Scudder Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 136 Fund portfolios in the DWS Scudder Fund family. For each Fund, I considered each of the key factors mentioned above, as well as any other relevant information. In doing so I worked closely with the Funds' Independent Directors in their annual contract renewal process, as well as in their approval of contracts for several new funds (documented separately).

In evaluating each Fund's fees, I reviewed comprehensive materials provided by or on behalf of DeAM, including expense information prepared by Lipper Analytical, comparative performance information, profitability data, manager histories, and other materials. I also accessed certain additional information from the Lipper, Strategic Insight, and Morningstar databases and drew on my industry knowledge and experience.

To facilitate evaluating this considerable body of information, I prepared for each Fund a document summarizing the key data elements in each area as well as additional analytics discussed below. This made it possible to consider each key data element in the context of the others.

In the course of contract renewal, DeAM agreed to implement a number of fee and expense adjustments requested by the Independent Directors which will favorably impact future fees and expenses, and my evaluation includes the effects of these changes.

Fees and Expenses Compared with Other Funds

The competitive fee and expense evaluation for each fund focused on two primary comparisons:

The Fund's contractual management fee (the advisory fee plus the administration fee where applicable) compared with those of a group of typically 12–15 funds in the same Lipper investment category (e.g. Large Capitalization Growth) having similar distribution arrangements and being of similar size.

The Fund's total expenses compared with a broader universe of funds from the same Lipper investment category and having similar distribution arrangements.

These two comparisons provide a view of not only the level of the fee compared with funds of similar scale but also the total expense the Fund bears for all the services it receives, in comparison with the investment choices available in the Fund's investment category and distribution channel. The principal figure-of-merit used in these comparisons was the subject Fund's percentile ranking against peers.

DeAM's Fees for Similar Services to Others

DeAM provided management fee schedules for all of its US domiciled fund and non-fund investment management accounts in any of the investment categories where there is a DWS Scudder Fund. These similar products included the other DWS Scudder Funds, non-fund pooled accounts, institutional accounts and sub-advisory accounts. Using this information, I calculated for each Fund the fee that would be charged to each similar product, at the subject Fund's asset level.

Evaluating information regarding non-fund products is difficult because there are varying levels of services required for different types of accounts, with mutual funds generally requiring considerably more regulatory and administrative types of service as well as having more frequent cash flows than other types of accounts. Also, while mutual fund fees for similar fund products can be expected to be similar, there will be some differences due to different pricing conditions in different distribution channels (e.g. retail funds versus those used in variable insurance products), differences in underlying investment processes and other factors.

Costs and Profit Margins

DeAM provided a detailed profitability analysis for each Fund. After making some adjustments so that the presentation would be more comparable to the available industry figures, I reviewed profit margins from investment management alone, from investment management plus other fund services (excluding distribution) provided to the Funds by DeAM (principally shareholder services), and DeAM profits from all sources, including distribution. A later section comments on overall profitability.

Economies of Scale

Economies of scale — an expected decline in management cost per dollar of fund assets as fund assets grow — are very rarely quantified and documented because of inherent difficulties in collecting and analyzing relevant data. However, in virtually every investment category that I reviewed, larger funds tend to have lower fees and lower total expenses than smaller funds. To see how each DWS Scudder Fund compares with this industry observation, I reviewed:

The trend in Fund assets over the last five years and the accompanying trend in total expenses. This shows if the Fund has grown and, if so, whether total expense (management fees as well as other expenses) have declined as a percent of assets.

Whether the Fund has break-points in its management fee schedule, the extent of the fee reduction built into the schedule and the asset levels where the breaks take effect, and in the case of a sub-advised Fund how the Fund's break-points compare with those of the sub-advisory fee schedule.

How the Fund's contractual fee schedule compares with trends in the industry data. To accomplish this, I constructed a chart showing how actual latest-fiscal-year contractual fees of the Fund and of other similar funds relate to average fund assets, with the subject Fund's contractual fee schedule superimposed.

Quality of Service — Performance

The quality-of-service evaluation focused on investment performance, which is the principal result of the investment management service. Each Fund's performance was reviewed over the past 1, 3, 5 and 10 years, as applicable, and compared with that of other funds in the same investment category and with a suitable market index.

In addition, I calculated and reviewed risk-adjusted returns relative to an index of similar mutual funds' returns and a suitable market index. The risk-adjusted returns analysis provides a way of determining the extent to which the Fund's return comparisons are mainly the product of investment value-added (or lack thereof) or alternatively taking considerably more or less risk than is typical in its investment category.

I also received and considered the history of portfolio manager changes for each Fund, as this provided an important context for evaluating the performance results.

Complex-Level Considerations

While this evaluation was conducted mainly at the individual fund level, there are some issues relating to the reasonableness of fees that can alternatively be considered across the whole fund complex:

I reviewed DeAM's profitability analysis for all DWS Scudder funds, with a view toward determining if the allocation procedures used were reasonable and how profit levels compared with public data for other investment managers.

I considered whether DeAM and affiliates receive any significant ancillary or "fall-out" benefits that should be considered in interpreting the direct profitability results. These would be situations where serving as the investment manager of the Funds is beneficial to another part of the Deutsche Bank organization.

I considered how aggregated DWS Scudder Fund expenses had varied over the years, by asset class and in the context of trends in asset levels.

I reviewed the structure of the DeAM organization, trends in staffing levels, and information on compensation of investment management and other professionals compared with industry data.

Findings

Based on the process and analysis discussed above, which included reviewing a wide range of information from management and external data sources and considering among other factors the fees DeAM charges other clients, the fees charged by other fund managers, DeAM's costs and profits associated with managing the Funds, economies of scale, possible fall-out benefits, and the nature and quality of services provided, in my opinion the management fees charged the DWS Scudder Funds are reasonable.

Thomas H. Mack

Thomas H. Mack

Deutsche Investment Management Americas Inc. ("DIMA"), an indirect, wholly owned subsidiary of Deutsche Bank AG, is the Portfolio's Advisor.

DWS Investments is part of Deutsche Bank's Asset Management division and, within the US, represents the retail 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.

DWS Investments Distributors, Inc.
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(800) 778-1482

vit-equ500-3 (R-4303-1 8/08)

June 30, 2008

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

RESHAPING INVESTING.

DWS INVESTMENTS

Deutsche Bank Group

Contents

Performance Summary, Information About Your Portfolio's Expenses, Management Summary, Portfolio Summary, Investment Portfolio, Financial Statements and Financial Highlights for:

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.

NOT FDIC/NCUA INSURED   NO BANK GUARANTEE   MAY LOSE VALUE   NOT A DEPOSIT
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

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 Investments is part of Deutsche Bank's Asset Management division and, within the US, represents the retail asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Investment Management Americas Inc. and DWS Trust Company.

DWS Bond VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

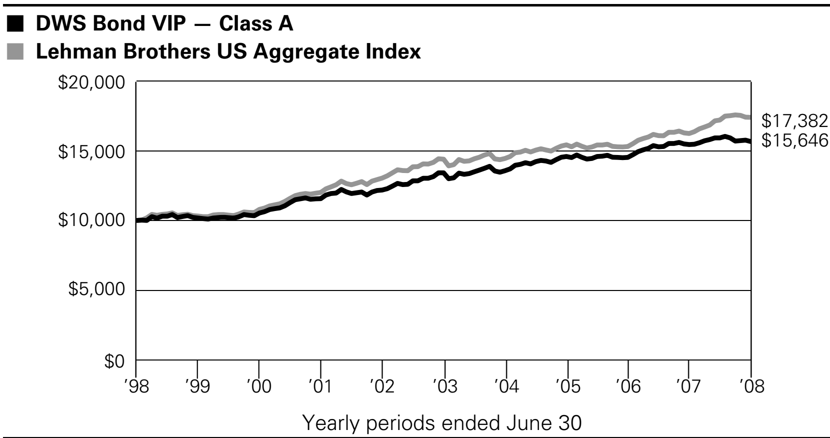
The total annual portfolio operating expense ratio, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 is 0.57% for Class A shares. Please see the Information About Your Portfolio's Expenses, the Financial Highlights and Notes to the Financial Statements (Note C, Related Parties) sections of this report for gross and net expense related disclosure for the period ended June 30, 2008.

Portfolio returns during 3-year, 5-year and 10-year periods shown reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

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 risks, such as currency fluctuation and changes in political/economic conditions and market risks. All of these factors may result in greater share price volatility. In the current market environment, mortgage-backed securities are experiencing increased volatility. Please see this Portfolio's prospectus for specific details regarding its investments and risk profile.

Growth of an Assumed $10,000 Investment



The Lehman Brothers US Aggregate Index is an unmanaged, market value-weighted measure of Treasury issues, agency issues, corporate bond issues and mortgage securities.

Index returns, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Bond VIP		**6-Month‡**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Class A	Growth of $10,000	$9,836	$10,142	$10,730	$11,668	$15,646
	Average annual total return	–1.64%	1.42%	2.38%	3.13%	4.58%
Lehman Brothers US Aggregate Index	Growth of $10,000	$10,113	$10,712	$11,276	$12,082	$17,382
	Average annual total return	1.13%	7.12%	4.09%	3.85%	5.68%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**
Beginning Account Value 1/1/08	$1,000.00
Ending Account Value 6/30/08	$ 983.60
Expenses Paid per $1,000*	$ 2.91

Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 1/1/08	$1,000.00
Ending Account Value 6/30/08	$1,021.93
Expenses Paid per $1,000*	$ 2.97

* *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 366.*

Annualized Expense Ratios	**Class A**
DWS Variable Series I — DWS Bond VIP	.59%

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 US Federal Reserve Board (the Fed) did its part to restore hope to the US financial markets in the first quarter of 2008, easing its benchmark fed funds rate (the overnight rate charged by banks when they borrow money from each other) by 200 basis points (or two percentage points), and staving off a financial meltdown by arranging the sale of Bear Stearns to JP Morgan. The Bear Stearns rescue, along with extraordinary measures to add liquidity, supported a rally in mortgage-backed securities and corporate bonds that lasted through most of the second quarter. However, assets that trade at a yield spread over Treasuries came under renewed stress near the end of the period.[1] Inflation fears were reignited as oil threatened to breach the $150 per barrel level and another round of deterioration in financial sector fundamentals returned to haunt the markets. Downgrades of insurers, housing market declines, the threat of bank failures, and questions regarding the ongoing viability of Fannie Mae and Freddie Mac all pressured prices. The two-year Treasury yield fell from 3.05% to 2.62% over the period after having reached as low as 1.35%, and the 10-year yield fell from 4.04% to 3.97%.

During the six-month period ended June 30, 2008, the Portfolio provided a total return of –1.64% (Class A shares, unadjusted for contract charges) compared with the 1.13% return of its benchmark, the Lehman Brothers US Aggregate Index.

The Portfolio's focus on fixed-income sectors that trade at a yield spread to Treasuries detracted from performance for the full period, driven by the unprecedented flight to quality in the first quarter that boosted Treasuries. In particular, the Portfolio's exposure to commercial mortgage-backed securities and prime hybrid adjustable rate mortgages within the residential mortgage sector suffered from the lack of market liquidity.[2] Our high-yield corporate and emerging-market holdings underperformed, although our relatively defensive positioning within the high-yield sector helped to limit the downside impact. While further volatility can be expected, we remain focused on fundamental security level analysis to ensure that the Portfolio is comprised of holdings that we believe can maintain sound credit quality under difficult scenarios for the economy.

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

The Lehman Brothers US Aggregate Index is an unmanaged, market-value-weighted measure of Treasury issues, agency issues, corporate bond issues and mortgage securities.
Index returns, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *The yield spread is the difference between the yield of a security and the yield of a comparable-duration Treasury. A large spread indicates that investors require yields substantially above those of Treasuries in order to invest in lower-quality bonds. This is generally indicative of a higher-risk environment. A smaller spread generally indicates a more positive environment, since investors are less concerned about risk and therefore willing to accept lower yields. A drop in the yield spread is a positive.*

2 *A prime hybrid ARM loan is one made to a borrower with a positive credit history and features an interest rate that is fixed for an initial period of time, then floats thereafter.*

Portfolio management market commentary is as of June 30, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Commercial and Non-Agency Mortgage-Backed Securities	39%	35%
Corporate Bonds	21%	19%
Government & Agency Obligations	13%	17%
Mortgage Backed Securities Pass-Throughs	13%	15%
Collateralized Mortgage Obligations	6%	4%
Preferred Securities	3%	5%
Municipal Bonds and Notes	2%	2%
Cash Equivalents	2%	2%
Asset Backed	1%	1%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**6/30/08**	**12/31/07**
US Government & Treasury Obligations	32%	36%
AAA*	41%	35%
AA	4%	3%
A	5%	7%
BBB	13%	13%
BB or Below	5%	6%
	100%	100%

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/08**	**12/31/07**
Under 1 year	3%	3%
1–4.99 years	38%	45%
5–9.99 years	47%	41%
10–14.99 years	2%	1%
15+ years	10%	10%
	100%	100%

* *Category includes cash equivalents*

Weighted average effective maturity: 7.38 and 6.99 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 7. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-investments.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 20.8%		
Consumer Discretionary 1.3%		
AutoNation, Inc.:		
4.713%*, 4/15/2013	62,000	52,390
7.0%, 4/15/2014	65,000	57,850
Avis Budget Car Rental LLC, 7.625%, 5/15/2014 (b)	58,000	46,400
Caesars Entertainment, Inc., 8.125%, 5/15/2011 (b)	123,000	98,400
Comcast Cable Holdings LLC, 10.125%, 4/15/2022	168,000	208,105
Comcast Corp., 6.4%, 5/15/2038	95,000	87,635
Dex Media, Inc., 8.0%, 11/15/2013 (b)	65,000	47,450
Expedia, Inc., 144A, 8.5%, 7/1/2016 (b)	135,000	131,962
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015	75,000	72,750
Grupo Televisa SA, 144A, 6.0%, 5/15/2018	500,000	486,270
INVISTA, 144A, 9.25%, 5/1/2012	198,000	202,455
TCI Communications, Inc., 8.75%, 8/1/2015	511,000	577,622
Valassis Communications, Inc., 8.25%, 3/1/2015 (b)	31,000	28,133
Viacom, Inc., 5.75%, 4/30/2011	458,000	459,068
		2,556,490
Consumer Staples 1.5%		
Constellation Brands, Inc.:		
7.25%, 9/1/2016 (b)	69,000	64,860
8.375%, 12/15/2014	66,000	66,825
CVS Caremark Corp.:		
6.25%, 6/1/2027 (b)	332,000	325,135
6.302%, 6/1/2037	1,050,000	900,375
Delhaize America, Inc., 9.0%, 4/15/2031	400,000	470,881
Kroger Co., 6.8%, 4/1/2011	505,000	526,605
Miller Brewing Co., 144A, 5.5%, 8/15/2013	680,000	694,950
		3,049,631
Energy 2.0%		
Allis-Chalmers Energy, Inc., 8.5%, 3/1/2017 (b)	68,000	62,900
Chesapeake Energy Corp.:		
7.25%, 12/15/2018 (b)	97,000	94,332
7.5%, 9/15/2013	79,000	79,000
Copano Energy LLC, 144A, 7.75%, 6/1/2018	47,000	45,825
Dynegy Holdings, Inc., 7.5%, 6/1/2015	74,000	68,265
Enbridge Energy Partners LP, 8.05%, 10/1/2037	61,000	56,760
Enterprise Products Operating LP:		
Series B, 5.6%, 10/15/2014	680,000	666,127
8.375%, 8/1/2066	367,000	366,895
Kinder Morgan Energy Partners LP, 6.95%, 1/15/2038	510,000	506,186
Linn Energy LLC, 144A, 9.875%, 7/1/2018	134,000	132,660
National-Oilwell Varco, Inc., Series B, 6.125%, 8/15/2015	161,000	163,498
Petro-Canada, 6.8%, 5/15/2038	545,000	533,832
Petroleos de Venezuela SA, 5.25%, 4/12/2017	200,000	139,000
Plains Exploration & Production Co., 7.625%, 6/1/2018 (b)	89,000	89,000
Quicksilver Resources, Inc.:		
7.125%, 4/1/2016	69,000	64,256
7.75%, 8/1/2015	154,000	152,460
SandRidge Energy, Inc.:		
144A, 6.323%*, 4/1/2014	15,000	14,720
144A, 8.0%, 6/1/2018	52,000	52,260
144A, 8.625%, 4/1/2015 (PIK)	30,000	30,750
SESI LLC, 6.875%, 6/1/2014	34,000	32,470
Southern Union Co., 7.2%, 11/1/2066	190,000	153,317
TransCanada PipeLines Ltd., 6.35%, 5/15/2067	684,000	590,613
		4,095,126
Financials 7.4%		
AES El Salvador Trust, 144A, 6.75%, 2/1/2016	475,000	426,563
American International Group, Inc., 144A, 8.175%, 5/15/2058	315,000	296,449
Arch Western Finance, 6.75%, 7/1/2013 (b)	70,000	68,600
Banco Mercantil del Norte SA, Series A, 144A, 6.862%, 10/13/2021	362,000	337,594
Bank of New York Mellon Corp., Series G, 4.95%, 11/1/2012	654,000	652,099
Banque Centrale de Tunisie, 8.25%, 9/19/2027	70,000	80,521
Berkshire Hathaway Finance Corp., 144A, 4.6%, 5/15/2013	1,025,000	1,021,862
Corp. Andina de Fomento, 6.875%, 3/15/2012	115,000	120,859
Discover Financial Services, 3.316%*, 6/11/2010	550,000	470,369
EDP Finance BV, 144A, 5.375%, 11/2/2012	865,000	862,260
Erac USA Finance Co.:		
144A, 5.8%, 10/15/2012	340,000	321,351
144A, 7.0%, 10/15/2037	950,000	790,192
144A, 8.0%, 1/15/2011	330,000	340,810
ESI Tractebel Acquisition Corp., Series B, 7.99%, 12/30/2011 (b)	107,000	108,873
Farmers Exchange Capital, 144A, 7.2%, 7/15/2048	385,000	347,687
FPL Group Capital, Inc.:		
6.65%, 6/15/2067	360,000	318,244
Series D, 7.3%, 9/1/2067	20,000	18,819
General Electric Capital Corp.:		
5.625%, 5/1/2018	445,000	430,339
5.875%, 1/14/2038	730,000	661,576
Glen Meadow Pass-Through Trust, 144A, 6.505%, 2/12/2067	330,000	284,913
HBOS PLC, 144A, 6.75%, 5/21/2018 (b)	175,000	167,364
HSBC Bank USA NA, 7.0%, 1/15/2039	515,000	503,888

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
KazMunaiGaz Finance Sub BV, Series REG S, 9.125%, 7/2/2018		100,000	100,500
KeyCorp., Series H, 6.5%, 5/14/2013		190,000	169,643
Merrill Lynch & Co., Inc., 7.75%, 5/14/2038		355,000	332,804
Metropolitan Life Global Funding I, 144A, 5.125%, 4/10/2013		565,000	556,349
Morgan Stanley:			
Series F, 6.0%, 4/28/2015		255,000	243,785
Series F, 6.625%, 4/1/2018		300,000	284,257
National Australia Bank Ltd., 144A, 5.35%, 6/12/2013		435,000	434,313
NLV Financial Corp., 144A, 6.5%, 3/15/2035		734,000	611,534
NYSE Euronext, 4.8%, 6/28/2013		455,000	448,739
Petroplus Finance Ltd., 144A, 7.0%, 5/1/2017		150,000	132,375
Red Arrow International Leasing, "A", 8.375%, 6/30/2012	RUB	3,108,106	131,687
Rio Tinto Finance (USA) Ltd.:			
5.875%, 7/15/2013		540,000	542,994
6.5%, 7/15/2018		255,000	255,774
7.125%, 7/15/2028		195,000	197,324
SPI Electricity & Gas Australia Holdings Property Ltd., 144A, 6.15%, 11/15/2013		425,000	428,122
Standard Chartered Bank, 144A, 6.4%, 9/26/2017		345,000	337,267
TNK-BP Finance SA, 144A, 7.5%, 3/13/2013		150,000	147,750
UDR, Inc., Series E, (REIT), 3.9%, 3/15/2010		245,000	235,675
Wells Fargo & Co., 5.25%, 10/23/2012		210,000	211,177
Xstrata Finance Canada Ltd., 144A, 6.9%, 11/15/2037		585,000	562,713
			14,996,014
Health Care 0.7%			
Advanced Medical Optics, Inc., 7.5%, 5/1/2017 (b)		70,000	64,400
Boston Scientific Corp., 5.45%, 6/15/2014		86,000	79,335
Medco Health Solutions, Inc., 6.125%, 3/15/2013		725,000	727,414
Quest Diagnostics, Inc., 6.95%, 7/1/2037		260,000	252,747
Schering-Plough Corp., 6.55%, 9/15/2037		385,000	375,999
			1,499,895
Industrials 1.0%			
Allied Waste North America, Inc., Series B, 5.75%, 2/15/2011 (b)		31,000	30,458
America West Airlines, Inc., Series 99-1, 7.93%, 1/2/2019		209,827	191,992
Arizona Public Service Co., 5.625%, 5/15/2033		550,000	427,718
Iron Mountain, Inc., 8.625%, 4/1/2013 (b)		99,000	99,495
Kansas City Southern de Mexico SA de CV, 9.375%, 5/1/2012		460,000	478,400
Northwest Pipelines Corp., 5.95%, 4/15/2017		450,000	435,375
United Technologies Corp., 6.125%, 7/15/2038		365,000	366,648
			2,030,086
Information Technology 0.6%			
Broadridge Financial Solutions, Inc., 6.125%, 6/1/2017		494,000	415,470
Tyco Electronics Group SA, 6.0%, 10/1/2012		695,000	701,753
			1,117,223
Materials 1.3%			
Airgas, Inc., 144A, 7.125%, 10/1/2018 (b)		68,000	68,510
ArcelorMittal, 144A, 5.375%, 6/1/2013		615,000	605,579
Celulosa Arauco y Constitucion SA, 5.625%, 4/20/2015		385,000	373,702
Freeport-McMoRan Copper & Gold, Inc., 8.375%, 4/1/2017		221,000	233,155
Huntsman International LLC, 7.375%, 1/1/2015		99,000	86,625
Momentive Performance Materials, Inc., 9.75%, 12/1/2014 (b)		52,000	44,460
Nucor Corp., 6.4%, 12/1/2037		295,000	299,303
Peabody Energy Corp., Series B, 6.875%, 3/15/2013		38,000	38,095
Pliant Corp., 11.625%, 6/15/2009 (PIK)		7	7
Sappi Papier Holding AG, 144A, 6.75%, 6/15/2012		85,000	81,661
Steel Dynamics, Inc.:			
144A, 7.375%, 11/1/2012		90,000	90,000
144A, 7.75%, 4/15/2016		156,000	155,220
The Mosaic Co., 144A, 7.375%, 12/1/2014		157,000	164,065
United States Steel Corp., 5.65%, 6/1/2013		441,000	429,385
			2,669,767
Telecommunication Services 0.9%			
Cincinnati Bell, Inc., 7.25%, 7/15/2013		58,000	56,550
Citizens Communications Co., 9.0%, 8/15/2031		177,000	159,300
Qwest Corp.:			
7.5%, 10/1/2014		265,000	255,063
7.625%, 6/15/2015		309,000	297,412
Telecom Italia Capital:			
6.2%, 7/18/2011 (b)		175,000	178,451
7.721%, 6/4/2038		310,000	315,003
Verizon Communications, Inc.:			
5.25%, 4/15/2013		105,000	104,396
6.9%, 4/15/2038		330,000	326,130
Windstream Corp., 8.125%, 8/1/2013		35,000	34,913
			1,727,218
Utilities 4.1%			
Allegheny Energy Supply Co., LLC, 144A, 8.25%, 4/15/2012		365,000	380,513
Baltimore Gas & Electric Co., 6.35%, 10/1/2036		260,000	236,825
CMS Energy Corp., 8.5%, 4/15/2011 (b)		35,000	36,537

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Commonwealth Edison Co.:		
5.8%, 3/15/2018 (b)	110,000	107,379
Series 98, 6.15%, 3/15/2012	550,000	561,841
6.95%, 7/15/2018	310,000	307,675
Constellation Energy Group, Inc., 7.6%, 4/1/2032	205,000	205,345
Dominion Resources, Inc.:		
Series 06-B, 6.3%, 9/30/2066	330,000	302,033
7.5%, 6/30/2066	935,000	869,902
Edison Mission Energy, 7.5%, 6/15/2013	57,000	56,573
Energy Future Holdings Corp., 7.48%, 1/1/2017	387,152	334,499
Integrys Energy Group, Inc., 6.11%, 12/1/2066	580,000	480,181
Intergen NV, 144A, 9.0%, 6/30/2017	150,000	155,250
Majapahit Holding BV, Series REG S, 7.75%, 10/17/2016	100,000	93,832
Mirant North America LLC, 7.375%, 12/31/2013	49,000	48,571
NRG Energy, Inc., 7.375%, 1/15/2017 (b)	305,000	288,225
Orion Power Holdings, Inc., 12.0%, 5/1/2010	90,000	97,200
Pedernales Electric Cooperative, Series 2002-A, 144A, 6.202%, 11/15/2032	315,000	291,107
PNM Resources, Inc., 9.25%, 5/15/2015	69,000	71,243
PPL Capital Funding, Inc., Series A, 6.7%, 3/30/2067	830,000	708,020
PSE&G Energy Holdings LLC, 8.5%, 6/15/2011	150,000	157,331
Regency Energy Partners LP, 8.375%, 12/15/2013	176,000	179,960
Reliant Energy, Inc., 6.75%, 12/15/2014	177,000	180,540
Sierra Pacific Power Co., Series P, 6.75%, 7/1/2037	550,000	537,491
Union Electric Co., 6.7%, 2/1/2019	645,000	653,335
Wisconsin Energy Corp., Series A, 6.25%, 5/15/2067	955,000	821,434
		8,162,842
Total Corporate Bonds (Cost $44,155,921)		**41,904,292**

Asset Backed 1.1%

Automobile Receivables 0.2%

	Principal Amount ($)(a)	Value ($)
Household Automotive Trust, "A4", Series 2006-1, 5.52%, 3/18/2013	500,000	**498,483**

Home Equity Loans 0.9%

	Principal Amount ($)(a)	Value ($)
Chase Funding Loan Acquisition Trust, "IA5", Series 2001-C2, 6.468%, 2/25/2013	689,888	654,317
Countrywide Asset-Backed Certificates, "2A3", Series 2005-12, 5.069%, 2/25/2036	1,098,267	1,080,018
Soundview Home Equity Loan Trust, "A2", Series 2005-CTX1, 5.195%, 11/25/2035	79,035	78,776
		1,813,111
Total Asset Backed (Cost $2,271,995)		**2,311,594**

Mortgage-Backed Securities Pass-Throughs 12.8%

	Principal Amount ($)(a)	Value ($)
Federal Home Loan Mortgage Corp.:		
5.5%, with various maturities from 10/1/2023 until 8/1/2024	752,617	748,943
5.523%*, 2/1/2038	975,215	973,726
6.5%, 3/1/2026	1,370,516	1,424,198
7.0%, 1/1/2038	454,193	477,882
Federal National Mortgage Association:		
4.5%, 6/1/2034	990,706	920,583
5.0%, with various maturities from 2/1/2021 until 5/1/2034	2,828,884	2,756,805
5.5%, with various maturities from 1/1/2025 until 7/1/2037	9,968,035	9,855,944
6.0%, with various maturities from 4/1/2024 until 3/1/2025	1,381,887	1,410,713
6.5%, with various maturities from 3/1/2017 until 1/1/2038	6,921,728	7,147,546
8.0%, 9/1/2015	31,073	33,027
Total Mortgage-Backed Securities Pass-Throughs (Cost $25,696,030)		**25,749,367**

Commercial and Non-Agency Mortgage-Backed Securities 38.4%

	Principal Amount ($)(a)	Value ($)
Adjustable Rate Mortgage Trust, "3A31", Series 2005-10, 5.417%*, 1/25/2036	820,000	701,917
American Home Mortgage Investment Trust, "5A3", Series 2005-2, 5.077%, 9/25/2035	1,050,000	942,744
Banc of America Mortgage Securities, Inc., "1A20", Series 2005-3, 5.5%, 4/25/2035	1,095,000	1,060,710
Bear Stearns Adjustable Rate Mortgage Trust:		
"A1", Series 2006-1, 4.625%*, 2/25/2036	1,767,295	1,687,479
"2A1", Series 2006-4, 5.794%*, 10/25/2036	699,927	620,535
"3A1", Series 2007-5, 5.984%*, 8/25/2047	1,596,693	1,460,086
"22A1", Series 2007-4, 6.001%*, 6/25/2047	1,617,261	1,488,783
Bear Stearns Commercial Mortgage Securities:		
"A2", Series 2007-PW16, 5.85%*, 6/11/2040	1,650,000	1,627,335
"AAB", Series 2007-PW16, 5.902%*, 6/11/2040	1,200,000	1,157,720
Chase Mortgage Finance Corp.:		
"3A1", Series 2005-A1, 5.281%*, 12/25/2035	1,257,308	1,210,389
"3A1", Series 2007-A3, 5.988%*, 12/25/2037	902,274	885,257
Citicorp Mortgage Securities, Inc., "3A1", Series 2004-1, 4.75%, 1/25/2034	1,445,497	1,402,857
Citigroup Mortgage Loan Trust, Inc.:		
"1A2", Series 2006-AR2, 5.526%*, 3/25/2036	1,032,739	962,267
"2A1A", Series 2007-AR8, 5.913%*, 7/25/2037	682,806	655,093
"1CB2", Series 2004-NCM2, 6.75%, 8/25/2034	626,858	607,660

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Citigroup/Deutsche Bank Commercial Mortgage Trust, "A4", Series 2005-CD1, 5.4%*, 7/15/2044	800,000	771,431
Countrywide Alternative Loan Trust:		
"1A1", Series 2004-2CB, 4.25%, 3/25/2034	296,162	286,231
"A1", Series 2004-1T1, 5.0%, 2/25/2034	322,894	308,350
"A2", Series 2002-18, 5.25%, 2/25/2033	609,326	590,155
"A2", Series 2003-21T1, 5.25%, 12/25/2033	518,317	476,552
"A2", Series 2004-1T1, 5.5%, 2/25/2034	214,446	206,049
Countrywide Capital Cobalt, "AAB", Series 2006-C1, 5.223%, 8/15/2048	559,000	532,006
Countrywide Home Loans:		
"A1", Series 2005-29, 5.75%, 12/25/2035	1,161,076	1,100,073
"A2", Series 2006-1, 6.0%, 3/25/2036	842,389	807,641
Credit Suisse Mortgage Capital Certificates, Inc.:		
"3A1", Series 2006-9, 6.0%, 11/25/2036	1,304,034	1,263,283
"3A19", Series 2007-5, 6.0%, 8/25/2037	1,077,611	1,043,935
CS First Boston Mortgage Securities Corp., "10A3", Series 2005-10, 6.0%, 11/25/2035	236,499	218,989
First Franklin Mortgage Loan Asset Backed Certificate, "A2A", Series 2007-FFC, 2.633%*, 6/25/2027	820,174	457,175
GE Capital Commercial Mortgage Corp., "AJ", Series 2007-C1, 5.677%, 12/10/2049	1,160,000	917,883
GMAC Mortgage Corp. Loan Trust, "A1", Series 2006-J1, 5.75%, 4/25/2036	1,085,487	1,061,041
Greenwich Capital Commercial Funding Corp.:		
"A2", Series 2007-GG9, 5.381%, 3/10/2039	775,000	757,974
"AM", Series 2007-GG9, 5.475%, 3/10/2039	1,025,000	915,188
"AJ", Series 2007-GG9, 5.505%, 3/10/2039	108,000	84,751
"A4", Series 2007-GG11, 5.736%, 12/10/2049	700,000	661,693
GS Mortgage Securities Corp. II:		
"A2", Series 2006-GG8, 5.479%, 11/10/2039	1,100,000	1,090,821
"A2", Series 2007-GG10, 5.778%, 8/10/2045	1,640,000	1,618,591
"AAB", Series 2007-GG10, 5.993%*, 8/10/2045	1,620,000	1,568,585
"J", Series 2007-GG10, 144A, 5.993%*, 8/10/2045	1,096,000	442,680
"AJ", Series 2007-GG10, 5.993%*, 8/10/2045	1,130,000	904,988
"K", Series 2007-GG10, 144A, 5.993%*, 8/10/2045	767,000	267,581
"A4", Series 2007-GG10, 5.993%*, 8/10/2045	600,000	573,724
GSR Mortgage Loan Trust:		
"1A1", Series 2007-AR2, 5.781%*, 5/25/2047	1,158,513	1,076,535
"2A1", Series 2007-AR1, 5.998%*, 3/25/2037	1,965,861	1,812,689
Indymac Inda Mortgage Loan Trust, "1A2", Series 2007-AR1, 5.731%*, 3/25/2037	1,040,812	1,014,598
Indymac Index Mortgage Loan Trust, "3A1", Series 2006-AR33, 5.768%*, 1/25/2037	721,446	679,684
JPMorgan Chase Commercial Mortgage Securities Corp.:		
"A3A1", Series 2005-LDP4, 4.871%, 10/15/2042	235,000	230,912
"ASB", Series 2007-LD12, 5.833%, 2/15/2051	1,175,000	1,137,485
"A4", Series 2007-LD12, 5.882%, 2/15/2051	575,000	549,004
"ASB", Series 2007-CB19, 5.92%*, 2/12/2049	880,000	850,869
"F", Series 2007-LD11, 6.007%*, 6/15/2049	650,000	416,283
"G", Series 2007-LD11, 144A, 6.007%*, 6/15/2049	760,000	458,611
"H", Series 2007-LD11, 144A, 6.007%*, 6/15/2049	460,000	206,998
"E", Series 2007-LD11, 6.007%*, 6/15/2049	590,000	389,438
"A4", Series 2007-LD11, 6.007%*, 6/15/2049	570,000	545,224
JPMorgan Mortgage Trust, "2A4", Series 2006-A2, 5.755%*, 4/25/2036	1,420,000	1,232,403
Master Alternative Loans Trust:		
"5A1", Series 2005-1, 5.5%, 1/25/2020	829,595	751,302
"5A1", Series 2005-2, 6.5%, 12/25/2034	108,370	89,879
"8A1", Series 2004-3, 7.0%, 4/25/2034	22,903	21,014
Master Asset Securitization Trust, "2A7", Series 2003-9, 5.5%, 10/25/2033	522,553	494,140
Merrill Lynch Mortgage Investors Trust, "A2", Series 2005-A5, 4.566%, 6/25/2035	105,000	98,914
Merrill Lynch Mortgage Trust, "ASB", Series 2007-C1, 6.023%*, 6/12/2050	590,000	571,518
Merrill Lynch/Countrywide Commercial Mortgage Trust, "ASB", Series 2007-5, 5.362%, 8/12/2048	1,000,000	942,271
Morgan Stanley Capital I:		
"A2", Series 2007-HQ11, 5.359%, 2/12/2044	1,600,000	1,562,685
"AAB", Series 2007-IQ14, 5.654%, 4/15/2049	1,105,000	1,057,407
"AM", Series 2007-HQ12, 5.811%*, 4/12/2049	600,000	541,574
"AJ", Series 2007-IQ15, 6.077%*, 6/11/2049	900,000	723,873
"F", Series 1998-HF1, 144A, 7.18%, 3/15/2030	75,799	75,944
New York Mortgage Trust, "2A3", Series 2006-1, 5.647%*, 5/25/2036	1,100,000	1,044,050

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Residential Accredit Loans, Inc.:		
"3A1", Series 2006-QS18, 5.75%, 12/25/2021	728,589	690,154
"CB", Series 2004-QS2, 5.75%, 2/25/2034	518,236	445,035
Residential Funding Mortgage Securities I, "2A2", Series 2007-SA1, 5.613%*, 2/25/2037	1,324,249	1,253,949
Sequoia Mortgage Trust, "2A1", Series 2007-1, 5.762%*, 2/20/2047	1,335,853	1,273,794
Structured Adjustable Rate Mortgage Loan Trust:		
"1A4", Series 2005-22, 5.25%, 12/25/2035	1,160,000	840,612
"6A3", Series 2005-21, 5.4%, 11/25/2035	740,000	624,467
"7A4", Series 2006-1, 5.62%, 2/25/2036	930,000	699,490
Structured Asset Securities Corp., "2A1", Series 2003-1, 6.0%, 2/25/2018	4,010	3,984
SunTrust Adjustable Rate Mortgage Loan Trust, "3A1", Series 2007-4, 5.999%*, 10/25/2037	1,602,625	1,506,258
Wachovia Bank Commercial Mortgage Trust:		
"A3", Series 2007-C30, 5.246%, 12/15/2043	770,000	747,792
"A2", Series 2007-C31, 5.421%, 4/15/2047	1,080,000	1,052,283
"H", Series 2007-C32, 144A, 5.929%*, 6/15/2049	770,000	342,750
"ABP", Series 2007-C32, 5.929%*, 6/15/2049	720,000	695,199
Wachovia Mortgage Loan Trust LLC, "3A1", Series 2005-B, 5.157%*, 10/20/2035	1,083,991	1,053,507
Washington Mutual Mortgage Pass-Through Certificates Trust:		
"1A3", Series 2005-AR16, 5.099%*, 12/25/2035	825,000	777,613
"1A1", Series 2006-AR18, 5.343%*, 1/25/2037	1,159,900	1,096,946
"4A1", Series 2007-HY3, 5.348%*, 3/25/2037	1,594,393	1,486,826
"1A1", Series 2007-HY4, 5.55%*, 4/25/2037	1,367,845	1,296,221
"1A1", Series 2006-AR16, 5.606%*, 12/25/2036	1,088,669	997,862
"1A1", Series 2007-HY2, 5.622%*, 12/25/2036	1,407,907	1,319,814
"2A3", Series 2006-AR6, 5.954%*, 8/25/2036	1,055,000	905,042
Wells Fargo Mortgage Backed Securities Trust:		
"B1", Series 2005-AR12, 4.327%*, 7/25/2035	758,222	520,702
"2A5", Series 2006-AR2, 5.106%*, 3/25/2036	2,510,272	2,431,779
"A4", Series 2005-AR14, 5.387%*, 8/25/2035	945,000	796,097
"2A5", Series 2006-AR1, 5.551%*, 3/25/2036	935,000	778,946
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $84,256,120)		**77,610,628**

Collateralized Mortgage Obligations 5.5%

		Principal Amount ($)(a)	Value ($)
Fannie Mae Whole Loan, "1A1", Series 2004-W15, 6.0%, 8/25/2044		289,815	282,890
Federal Home Loan Mortgage Corp.:			
"WJ", Series 2557, 5.0%, 7/15/2014		331,932	334,407
"TA", Series 2750, 5.0%, 2/15/2032		1,010,000	993,511
"PD", Series 2774, 5.0%, 8/15/2032		1,010,000	992,545
"ME", Series 2775, 5.0%, 12/15/2032		460,000	451,812
"EG", Series 2836, 5.0%, 12/15/2032		1,580,000	1,545,989
"PD", Series 2893, 5.0%, 2/15/2033		800,000	780,851
"OG", Series 2889, 5.0%, 5/15/2033		685,000	668,576
"PE", Series 2898, 5.0%, 5/15/2033		335,000	327,458
"PD", Series 2939, 5.0%, 7/15/2033		535,000	521,743
"KG", Series 2987, 5.0%, 12/15/2034		1,470,000	1,425,166
Federal National Mortgage Association:			
"EG", Series 2005-22, 5.0%, 11/25/2033		750,000	730,201
"WD", Series 2005-86, 5.0%, 3/25/2034		1,525,000	1,485,293
"PG", Series 2002-3, 5.5%, 2/25/2017		476,243	480,809
"ZQ", Series G92-9, 7.0%, 12/25/2021		41,017	41,309
Total Collateralized Mortgage Obligations (Cost $11,091,980)			**11,062,560**

Government & Agency Obligations 13.2%

Sovereign Bonds 2.3%

Dominican Republic, Series REG S, 8.625%, 4/20/2027		200,000	205,000
Government of Malaysia, Series 1/04, 4.305%, 2/27/2009	MYR	570,000	175,161
Government of Ukraine, Series REG S, 6.75%, 11/14/2017		390,000	349,635
Government of Indonesia:			
Series REG S, 8.5%, 10/12/2035		100,000	104,843
Series FR49, 9.0%, 9/15/2013	IDR	900,000,000	82,659
Series FR23, 11.0%, 12/15/2012	IDR	1,600,000,000	161,727
Series FR18, 13.175%,7/15/2012	IDR	270,000,000	29,457
Series FR16, 13.45%, 8/15/2011	IDR	480,000,000	53,036
Mexican Bonds, Series M-10, 7.25%, 12/15/2016	MXN	1,900,000	163,034
Nota do Tesouro Nacional, 10.0%, 1/1/2017	BRL	710,000	343,037

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
Republic of Argentina:			
GDP Linked Note, 12/15/2035		410,000	37,648
3.0%*, 4/30/2013 (PIK)		70,000	33,346
Series X, 7.0%, 4/17/2017		260,000	178,757
Republic of Ecuador, Series REG S, 9.375%, 12/15/2015		170,000	175,100
Republic of Egypt:			
9.1%, 7/12/2010	EGP	380,000	73,660
9.1%, 9/20/2012	EGP	230,000	43,230
Series 91, Treasury Bill, 9.16%**, 8/19/2008	EGP	700,000	129,564
9.35%, 8/16/2010	EGP	80,000	15,454
Republic of El Salvador:			
Series REG S, 7.65%, 6/15/2035		90,000	92,700
Series REG S, 8.25%, 4/10/2032		40,000	44,000
Republic of Gabon, Series REG S, 8.2%, 12/12/2017		200,000	207,500
Republic of Georgia, 7.5%, 4/15/2013		170,000	167,093
Republic of Pakistan, Series REG S, 6.875%, 6/1/2017		100,000	79,500
Republic of Panama:			
6.7%, 1/26/2036		170,000	172,550
7.125%, 1/29/2026		220,000	232,100
7.25%, 3/15/2015		80,000	86,000
Republic of Peru, 8.2%, 8/12/2026	PEN	660,000	243,096
Republic of Philippines:			
7.75%, 1/14/2031		100,000	103,620
8.25%, 1/15/2014		70,000	74,900
9.0%, 2/15/2013		120,000	131,700
9.5%, 2/2/2030		60,000	73,275
Republic of Turkey:			
Series CPI, 10.0%, 2/15/2012	TRY	178,287	139,431
16.0%, 3/7/2012	TRY	220,000	155,602
Republic of Uruguay:			
7.875%, 1/15/2033 (PIK)		80,000	84,000
8.0%, 11/18/2022		70,000	74,725
Republic of Venezuela:			
Series REG S, 9.0%, 5/7/2023		50,000	43,750
10.75%, 9/19/2013		40,000	41,600
State of Qatar, Series REG S, 9.75%, 6/15/2030		50,000	76,300
			4,677,790

US Treasury Obligations 10.9%

	Principal Amount ($)(a)	Value ($)
US Treasury Bonds:		
4.75%, 2/15/2037	630,000	650,573
6.0%, 2/15/2026 (b)	4,034,000	4,724,508
6.875%, 8/15/2025 (b)	405,000	516,375
8.125%, 8/15/2019 (b)	450,000	601,031
US Treasury Inflation Index Note, 2.0%, 1/15/2014	5,202,360	5,523,039
US Treasury Notes:		
3.375%, 6/30/2013	45,000	45,081
3.5%, 2/15/2018	560,000	539,044
3.875%, 5/15/2018 (b)	7,515,000	7,452,182
4.0%, 2/15/2015 (b)	1,515,000	1,557,255
4.5%, 4/30/2012	160,000	167,725
4.875%, 5/31/2011 (f)	100,000	105,531
		21,882,344
Total Government & Agency Obligations (Cost $26,184,269)		**26,560,134**

Municipal Bonds and Notes 2.3%

	Principal Amount ($)(a)	Value ($)
Gwinnett County, GA, Development Authority Revenue, Gwinnett Stadium Project, 6.4%, 1/1/2028	655,000	662,657
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	670,000	680,392
Los Angeles, CA, Community Development Agency Tax Allocation Revenue, Adelante Eastside Project, Series C, 6.49%, 9/1/2037 (c)	325,000	297,128
New Jersey, Economic Development Authority Revenue, Series B, 6.5%, 11/1/2013	860,000	900,558
Rhode Island, Convention Center Authority Revenue, Civic Center, Series A, 6.06%, 5/15/2035 (c)	585,000	600,848
Virgin Islands, Port Authority Marine Revenue, Series B, 5.08%, 9/1/2013 (c)	1,420,000	1,424,444
Total Municipal Bonds and Notes (Cost $4,573,541)		**4,566,027**

Preferred Securities 3.2%

	Principal Amount ($)(a)	Value ($)
Bank of America Corp., Series M, 8.125%, 5/15/2018***	480,000	453,725
Catlin Insurance Co., Ltd., 144A, 7.249%, 1/19/2017***	208,000	151,826
Citigroup, Inc., Series E, 8.4%, 4/30/2018***	248,000	235,751
ComEd Financing III, 6.35%, 3/15/2033	238,000	187,837
JPMorgan Chase & Co., Series 1, 7.9%, 4/30/2018***	615,000	576,649
Mangrove Bay Pass-Through Trust, 144A, 6.102%, 7/15/2013***	540,000	329,740
Oil Insurance Ltd., 144A, 7.558%, 6/30/2011***	1,505,000	1,281,222
PNC Financial Services Group, Inc., Series K, 8.25%, 5/21/2013***	435,000	434,071
Royal Bank of Scotland Group PLC, Series U, 7.64%, 9/29/2017***	1,800,000	1,645,792
Santander Perpetual SA, 144A, 6.671%, 10/24/2017***	500,000	483,031
Wells Fargo Capital XIII, 7.7%, 3/26/2013***	285,000	283,303
XL Capital Ltd., Series E, 6.5%, 4/15/2017***	711,000	479,925
Total Preferred Securities (Cost $7,560,734)		**6,542,872**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Preferred Stocks 0.2%		
Arch Capital Group Ltd., 8.0%	4,202	98,127
Delphi Financial Group, Inc., 7.376%	18,000	343,125
Ford Motor Credit Co., LLC, 7.375%	1,020	14,035
Total Preferred Stocks (Cost $578,444)		**455,287**

	Shares	Value ($)
Securities Lending Collateral 8.2%		
Daily Assets Fund Institutional, 2.74% (d) (e) (Cost $16,644,679)	16,644,679	**16,644,679**

	Shares	Value ($)
Cash Equivalents 1.7%		
Cash Management QP Trust, 2.49% (d) (Cost $3,450,930)	3,450,930	**3,450,930**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $226,464,643)†	107.4	**216,858,370**
Other Assets and Liabilities, Net (b)	(7.4)	**(14,972,066)**
Net Assets	100.0	**201,886,304**

* *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, 2008.*

** *Bond equivalent yield to maturity; not a coupon rate.*

*** *Date shown is call date; not a maturity date for the perpetual preferred securities.*

† *The cost for federal income tax purposes was $226,506,299. At June 30, 2008, net unrealized depreciation for all securities based on tax cost was $9,647,929. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $1,293,064 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $10,940,993.*

(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) amounting to $14,540,740. In addition, included in other assets and liabilities, net are pending sales, amounting to $1,570,705, that are also on loan. The value of all securities loaned at June 30, 2008 amounted to $16,111,445 which is 8.0% of net assets.*

(c) *Bond is insured by one of these companies:*

Insurance Coverage	As a % of Total Investment Portfolio
Financial Guaranty Insurance Co.	0.9
Radian Asset Assurance	0.2

(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. Income earned by the Portfolio is net of borrower rebates.*

(f) *At June 30, 2008, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

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

As of June 30, 2008, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Appreciation ($)
5 Year US Treasury Note	9/30/2008	58	6,359,285	6,412,172	**52,887**

As of June 30, 2008, open futures contracts sold were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Depreciation ($)
10 Year US Treasury Note	9/19/2008	25	2,796,807	2,848,047	**(51,240)**

As of June 30, 2008, the Portfolio entered into the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)
CHF	276,000	USD	275,771	7/16/2008	5,535
CLP	122,165,000	USD	269,978	7/15/2008	37,360
EUR	185,566	HUF	45,767,000	7/16/2008	13,261
EUR	751,000	USD	1,183,223	7/16/2008	1,828
JPY	831,036	EUR	5,115	7/16/2008	290
JPY	26,650,000	EUR	165,104	7/16/2008	8,510
NOK	1,355,000	EUR	171,240	7/16/2008	3,807

The accompanying notes are an integral part of the financial statements.

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)
NZD	1,091,000	USD	854,856	7/16/2008	25,778
SEK	1,527,000	EUR	163,391	7/16/2008	3,715
USD	274,637	AUD	299,000	7/16/2008	11,324
USD	251,424	CHF	262,000	7/16/2008	5,104
USD	488,758	CNY	3,326,000	9/23/2008	2,334
USD	252,597	JPY	27,100,000	7/16/2008	2,859
USD	257,381	MXN	2,741,000	7/16/2008	7,744
USD	114,346	RUB	2,714,000	7/16/2008	1,334
USD	293,921	RUB	6,943,000	7/16/2008	2,013
USD	231,453	RUB	5,508,000	8/8/2008	3,192
USD	170,602	TRY	215,000	7/16/2008	3,918
USD	80,185	UAH	416,000	1/23/2009	3,033
USD	85,085	ZAR	672,000	7/16/2008	337
Total unrealized appreciation					**143,276**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)
AUD	291,000	NZD	344,914	7/16/2008	(16,202)
BRL	34,000	USD	19,765	7/16/2008	(1,355)
EUR	177,206	JPY	28,020,000	7/16/2008	(14,634)
EUR	149,000	USD	230,901	7/16/2008	(3,490)
GBP	117,000	USD	228,795	7/16/2008	(3,946)
GBP	129,000	USD	254,781	7/16/2008	(1,832)
GBP	1,128	USD	2,177	7/16/2008	(67)
HUF	45,767,000	USD	283,668	7/16/2008	(21,505)
JPY	738,974	EUR	4,549	7/16/2008	(69)
JPY	22,570,000	USD	212,695	7/16/2008	(59)
RUB	2,714,000	USD	115,195	7/16/2008	(485)
TRY	215,000	USD	157,960	7/16/2008	(16,560)
TRY	61,000	USD	47,963	7/16/2008	(1,552)
USD	260,869	CLP	122,165,000	7/15/2008	(28,251)
USD	710,846	JPY	71,391,000	7/16/2008	(37,885)
USD	600,835	NOK	3,044,000	7/16/2008	(4,233)
USD	5,379	NZD	7,000	7/16/2008	(59)
USD	73,746	PEN	208,000	7/16/2008	(3,535)
USD	575,387	SEK	3,442,000	7/16/2008	(4,391)
Total unrealized depreciation					**(160,110)**

Currency Abbreviations

AUD	Australian Dollar	HUF	Hungarian Forint	PEN	Peruvian Nouveau Sol
BRL	Brazilian Real	IDR	Indonesian Rupiah	RUB	Russian Ruble
CHF	Swiss Franc	JPY	Japanese Yen	SEK	Swedish Krona
CLP	Chilean Peso	MXN	Mexican Peso	TRY	Turkish Lira
CNY	Yuan Renminbi	MYR	Malaysian Ringgit	UAH	Ukraine Hryvna
EGP	Egyptian Pound	NOK	Norwegian Krone	USD	United States Dollar
EUR	Euro	NZD	New Zealand Dollar	ZAR	South African Rand
GBP	British Pound				

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.

The accompanying notes are an integral part of the financial statements.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's assets carried at fair value:

Valuation Inputs	Investments in Securities at Value	Net Unrealized Appreciation/ (Depreciation) on Other Financial Instruments††
Level 1 — Quoted Prices	$ 20,550,896	$ 1,647
Level 2 — Other Significant Observable Inputs	195,247,333	(16,834)
Level 3 — Significant Unobservable Inputs	1,060,141	—
Total	**$ 216,858,370**	**$ (15,187)**

†† *Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as future contracts, written options and forward foreign currency exchange contracts, which are valued at the unrealized appreciation/depreciation on the instrument.*

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at June 30, 2008:

	Investments in Securities at Market Value
Balance as of January 1, 2008	$ 1,298,669
Total realized gains or losses	21,144
Change in unrealized appreciation (depreciation)	(47,678)
Amortization Premium/Discount	(298)
Net purchases (sales)	(211,696)
Net transfers in (out) of Level 3	—
Balance as of June 30, 2008	**$ 1,060,141**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $206,369,034), including $14,540,740 of securities loaned	$	196,762,761
Investment in Daily Assets Fund Institutional (cost $16,644,679)*		16,644,679
Investment in Cash Management QP Trust (cost $3,450,930)		3,450,930
Total investments, at value (cost $226,464,643)		216,858,370
Cash		21,833
Foreign currency, at value (cost $6,952)		6,955
Receivable for investments sold		2,308,658
Dividends receivable		468
Interest receivable		1,674,151
Receivable for Portfolio shares sold		142,309
Foreign taxes recoverable		8,064
Receivable for daily variation margin on open futures contracts		4,453
Unrealized appreciation on open forward foreign currency exchange contracts		143,276
Other assets		4,526
Total assets		221,173,063

Liabilities		
Payable for investments purchased		2,209,445
Payable for Portfolio shares redeemed		78,664
Payable upon return of securities loaned		16,644,679
Unrealized depreciation on open forward foreign currency exchange contracts		160,110
Net payable on closed forward foreign currency exchange contracts		2,279
Accrued management fee		61,405
Other accrued expenses and payables		130,177
Total liabilities		19,286,759
Net assets, at value	**$**	**201,886,304**

Net Assets Consist of		
Undistributed net investment income		5,837,220
Net unrealized appreciation (depreciation) on:		
Investments		(9,606,273)
Futures		1,647
Foreign currency		(19,232)
Accumulated net realized gain (loss)		(3,682,982)
Paid-in capital		209,355,924
Net assets, at value	**$**	**201,886,304**
Class A		
Net Asset Value, offering and redemption price per share ($201,886,304 ÷ 31,038,482 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**6.50**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Dividends	$	21,738
Interest (net of foreign taxes withheld of $2,889)		6,363,007
Interest — Cash Management QP Trust		87,005
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		116,666
Total Income		6,588,416
Expenses:		
Management fee		424,237
Administration fee		108,779
Custodian fee		25,595
Distribution service fee (Class B)		506
Services to shareholders		506
Record keeping fee (Class B)		202
Professional fees		40,912
Trustees' fees and expenses		4,861
Reports to shareholders		20,859
Other		14,173
Total expenses before expense reductions		640,630
Expense reductions		(1,580)
Total expenses after expense reductions		639,050
Net investment income		**5,949,366**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(2,309,429)
Futures		(53,194)
Foreign currency		123,277
Payments by affiliates (see Note H)		221
		(2,239,125)
Change in net unrealized appreciation (depreciation) on:		
Investments		(7,372,636)
Futures		1,647
Foreign currency		(56,777)
		(7,427,766)
Net gain (loss)		**(9,666,891)**
Net increase (decrease) in net assets resulting from operations	**$**	**(3,717,525)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income	$ 5,949,366	$ 11,251,529
Net realized gain (loss)	(2,239,125)	(121,794)
Change in net unrealized appreciation (depreciation)	(7,427,766)	(1,978,095)
Net increase (decrease) in net assets resulting from operations	(3,717,525)	9,151,640
Distributions to shareholders from:		
Net investment income:		
Class A	(10,882,399)	(10,313,794)
Class B	(31,809)	(83,297)
Total distributions	(10,914,208)	(10,397,091)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	11,958,205	38,092,545
Reinvestment of distributions	10,882,399	10,313,794
Cost of shares redeemed	(35,264,624)	(36,534,184)
Net increase (decrease) in net assets from Class A share transactions	(12,424,020)	11,872,155
Class B*		
Proceeds from shares sold	292,257	1,299,403
Reinvestment of distributions	31,809	83,297
Cost of shares redeemed	(890,260)	(2,108,764)
Net increase (decrease) in net assets from Class B share transactions	(566,194)	(726,064)
Increase (decrease) in net assets	(27,621,947)	9,900,640
Net assets at beginning of period	229,508,251	219,607,611
Net assets at end of period (including undistributed net investment income of $5,837,220 and $10,802,062, respectively)	**$ 201,886,304**	**$ 229,508,251**

Other Information

Class A		
Shares outstanding at beginning of period	32,791,859	31,026,023
Shares sold	1,734,259	5,515,644
Shares issued to shareholders in reinvestment of distributions	1,674,215	1,510,072
Shares redeemed	(5,161,851)	(5,259,880)
Net increase (decrease) in Class A shares	(1,753,377)	1,765,836
Shares outstanding at end of period	**31,038,482**	**32,791,859**
Class B*		
Shares outstanding at beginning of period	87,887	198,161
Shares sold	42,354	183,436
Shares issued to shareholders in reinvestment of distributions	4,894	12,196
Shares redeemed	(135,135)	(305,906)
Net increase (decrease) in Class B shares	(87,887)	(110,274)
Shares outstanding at end of period	—	**87,887**

* *On May 22, 2008 Class B shares were liquidated.*

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$ 6.98**	**$ 7.03**	**$ 6.99**	**$ 7.13**	**$ 7.04**	**$ 6.98**
Income (loss) from investment operations:						
Net investment income[b]	.18	.35	.33	.29	.29	.26
Net realized and unrealized gain (loss)	(.29)	(.06)	(.01)	(.10)	.08	.09
Total from investment operations	(.11)	.29	.32	.19	.37	.35
Less distributions from:						
Net investment income	(.37)	(.34)	(.27)	(.26)	(.28)	(.29)
Net realized gains	—	—	(.01)	(.07)	—	—
Total distributions	(.37)	(.34)	(.28)	(.33)	(.28)	(.29)
Net asset value, end of period	**$ 6.50**	**$ 6.98**	**$ 7.03**	**$ 6.99**	**$ 7.13**	**$ 7.04**
Total Return (%)	(1.64)**	4.18	4.72[c]	2.60	5.38	5.06
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	202	229	218	209	177	176
Ratio of expenses before expense reductions (%)	.59*	.61	.66	.68	.60	.58
Ratio of expenses after expense reductions (%)	.59*	.61	.62	.68	.60	.58
Ratio of net investment income (%)	5.47*	5.03	4.82	4.11	4.18	3.78
Portfolio turnover rate (%)	121**	176[d]	179[d]	187[d]	223[d]	242[d]

[a] *For the six months ended June 30, 2008 (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 185%, 186%, 197%, 245% and 286% for the years ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004, and December 31, 2003, respectively.*
* *Annualized* ** *Not annualized*

DWS Growth & Income VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

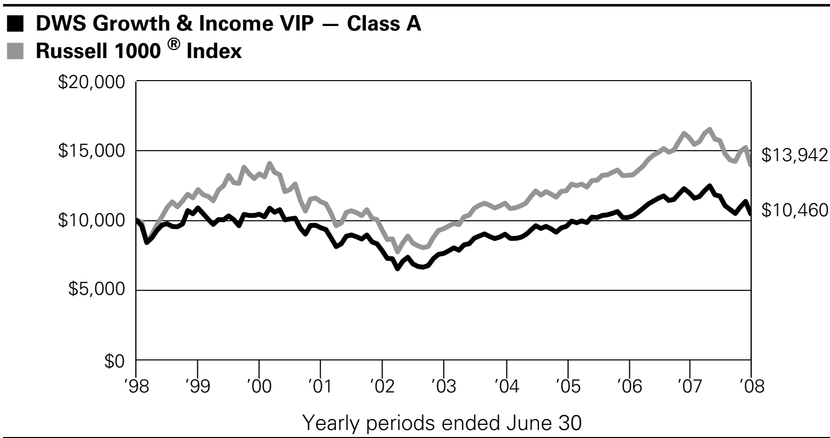
The total annual portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.54% and 0.79% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

Portfolio returns during all periods shown reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

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.

Growth of an Assumed $10,000 Investment



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.

Comparative Results

DWS Growth & Income VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$8,916	$8,738	$10,944	$13,726	$10,460
	Average annual total return	–10.84%	–12.62%	3.05%	6.54%	.45%
Russell 1000 Index	Growth of $10,000	$8,880	$8,764	$11,513	$14,846	$13,942
	Average annual total return	–11.20%	–12.36%	4.81%	8.22%	3.38%

DWS Growth & Income VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$8,895	$8,701	$10,826	$13,484	$10,156
	Average annual total return	–11.05%	–12.99%	2.68%	6.16%	.15%
Russell 1000 Index	Growth of $10,000	$8,880	$8,764	$11,513	$14,846	$13,942
	Average annual total return	–11.20%	–12.36%	4.81%	8.22%	3.38%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are 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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 891.60	$ 889.50
Expenses Paid per $1,000*	$ 2.54	$ 4.04
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,022.18	$1,020.59
Expenses Paid per $1,000*	$ 2.72	$ 4.32

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Growth & Income VIP	.54%	.86%

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 Growth & Income VIP

The first half of 2008 was a period of considerable economic uncertainty and significant turmoil throughout the capital markets. At mid-year 2008, the US economy is experiencing a number of interrelated problems including liquidity issues in financial markets, increased concern about rising prices for energy and food, and rising unemployment.

Essentially all equity indices posted negative returns for the period ending June 30, 2008. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, had a negative return of –11.05% for the six months ended June 2008. Growth stocks, as measured by the Russell 1000® Growth Index (with a return of –9.06%), performed somewhat better than value stocks, as measured by the Russell 1000® Value Index (with a return of –13.57%). With a return of –10.84% (Class A shares, unadjusted for contract charges), the Portfolio's return was quite close to that of its benchmark, the Russell 1000® Index, which posted a return of –11.20%.

The Portfolio is managed using a quantitative stock selection model, and most holdings are large US-based companies. Since sector weights of this portfolio are normally maintained quite close to those of the Russell 1000 Index, most differences in return between the Portfolio and the index result from stock selection. During the first half of 2008, stock selection in the banks and materials sectors contributed to performance relative to the Russell 1000 Index. Positions in the health care equipment & services and energy sectors detracted from performance.

In the banks sector, the Portfolio benefited from avoiding or significantly underweighting some of the large banks that were off sharply for the period. In the materials sector, a major positive was CF Industries Holdings Inc., a fertilizer company that is benefiting from strong demand for agricultural products.[1] Other positives in this sector were AK Steel Holding Corp.* and Alpha Natural Resources Inc.*, an Appalachian coal supplier.

In the health care equipment & services sector, performance was hurt by positions in several managed care companies including Humana, Inc., Aetna, Inc. and Health Net Inc.* In the energy sector, performance was hurt by positions in Frontier Oil Corp.* and Sunoco, Inc., which performed poorly; nonetheless, some of the Portfolio's best performing issues, including ConocoPhillips and ENSCO International Inc.*, were also in the energy sector.

Robert Wang
Julie Abbett
Portfolio Managers

The Russell 3000 Index is an unmanaged index that measures the performance of the 3,000 largest U.S. 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 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.

* *As of June 30, 2008, the positions were sold.*

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, 2008, 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 (As a % of Investment Portfolio Excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	97%	97%
Cash Equivalents	2%	3%
Government & Agency Obligation	1%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/08**	**12/31/07**
Information Technology	16%	15%
Industrials	15%	13%
Health Care	14%	14%
Energy	14%	14%
Financials	12%	15%
Consumer Discretionary	11%	11%
Consumer Staples	7%	9%
Materials	5%	3%
Telecommunication Services	5%	4%
Utilities	1%	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 23. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-investments.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-investments.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, 2008 (Unaudited)

DWS Growth & Income VIP

	Shares	Value ($)
Common Stocks 96.9%		
Consumer Discretionary 10.5%		
Auto Components 0.8%		
Autoliv, Inc.	8,800	410,256
Cooper Tire & Rubber Co.	10,800	84,672
Johnson Controls, Inc.	8,500	243,780
Lear Corp.*	31,000	439,580
TRW Automotive Holdings Corp.*	2,200	40,634
		1,218,922
Hotels Restaurants & Leisure 1.8%		
McDonald's Corp.	13,700	770,214
Yum! Brands, Inc.	58,200	2,042,238
		2,812,452
Household Durables 0.3%		
Leggett & Platt, Inc.	16,800	281,736
NVR, Inc.*	400	200,032
		481,768
Leisure Equipment & Products 0.2%		
Hasbro, Inc.	7,400	**264,328**
Media 3.6%		
Comcast Corp. "A"	96,800	1,836,296
DISH Network Corp. "A"*	20,700	606,096
Liberty Global, Inc. "A"*	12,400	389,732
Omnicom Group, Inc.	1,400	62,832
Scholastic Corp.*	4,500	128,970
The DIRECTV Group, Inc.*	91,200	2,362,992
The Walt Disney Co.	12,100	377,520
		5,764,438
Multiline Retail 0.2%		
Big Lots, Inc.* (a)	6,800	212,432
Dollar Tree, Inc.*	1,600	52,304
		264,736
Specialty Retail 3.3%		
AutoZone, Inc.*	6,400	774,464
Best Buy Co., Inc.	46,600	1,845,360
RadioShack Corp.	70,500	865,035
Rent-A-Center, Inc.*	4,000	82,280
The Gap, Inc.	31,600	526,772
TJX Companies, Inc.	37,100	1,167,537
		5,261,448
Textiles, Apparel & Luxury Goods 0.3%		
Fossil, Inc.*	12,100	351,747
Hanesbrands, Inc.*	2,100	56,994
Quiksilver, Inc.*	7,200	70,704
Wolverine World Wide, Inc.	1,400	37,338
		516,783
Consumer Staples 6.5%		
Beverages 1.9%		
Coca-Cola Enterprises, Inc.	10,000	173,000
Pepsi Bottling Group, Inc.	21,200	591,904
PepsiCo, Inc.	34,800	2,212,932
		2,977,836
Food & Staples Retailing 0.8%		
Kroger Co.	42,000	**1,212,540**
Food Products 0.4%		
Chiquita Brands International, Inc.* (a)	15,600	236,652
Darling International, Inc.*	5,800	95,816
Fresh Del Monte Produce, Inc.*	13,200	311,124
		643,592
Household Products 1.7%		
Colgate-Palmolive Co.	39,000	**2,694,900**
Personal Products 0.1%		
Herbalife Ltd.	5,900	**228,625**
Tobacco 1.6%		
Altria Group, Inc.	53,220	1,094,203
Lorillard, Inc.*	4,100	283,556
Philip Morris International, Inc.*	23,100	1,140,909
		2,518,668
Energy 13.5%		
Energy Equipment & Services 0.2%		
Transocean, Inc.*	1,711	**260,739**
Oil, Gas & Consumable Fuels 13.3%		
Apache Corp.	21,400	2,974,600
Chevron Corp.	43,000	4,262,590
ConocoPhillips	41,000	3,869,990
ExxonMobil Corp.	14,239	1,254,883
Frontline Ltd. (a)	5,800	404,724
Hess Corp.	9,600	1,211,424
Marathon Oil Corp.	32,600	1,690,962
Mariner Energy, Inc.*	3,700	136,789
Murphy Oil Corp.	2,000	196,100
Noble Energy, Inc.	7,400	744,144
Occidental Petroleum Corp.	33,100	2,974,366
Sunoco, Inc.	29,500	1,200,355
W&T Offshore, Inc.	1,500	87,765
		21,008,692
Financials 11.7%		
Capital Markets 3.6%		
Bank of New York Mellon Corp.	76,500	2,893,995
Investment Technology Group, Inc.*	3,200	107,072
Morgan Stanley	11,935	430,495
Northern Trust Corp.	6,100	418,277
State Street Corp.	17,900	1,145,421
The Goldman Sachs Group, Inc.	3,765	658,499
		5,653,759
Commercial Banks 1.6%		
Banco Santander SA (ADR)	5,100	92,769
Barclays PLC (ADR) (a)	5,500	127,325
Lloyds TSB Group PLC (ADR)	2,500	61,675
PNC Financial Services Group, Inc.	12,200	696,620
Susquehanna Bancshares, Inc.	2,800	38,332
Wells Fargo & Co.	60,900	1,446,375
		2,463,096
Consumer Finance 0.1%		
Cash America International, Inc.	4,500	**139,500**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Diversified Financial Services 2.0%		
Interactive Brokers Group, Inc. "A"*	1,700	54,621
JPMorgan Chase & Co.	65,100	2,233,581
Leucadia National Corp.	3,700	173,678
NYSE Euronext	5,700	288,762
The Nasdaq OMX Group, Inc.*	13,600	361,080
		3,111,722
Insurance 4.1%		
ACE Ltd.	35,600	1,961,204
Aflac, Inc.	3,100	194,680
Allied World Assurance Co. Holdings Ltd.	2,300	91,126
Berkshire Hathaway, Inc. "B"*	100	401,200
China Life Insurance Co., Ltd. "H" (ADR)	1,300	67,834
Endurance Specialty Holdings Ltd.	1,700	52,343
Hartford Financial Services Group, Inc.	1,400	90,398
Manulife Financial Corp.	2,100	72,891
MetLife, Inc.	44,550	2,350,904
PartnerRe Ltd.	5,400	373,302
The Travelers Companies, Inc.	19,000	824,600
		6,480,482
Real Estate Investment Trusts 0.3%		
Boston Properties, Inc. (REIT)	1,700	153,374
ProLogis (REIT)	4,500	244,575
Simon Property Group, Inc. (REIT)	1,700	152,813
		550,762
Health Care 13.8%		
Biotechnology 2.2%		
Gilead Sciences, Inc.*	54,100	2,864,595
OSI Pharmaceuticals, Inc.*	15,800	652,856
		3,517,451
Health Care Equipment & Supplies 1.8%		
Baxter International, Inc.	12,200	780,068
Intuitive Surgical, Inc.*	4,900	1,320,060
Kinetic Concepts, Inc.*	7,500	299,325
St. Jude Medical, Inc.*	11,400	466,032
		2,865,485
Health Care Providers & Services 4.3%		
Aetna, Inc.	56,200	2,277,786
Express Scripts, Inc.*	15,000	940,800
Health Management Associates, Inc. "A"*	28,900	188,139
Humana, Inc.*	31,400	1,248,778
Kindred Healthcare, Inc.*	4,200	120,792
LifePoint Hospitals, Inc.*	1,600	45,280
Medco Health Solutions, Inc.*	37,800	1,784,160
Owens & Minor, Inc.	3,800	173,622
		6,779,357
Life Sciences Tools & Services 0.5%		
Invitrogen Corp.*	19,800	**777,348**
Pharmaceuticals 5.0%		
Bristol-Myers Squibb Co.	99,700	2,046,841
Eli Lilly & Co.	34,900	1,610,984
Johnson & Johnson	5,000	321,700
Merck & Co., Inc.	26,400	995,016
Perrigo Co.	1,200	38,124
Pfizer, Inc.	24,500	428,015

	Shares	Value ($)
Schering-Plough Corp.	76,400	1,504,316
Sepracor, Inc.*	45,300	902,376
Watson Pharmaceuticals, Inc.*	900	24,453
		7,871,825
Industrials 14.3%		
Aerospace & Defense 6.1%		
Boeing Co.	41,740	2,743,153
Bombardier, Inc. "B"*	27,400	199,111
General Dynamics Corp.	10,400	875,680
Goodrich Corp.	10,400	493,584
Honeywell International, Inc.	43,720	2,198,242
Lockheed Martin Corp.	20,500	2,022,530
Northrop Grumman Corp.	7,500	501,750
Teledyne Technologies, Inc.*	1,000	48,790
United Technologies Corp.	8,800	542,960
		9,625,800
Building Products 0.1%		
Armstrong World Industries, Inc.	2,700	**78,894**
Commercial Services & Supplies 0.8%		
Allied Waste Industries, Inc.*	23,800	300,356
IKON Office Solutions, Inc.	4,100	46,248
Manpower, Inc.	4,300	250,432
The Brink's Co.	7,700	503,734
United Stationers, Inc.*	1,900	70,205
		1,170,975
Construction & Engineering 1.2%		
EMCOR Group, Inc.*	12,100	345,213
Fluor Corp.	4,000	744,320
Perini Corp.*	13,400	442,870
Shaw Group, Inc.*	6,900	426,351
		1,958,754
Electrical Equipment 0.4%		
GrafTech International Ltd.*	25,500	**684,165**
Industrial Conglomerates 0.8%		
General Electric Co.	15,650	417,698
Walter Industries, Inc.	8,100	881,037
		1,298,735
Machinery 3.0%		
AGCO Corp.*	30,500	1,598,505
Caterpillar, Inc.	32,700	2,413,914
Flowserve Corp.	800	109,360
Parker Hannifin Corp.	7,500	534,900
		4,656,679
Marine 0.2%		
Kirby Corp.*	7,500	**360,000**
Road & Rail 1.7%		
Burlington Northern Santa Fe Corp.	3,800	379,582
Norfolk Southern Corp.	3,300	206,811
Ryder System, Inc.	30,800	2,121,504
		2,707,897
Information Technology 15.7%		
Communications Equipment 0.2%		
Cisco Systems, Inc.*	14,100	**327,966**
Computers & Peripherals 6.2%		
Apple, Inc.*	14,100	2,360,904
Hewlett-Packard Co.	57,600	2,546,496
International Business Machines Corp.	15,000	1,777,950

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Lexmark International, Inc. "A"*	28,500	952,755
QLogic Corp.*	11,200	163,408
Sun Microsystems, Inc.*	40,300	438,464
Western Digital Corp.*	43,700	1,508,961
		9,748,938
Electronic Equipment & Instruments 0.6%		
Avnet, Inc.*	20,100	548,328
Dolby Laboratories, Inc. "A"*	9,800	394,940
Tyco Electronics Ltd.	1,300	46,566
		989,834
Internet Software & Services 1.4%		
eBay, Inc.*	25,070	685,163
Google, Inc. "A"*	2,820	1,484,504
		2,169,667
IT Services 2.3%		
Accenture Ltd. "A"	21,200	863,264
Computer Sciences Corp.*	21,700	1,016,428
MasterCard, Inc. "A"	6,700	1,778,984
		3,658,676
Semiconductors & Semiconductor Equipment 1.8%		
Amkor Technology, Inc.*	52,500	546,525
Analog Devices, Inc.	12,300	390,771
Skyworks Solutions, Inc.*	7,300	72,051
Texas Instruments, Inc.	61,900	1,743,104
		2,752,451
Software 3.2%		
Microsoft Corp.	177,475	4,882,337
Symantec Corp.*	12,030	232,781
		5,115,118
Materials 4.6%		
Chemicals 3.1%		
Celanese Corp. "A"	19,100	872,106
CF Industries Holdings, Inc.	10,000	1,528,000
Monsanto Co.	6,400	809,216
Terra Industries, Inc.	33,600	1,658,160
		4,867,482
Containers & Packaging 0.9%		
Owens-Illinois, Inc.*	33,300	**1,388,277**
Metals & Mining 0.6%		
Southern Copper Corp.	2,200	234,586
United States Steel Corp.	4,400	813,032
		1,047,618
Telecommunication Services 4.6%		
Diversified Telecommunication Services 4.5%		
AT&T, Inc.	61,480	2,071,261
Embarq Corp.	35,400	1,673,358
Telus Corp.	2,400	100,901
Verizon Communications, Inc.	91,400	3,235,560
		7,081,080
Wireless Telecommunication Services 0.1%		
Telephone & Data Systems, Inc.	2,800	**132,356**
Utilities 1.7%		
Electric Utilities 0.3%		
Edison International	4,900	251,762
Southern Co.	4,300	150,156
		401,918
Gas Utilities 0.2%		
ONEOK, Inc.	6,800	**332,044**
Independent Power Producers & Energy Traders 0.5%		
Constellation Energy Group, Inc.	10,400	**853,840**
Multi-Utilities 0.7%		
Ameren Corp.	1,200	50,676
Dominion Resources, Inc.	2,200	104,478
Sempra Energy	15,600	880,620
		1,035,774
Total Common Stocks (Cost $155,369,457)		**152,786,192**

	Principal Amount ($)	Value ($)
Government & Agency Obligation 0.6%		
US Treasury Obligation		
US Treasury Bill, 1.08%**, 7/17/2008 (b) (Cost $885,566)	886,000	**885,444**

	Shares	Value ($)
Securities Lending Collateral 0.6%		
Daily Assets Fund Institutional, 2.74% (c) (d) (Cost $939,745)	939,745	**939,745**
Cash Equivalents 2.5%		
Cash Management QP Trust, 2.49% (c) (Cost $3,886,826)	3,886,826	**3,886,826**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $161,081,594)†	100.6	**158,498,207**
Other Assets and Liabilities, Net	(0.6)	**(896,976)**
Net Assets	100.0	**157,601,231**

* *Non-income producing security.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $163,395,398. At June 30, 2008, net unrealized depreciation for all securities based on tax cost was $4,897,191. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $10,150,473 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $15,047,664.*

(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, 2008 amounted to $913,002 which is 0.6% of net assets.*

(b) *At June 30, 2008, 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. Income earned by the Portfolio is net of borrower rebates.*

The accompanying notes are an integral part of the financial statements.

ADR: American Depositary Receipt

REIT: Real Estate Investment Trust

At June 30, 2008, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Depreciation ($)
S&P 500 Index	9/18/2008	10	3,399,282	3,202,750	(196,532)

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's assets carried at fair value:

Valuation Inputs	Investments in Securities at Value	Net Unrealized Depreciation on Other Financial Instruments††
Level 1 — Quoted Prices	$ 157,612,763	$ (196,532)
Level 2 — Other Significant Observable Inputs	885,444	—
Level 3 — Significant Unobservable Inputs	—	—
Total	**$ 158,498,207**	**$ (196,532)**

†† *Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as future contracts, which are valued at the unrealized appreciation/depreciation on the instrument.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $156,255,023), including $913,002 of securities loaned	$	153,671,636
Investment in Daily Assets Fund Institutional (cost $939,745)*		939,745
Investment in Cash Management QP Trust (cost $3,886,826)		3,886,826
Total investments, at value (cost $161,081,594)		158,498,207
Cash		4,609
Foreign currency, at value (cost $950)		938
Dividends receivable		87,987
Interest receivable		9,919
Receivable for Portfolio shares sold		132,680
Receivable for daily variation margin on open futures contracts		4,433
Other assets		1,974
Total assets		158,740,747

Liabilities		
Payable for Portfolio shares redeemed		63,644
Payable upon return of securities loaned		939,745
Payable for investments purchased		4,609
Accrued management fee		51,489
Accrued distribution service fee (Class B)		336
Other accrued expenses and payables		79,693
Total liabilities		1,139,516
Net assets, at value	**$**	**157,601,231**

Net Assets Consist of		
Undistributed net investment income		998,444
Net unrealized appreciation (depreciation) on:		
Investments		(2,583,387)
Futures		(196,532)
Foreign currency		(13)
Accumulated net realized gain (loss)		(20,797,328)
Paid-in capital		180,180,047
Net assets, at value	**$**	**157,601,231**
Class A		
Net Asset Value, offering and redemption price per share ($154,669,579 ÷ 20,902,471 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**7.40**
Class B		
Net Asset Value, offering and redemption price per share ($2,931,652 ÷ 397,119 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**7.38**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $4,537)	$	1,373,570
Interest		7,544
Interest — Cash Management QP Trust		79,797
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		7,912
Total Income		1,468,823
Expenses:		
Management fee		349,400
Administration fee		89,590
Custodian fee		15,368
Distribution service fee (Class B)		12,086
Services to shareholders		1,296
Record keeping fee (Class B)		3,191
Professional fees		27,767
Trustees' fees and expenses		5,962
Reports to shareholders		27,173
Other		6,976
Total expenses before expense reductions		538,809
Expense reductions		(39,567)
Total expenses after expense reductions		499,242
Net investment income (loss)		**969,581**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(8,124,173)
Futures		(653,343)
Foreign currency		(67)
		(8,777,583)
Change in net unrealized appreciation (depreciation) on:		
Investments		(13,469,335)
Futures		(176,976)
Foreign currency		(25)
		(13,646,336)
Net gain (loss)		**(22,423,919)**
Net increase (decrease) in net assets resulting from operations	**$**	**(21,454,338)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 969,581	$ 3,281,163
Net realized gain (loss)	(8,777,583)	38,689,859
Change in net unrealized appreciation (depreciation)	(13,646,336)	(35,739,490)
Net increase (decrease) in net assets resulting from operations	(21,454,338)	6,231,532
Distributions to shareholders from:		
Net investment income:		
Class A	(3,050,163)	(3,254,218)
Class B	(190,157)	(431,057)
Net realized gains:		
Class A	(35,948,939)	(3,589,531)
Class B	(2,803,004)	(675,883)
Total distributions	(41,992,263)	(7,950,689)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,470,767	7,943,494
Reinvestment of distributions	38,999,102	6,843,749
Cost of shares redeemed	(22,911,843)	(96,721,167)
Net increase (decrease) in net assets from Class A share transactions	18,558,026	(81,933,924)
Class B		
Proceeds from shares sold	136,306	1,756,094
Reinvestment of distributions	2,993,161	1,106,940
Cost of shares redeemed	(10,787,972)	(40,893,714)
Net increase (decrease) in net assets from Class B share transactions	(7,658,505)	(38,030,680)
Increase (decrease) in net assets	(52,547,080)	(121,683,761)
Net assets at beginning of period	210,148,311	331,832,072
Net assets at end of period (including undistributed net investment income of $998,444 and $3,269,183, respectively)	**$ 157,601,231**	**$ 210,148,311**

Other Information		
Class A		
Shares outstanding at beginning of period	18,082,818	25,561,711
Shares sold	283,825	724,126
Shares issued to shareholders in reinvestment of distributions	5,038,644	621,594
Shares redeemed	(2,502,816)	(8,824,613)
Net increase (decrease) in Class A shares	2,819,653	(7,478,893)
Shares outstanding at end of period	**20,902,471**	**18,082,818**
Class B		
Shares outstanding at beginning of period	1,355,326	4,788,468
Shares sold	14,279	161,143
Shares issued to shareholders in reinvestment of distributions	387,214	100,722
Shares redeemed	(1,359,700)	(3,695,007)
Net increase (decrease) in Class B shares	(958,207)	(3,433,142)
Shares outstanding at end of period	**397,119**	**1,355,326**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$10.81**	**$10.94**	**$ 9.72**	**$ 9.29**	**$ 8.50**	**$ 6.77**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.05	.13	.13[d]	.10	.12	.07
Net realized and unrealized gain (loss)	(1.12)	.02	1.19	.45	.74	1.74
Total from investment operations	(1.07)	.15	1.32	.55	.86	1.81
Less distributions from:						
Net investment income	(.18)	(.13)	(.10)	(.12)	(.07)	(.08)
Net realized gains	(2.16)	(.15)	—	—	—	—
Total distributions	(2.34)	(.28)	(.10)	(.12)	(.07)	(.08)
Net asset value, end of period	**$ 7.40**	**$10.81**	**$10.94**	**$ 9.72**	**$ 9.29**	**$ 8.50**
Total Return (%)	(10.84)[c]**	1.36[c]	13.63[c,d]	6.07[c]	10.16	26.74
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	155	196	280	294	172	161
Ratio of expenses before expense reductions (%)	.58*	.57	.56	.57	.56	.59
Ratio of expenses after expense reductions (%)	.54*	.56	.54	.54	.56	.59
Ratio of net investment income (loss) (%)	1.10*	1.18	1.24[d]	1.10	1.37	.91
Portfolio turnover rate (%)	67**	310	105	115	33	37

a *For the six months ended June 30, 2008 (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 Funds. 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,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$10.77**	**$10.90**	**$ 9.68**	**$ 9.25**	**$ 8.47**	**$ 6.75**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.03	.09	.09[d]	.07	.09	.05
Net realized and unrealized gain (loss)	(1.11)	.02	1.19	.45	.73	1.73
Total from investment operations	(1.08)	.11	1.28	.52	.82	1.78
Less distributions from:						
Net investment income	(.15)	(.09)	(.06)	(.09)	(.04)	(.06)
Net realized gains	(2.16)	(.15)	—	—	—	—
Total distributions	(2.31)	(.24)	(.06)	(.09)	(.04)	(.06)
Net asset value, end of period	**$ 7.38**	**$10.77**	**$10.90**	**$ 9.68**	**$ 9.25**	**$ 8.47**
Total Return (%)	(11.05)[c]**	1.00[c]	13.28[c,d]	5.73[c]	9.78	26.55
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	3	15	52	47	33	18
Ratio of expenses before expense reductions (%)	.90*	.95	.94	.95	.89	.85
Ratio of expenses after expense reductions (%)	.86*	.92	.89	.89	.89	.85
Ratio of net investment income (loss) (%)	.78*	.82	.89[d]	.75	1.04	.65
Portfolio turnover rate (%)	67**	310	105	115	33	37

a *For the six months ended June 30, 2008 (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 Funds. 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*

DWS Capital Growth VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

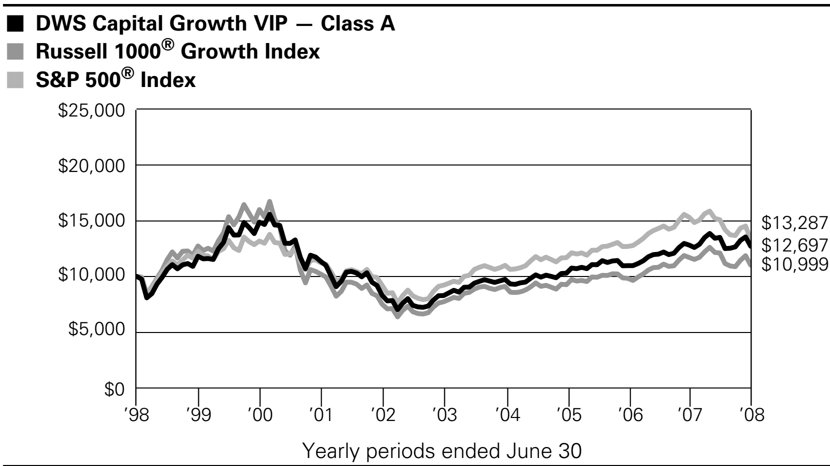
The total annual portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.50% and 0.88% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

Portfolio returns during all periods shown reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

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.

Growth of an Assumed $10,000 Investment



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 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.

Comparative Results

DWS Capital Growth VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$9,407	$9,912	$12,350	$15,321	$12,697
	Average annual total return	–5.93%	–.88%	7.29%	8.91%	2.42%
Russell 1000 Growth Index	Growth of $10,000	$9,094	$9,404	$11,880	$14,239	$10,999
	Average annual total return	–9.06%	–5.96%	5.91%	7.32%	.96%
S&P 500 Index	Growth of $10,000	$8,809	$8,688	$11,381	$14,413	$13,287
	Average annual total return	–11.91%	–13.12%	4.41%	7.58%	2.88%

DWS Capital Growth VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$9,393	$9,879	$12,219	$15,043	$12,298
	Average annual total return	–6.07%	–1.21%	6.91%	8.51%	2.09%
Russell 1000 Growth Index	Growth of $10,000	$9,094	$9,404	$11,880	$14,239	$10,999
	Average annual total return	–9.06%	–5.96%	5.91%	7.32%	.96%
S&P 500 Index	Growth of $10,000	$8,809	$8,688	$11,381	$14,413	$13,287
	Average annual total return	–11.91%	–13.12%	4.41%	7.58%	2.88%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are 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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 940.70	$ 939.30
Expenses Paid per $1,000*	$ 2.36	$ 3.95
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,022.43	$1,020.79
Expenses Paid per $1,000*	$ 2.46	$ 4.12

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Capital Growth VIP	.49%	.82%

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 Capital Growth VIP

The first half of 2008 was a period of considerable economic uncertainty and significant turmoil throughout the capital markets. At mid-year 2008, the US economy is experiencing a number of inter-related problems including liquidity issues in financial markets, increased concern about rising prices for energy and food, and rising unemployment.

Essentially all US equity indices posted negative returns for the period ending June 30, 2008. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, had a negative return of –11.05% for the six months ended June 30, 2008. Growth stocks, as measured by the Russell 1000® Growth Index (with a return of –9.06%), performed somewhat better than value stocks, as measured by the Russell 1000® Value Index (with a return of –13.57%). With a return of –5.93% (Class A shares, unadjusted for contract charges), the Portfolio outperformed its benchmarks, the Russell 1000® Growth Index, which returned –9.06%, and the Standard & Poor's 500® (S&P 500) Index, which returned –11.91%. The Portfolio's performance relative to the Russell 1000 Growth Index was helped by both sector allocation decisions and stock selection.

The greatest contributor to performance during the period was stock selection in the health care sector. Holdings that performed especially well were Celgene Corp., Genentech, Inc., Gilead Sciences, Inc. and Baxter International, Inc. The Portfolio's significant overweight in the energy sector continued to be rewarded; energy holdings that performed especially well included EOG Resources, Inc., Devon Energy Corp. and XTO Energy, Inc.[1]

Relative performance was weakest in consumer staples and industrials sectors. A significant detractor in the consumer staples sector was Dean Foods Co., which was hurt by soaring milk prices. In the industrials sector, the major detractors were overweight positions in Goodrich Corp., General Electric Co. and United Technologies Corp.; however, drops in the prices of these holdings were partially offset by strength in Canadian National Railway Co.

Julie M. Van Cleave, CFA
Lead Portfolio Manager

Jack A. Zehner
Richard Shepley
Portfolio Managers

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 the 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, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	98%	98%
Cash Equivalents	2%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/08**	**12/31/07**
Information Technology	22%	24%
Health Care	19%	18%
Energy	16%	14%
Consumer Discretionary	11%	10%
Industrials	10%	11%
Consumer Staples	10%	11%
Materials	6%	4%
Financials	4%	5%
Telecommunication Services	1%	2%
Utilities	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 34. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-investments.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-investments.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 Capital Growth VIP

	Shares	Value ($)
Common Stocks 98.1%		
Consumer Discretionary 10.4%		
Automobiles 0.5%		
Harley-Davidson, Inc.	138,700	**5,029,262**
Hotels Restaurants & Leisure 2.2%		
Darden Restaurants, Inc.	140,400	4,484,376
McDonald's Corp.	293,900	16,523,058
		21,007,434
Media 0.5%		
Omnicom Group, Inc. (a)	106,480	**4,778,822**
Multiline Retail 2.8%		
Kohl's Corp.*	300,100	12,016,004
Target Corp.	300,400	13,965,596
		25,981,600
Specialty Retail 3.9%		
Best Buy Co., Inc. (a)	127,100	5,033,160
Dick's Sporting Goods, Inc.*	177,600	3,150,624
GameStop Corp. "A"* (a)	177,600	7,175,040
Lowe's Companies, Inc.	232,400	4,822,300
Staples, Inc.	457,365	10,862,419
Tiffany & Co.	151,200	6,161,400
		37,204,943
Textiles, Apparel & Luxury Goods 0.5%		
NIKE, Inc. "B"	72,400	**4,315,764**
Consumer Staples 9.7%		
Beverages 3.7%		
Diageo PLC	560,188	10,310,085
PepsiCo, Inc.	386,325	24,566,407
		34,876,492
Food & Staples Retailing 1.5%		
Shoppers Drug Mart Corp.	116,300	6,374,431
Walgreen Co.	239,800	7,795,898
		14,170,329
Food Products 2.6%		
Dean Foods Co.*	383,318	7,520,699
Groupe Danone	121,692	8,545,275
Kellogg Co.	179,400	8,614,788
		24,680,762
Household Products 1.9%		
Colgate-Palmolive Co.	154,040	10,644,164
Procter & Gamble Co.	108,670	6,608,223
		17,252,387
Energy 15.9%		
Energy Equipment & Services 8.3%		
Baker Hughes, Inc.	215,500	18,821,770
Halliburton Co.	156,600	8,310,762
Noble Corp.	169,000	10,978,240
Schlumberger Ltd.	278,000	29,865,540
Transocean, Inc.*	63,027	9,604,685
		77,580,997
Oil, Gas & Consumable Fuels 7.6%		
ConocoPhillips	115,760	10,926,586
Devon Energy Corp.	183,300	22,025,328
EOG Resources, Inc.	132,425	17,374,160
XTO Energy, Inc.	311,882	21,367,036
		71,693,110
Financials 3.6%		
Capital Markets 1.3%		
State Street Corp. (a)	189,970	**12,156,180**
Diversified Financial Services 0.9%		
CME Group, Inc. (a)	22,137	**8,482,677**
Insurance 1.4%		
Aflac, Inc.	207,624	**13,038,787**
Health Care 18.3%		
Biotechnology 5.4%		
Celgene Corp.*	162,400	10,372,488
Genentech, Inc.*	197,250	14,971,275
Gilead Sciences, Inc.*	475,120	25,157,604
		50,501,367
Health Care Equipment & Supplies 6.1%		
Baxter International, Inc.	318,200	20,345,708
C.R. Bard, Inc. (a)	106,800	9,393,060
Hologic, Inc.*	200,600	4,373,080
Medtronic, Inc.	248,000	12,834,000
Zimmer Holdings, Inc.*	150,240	10,223,832
		57,169,680
Health Care Providers & Services 1.3%		
Laboratory Corp. of America Holdings* (a)	116,500	8,111,895
UnitedHealth Group, Inc.	158,585	4,162,856
		12,274,751
Life Sciences Tools & Services 1.1%		
Thermo Fisher Scientific, Inc.*	182,800	**10,187,444**
Pharmaceuticals 4.4%		
Abbott Laboratories	208,900	11,065,433
Eli Lilly & Co.	102,200	4,717,552
Johnson & Johnson	404,166	26,004,041
		41,787,026
Industrials 9.9%		
Aerospace & Defense 4.1%		
Goodrich Corp.	230,400	10,934,784
Honeywell International, Inc.	270,600	13,605,768
United Technologies Corp.	221,300	13,654,210
		38,194,762
Electrical Equipment 1.4%		
Emerson Electric Co.	270,600	**13,381,170**
Industrial Conglomerates 0.9%		
General Electric Co.	325,165	**8,678,654**
Machinery 1.3%		
Caterpillar, Inc. (a)	73,400	5,418,388
Parker Hannifin Corp.	92,300	6,582,836
		12,001,224
Road & Rail 2.2%		
Canadian National Railway Co. (a)	282,000	13,558,560

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Norfolk Southern Corp.	113,700	7,125,579
		20,684,139

Information Technology 22.2%

	Shares	Value ($)
Communications Equipment 3.2%		
Cisco Systems, Inc.*	617,820	14,370,493
Nortel Networks Corp.*	230	1,891
QUALCOMM, Inc.	304,900	13,528,413
Research In Motion Ltd.*	20,800	2,431,520
		30,332,317
Computers & Peripherals 6.9%		
Apple, Inc.*	149,035	24,954,421
EMC Corp.*	737,415	10,832,626
Hewlett-Packard Co.	264,300	11,684,703
International Business Machines Corp.	148,900	17,649,117
		65,120,867
Electronic Equipment & Instruments 1.1%		
Mettler-Toledo International, Inc.* (a)	107,600	**10,206,936**
Internet Software & Services 1.1%		
Google, Inc. "A"*	19,725	**10,383,634**
IT Services 3.5%		
Accenture Ltd. "A"	358,600	14,602,192
Fiserv, Inc.*	151,900	6,891,703
Visa, Inc. "A"*	142,700	11,602,937
		33,096,832
Semiconductors & Semiconductor Equipment 2.5%		
Broadcom Corp. "A"* (a)	172,700	4,712,983
Intel Corp.	843,990	18,128,905
		22,841,888
Software 3.9%		
Adobe Systems, Inc.*	296,975	11,697,845
Electronic Arts, Inc.* (a)	163,300	7,255,419
Microsoft Corp.	647,380	17,809,424
		36,762,688

Materials 6.2%

	Shares	Value ($)
Chemicals 5.1%		
Ecolab, Inc. (a)	219,100	9,419,109
Monsanto Co.	171,000	21,621,240
Praxair, Inc.	178,400	16,812,416
		47,852,765
Metals & Mining 1.1%		
Freeport-McMoRan Copper & Gold, Inc. (a)	94,900	**11,121,331**

Telecommunication Services 1.4%

	Shares	Value ($)
Diversified Telecommunication Services 0.9%		
AT&T, Inc.	242,300	**8,163,087**
Wireless Telecommunication Services 0.5%		
American Tower Corp. "A"*	119,300	**5,040,425**

Utilities 0.5%

	Shares	Value ($)
Electric Utilities		
Allegheny Energy, Inc.	88,600	**4,439,746**
Total Common Stocks (Cost $646,412,201)		**922,472,279**

Securities Lending Collateral 6.7%

	Shares	Value ($)
Daily Assets Fund Institutional, 2.74% (b) (c) (Cost $63,114,605)	63,114,605	**63,114,605**

Cash Equivalents 1.9%

	Shares	Value ($)
Cash Management QP Trust, 2.49% (b) (Cost $17,814,074)	17,814,074	**17,814,074**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $727,340,880)†	106.7	**1,003,400,958**
Other Assets and Liabilities, Net	(6.7)	**(63,078,524)**
Net Assets	100.0	**940,322,434**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $732,493,766. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $270,907,192. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $312,247,466 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $41,340,274.*

(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, 2008 amounted to $61,161,901 which is 6.5% 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. Income earned by the Portfolio is net of borrower rebates.*

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's assets carried at fair value:

Valuation Inputs	**Investments in Securities at Value**
Level 1 — Quoted Prices	$ 984,545,598
Level 2 — Other Significant Observable Inputs	18,855,360
Level 3 — Significant Unobservable Inputs	—
Total	**$ 1,003,400,958**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $646,412,201), including $61,161,901 of securities loaned	$	922,472,279
Investment in Daily Assets Fund Institutional (cost $63,114,605)*		63,114,605
Investment in Cash Management QP Trust (cost $17,814,074)		17,814,074
Total investments, at value (cost $727,340,880)		1,003,400,958
Cash		64,547
Foreign currency, at value (cost $366,116)		371,632
Dividends receivable		552,629
Interest receivable		5,358
Receivable for Portfolio shares sold		88,671
Foreign taxes recoverable		66,954
Due from Advisor		268
Other assets		18,329
Total assets		1,004,569,346

Liabilities		
Payable for Portfolio shares redeemed		611,542
Payable upon return of securities loaned		63,114,605
Accrued management fee		273,409
Accrued distribution service fee (Class B)		2,729
Other accrued expenses and payables		244,627
Total liabilities		64,246,912
Net assets, at value	**$**	**940,322,434**

Net Assets Consist of		
Undistributed net investment income		3,791,367
Net unrealized appreciation (depreciation) on:		
Investments		276,060,078
Foreign currency		13,668
Accumulated net realized gain (loss)		(255,781,980)
Paid-in capital		916,239,301
Net assets, at value	**$**	**940,322,434**
Class A		
Net Asset Value, offering and redemption price per share ($924,658,358 ÷ 48,627,783 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**19.02**
Class B		
Net Asset Value, offering and redemption price per share ($15,664,076 ÷ 825,724 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**18.97**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $59,071)	$	5,571,036
Interest — Cash Management QP Trust		247,842
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		181,275
Total Income		6,000,153
Expenses:		
Management fee		1,826,968
Administration fee		492,293
Custodian fee		37,035
Distribution service fee (Class B)		20,881
Services to shareholders		1,334
Record keeping fee (Class B)		8,018
Professional fees		34,698
Trustees' fees and expenses		24,647
Reports to shareholders		37,708
Other		14,039
Total expenses before expense reductions		2,497,621
Expense reductions		(50,956)
Total expenses after expense reductions		2,446,665
Net investment income (loss)		**3,553,488**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		26,600,620
Foreign currency		(5,449)
		26,595,171
Change in net unrealized appreciation (depreciation) on:		
Investments		(93,323,298)
Foreign currency		10,220
		(93,313,078)
Net gain (loss)		**(66,717,907)**
Net increase (decrease) in net assets resulting from operations	**$**	**(63,164,419)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 3,553,488	$ 9,712,813
Net realized gain (loss)	26,595,171	108,270,953
Change in net unrealized appreciation (depreciation)	(93,313,078)	19,841,624
Net increase (decrease) in net assets resulting from operations	(63,164,419)	137,825,390
Distributions to shareholders from:		
Net investment income:		
Class A	(9,355,147)	(6,887,657)
Class B	(96,190)	(258,683)
Total distributions	(9,451,337)	(7,146,340)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	12,349,570	22,292,590
Reinvestment of distributions	9,355,147	6,887,657
Cost of shares redeemed	(83,904,624)	(225,450,131)
Net increase (decrease) in net assets from Class A share transactions	(62,199,907)	(196,269,884)
Class B		
Proceeds from shares sold	418,286	1,548,433
Reinvestment of distributions	96,190	258,683
Cost of shares redeemed	(2,351,894)	(97,598,529)
Net increase (decrease) in net assets from Class B share transactions	(1,837,418)	(95,791,413)
Increase (decrease) in net assets	(136,653,081)	(161,382,247)
Net assets at beginning of period	1,076,975,515	1,238,357,762
Net assets at end of period (including undistributed net investment income of $3,791,367 and $9,689,216, respectively)	**$ 940,322,434**	**$ 1,076,975,515**

Other Information		
Class A		
Shares outstanding at beginning of period	51,857,448	62,005,444
Shares sold	628,125	1,165,102
Shares issued to shareholders in reinvestment of distributions	468,930	362,508
Shares redeemed	(4,326,720)	(11,675,606)
Net increase (decrease) in Class A shares	(3,229,665)	(10,147,996)
Shares outstanding at end of period	**48,627,783**	**51,857,448**
Class B		
Shares outstanding at beginning of period	920,834	5,921,673
Shares sold	21,540	80,681
Shares issued to shareholders in reinvestment of distributions	4,831	13,644
Shares redeemed	(121,481)	(5,095,164)
Net increase (decrease) in Class B shares	(95,110)	(5,000,839)
Shares outstanding at end of period	**825,724**	**920,834**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$20.41**	**$18.24**	**$16.90**	**$15.67**	**$14.59**	**$11.54**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.07	.17[e]	.13[d]	.10	.14	.08
Net realized and unrealized gain (loss)	(1.27)	2.12	1.31	1.29	1.02	3.03
Total from investment operations	(1.20)	2.29	1.44	1.39	1.16	3.11
Less distributions from:						
Net investment income	(.19)	(.12)	(.10)	(.16)	(.08)	(.06)
Net asset value, end of period	**$19.02**	**$20.41**	**$18.24**	**$16.90**	**$15.67**	**$14.59**
Total Return (%)	(5.93)[c]**	12.59[c]	8.53[c,d]	8.96[c]	7.99	26.89
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	925	1,058	1,131	1,031	698	705
Ratio of expenses before expense reductions (%)	.50*	.53	.52	.50	.50	.51
Ratio of expenses after expense reductions (%)	.49*	.52	.49	.49	.50	.51
Ratio of net investment income (loss) (%)	.73*	.86[e]	.73[d]	.61	.98	.61
Portfolio turnover rate (%)	10**	30	16	17	15	13

a *For the six months ended June 30, 2008 (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 Funds. 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 ratio of net investment income include non-recurring dividend income amounting to $0.03 per share and 0.17% of average daily net assets, respectively.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$20.31**	**$18.15**	**$16.81**	**$15.59**	**$14.52**	**$11.49**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.04	.09[e]	.06[d]	.04	.09	.03
Net realized and unrealized gain (loss)	(1.27)	2.12	1.31	1.28	1.01	3.02
Total from investment operations	(1.23)	2.21	1.37	1.32	1.10	3.05
Less distributions from:						
Net investment income	(.11)	(.05)	(.03)	(.10)	(.03)	(.02)
Net asset value, end of period	**$18.97**	**$20.31**	**$18.15**	**$16.81**	**$15.59**	**$14.52**
Total Return (%)	(6.07)[c]**	12.18[c]	8.17[c,d]	8.51[c]	7.56	26.51
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	16	19	107	73	23	15
Ratio of expenses before expense reductions (%)	.85*	.94	.91	.89	.88	.87
Ratio of expenses after expense reductions (%)	.82*	.90	.86	.86	.88	.87
Ratio of net investment income (loss) (%)	.40*	.48[e]	.36[d]	.24	.60	.25
Portfolio turnover rate (%)	10**	30	16	17	15	13

a *For the six months ended June 30, 2008 (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 Funds. 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 ratio of net investment income include non-recurring dividend income amounting to $0.03 per share and 0.17% of average daily net assets, respectively.*

* *Annualized* ** *Not annualized*

Performance Summary

DWS Global Opportunities VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

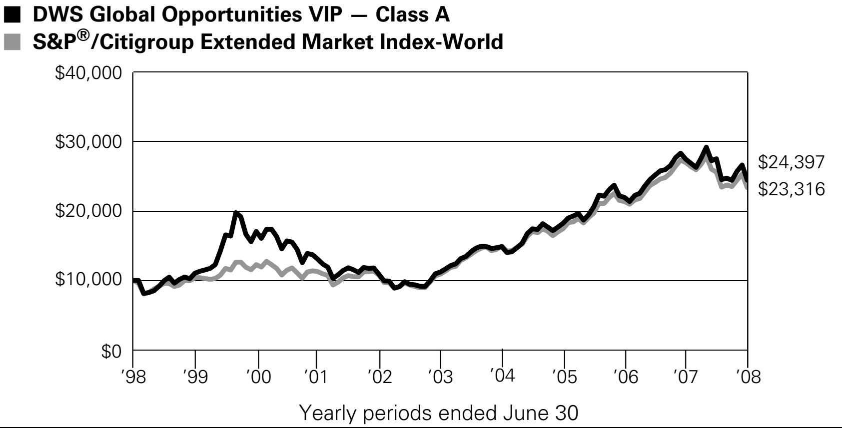
The total annual portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 1.10% and 1.46% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

Portfolio returns during all periods shown reflect a fee waiver and/or reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

This Portfolio is subject to stock market risk. Investing in foreign securities presents certain risks, 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. 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.

Growth of an Assumed $10,000 Investment



The S&P®/Citigroup Extended Market Index-World, 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.

Comparative Results

DWS Global Opportunities VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$8,883	$8,907	$13,402	$21,772	$24,397
	Average annual total return	–11.17%	–10.93%	10.25%	16.84%	9.33%
S&P/Citigroup Extended Market Index-World	Growth of $10,000	$9,133	$8,659	$13,377	$21,378	$23,316
	Average annual total return	–8.67%	–13.41%	10.19%	16.41%	8.83%

DWS Global Opportunities VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$8,873	$8,878	$13,313	$21,534	$23,846
	Average annual total return	–11.27%	–11.22%	10.01%	16.58%	9.08%
S&P/Citigroup Extended Market Index-World	Growth of $10,000	$9,133	$8,659	$13,377	$21,378	$23,316
	Average annual total return	–8.67%	–13.41%	10.19%	16.41%	8.83%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are 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. 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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 888.30	$ 887.30
Expenses Paid per $1,000*	$ 4.65	$ 6.10
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,019.94	$1,018.40
Expenses Paid per $1,000*	$ 4.97	$ 6.52

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Global Opportunities VIP	.99%	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 Global Opportunities VIP

Although global small-cap stocks produced a negative absolute return during the first half of 2008, a lower exposure to the troubled financial sector enabled the asset class to outpace the return of large-caps. DWS Global Opportunities VIP's Class A shares (unadjusted for contract charges) returned –11.17% and lagged the –8.67% return of the S&P/Citigroup Extended Market Index — World.

The leading causes for the portfolio's underperformance were its positions in the emerging markets, particularly two China-related holdings: Synear Food Holdings Ltd. and Kingboard Chemical Holdings Ltd. Also weighing on returns was the underperformance of the portfolio's holdings in the consumer staples sector. On the plus side, stock selection was favorable in the consumer discretionary sector, the worst performing group within small-caps. Performance was also helped by overweight positions in energy and health care.[1]

The market volatility of the past six months made it a challenging time to be invested in small company stocks. Nevertheless, we look at volatility as an opportunity to both lock in profits in our top performers and buy what we feel are inexpensive shares of companies we want to own for the long term. We believe these buy and sell decisions, taken together, have helped us construct a portfolio that is well balanced between steady growers on one hand, and faster growing, more aggressive companies on the other. This provides both an element of defensiveness in case global economic growth continues to slow, and enough growth exposure to help the portfolio to keep pace if stocks rally in the second half. Most important, both segments of the portfolio are populated with what we believe are fundamentally sound, quality growth companies identified by our bottom-up research efforts.

Joseph Axtell, CFA	Terrence S. Gray, CFA
Lead Portfolio Manager	*Portfolio Manager*

The S&P/Citigroup Extended Market Index — World 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.*

Portfolio management market commentary is as of June 30, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	99%	98%
Cash Equivalents	1%	2%
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**6/30/08**	**12/31/07**
Continental Europe	37%	38%
United States	33%	31%
United Kingdom	10%	9%
Pacific Basin	8%	10%
Japan	6%	6%
Canada	3%	2%
Latin America	1%	1%
Australia	1%	2%
Other	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/08**	**12/31/07**
Industrials	18%	16%
Financials	17%	21%
Information Technology	17%	18%
Health Care	16%	16%
Energy	16%	10%
Consumer Discretionary	10%	10%
Utilities	3%	4%
Consumer Staples	3%	3%
Materials	—	1%
Telecommunication Services	—	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 43. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-investments.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-investments.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 98.7%		
Australia 0.5%		
Babcock & Brown Ltd. (a) (Cost $2,675,146)	196,233	**1,405,541**
Austria 0.6%		
Wienerberger AG (Cost $1,840,072)	35,439	**1,485,508**
Bahrain 1.1%		
Gulf Finance House EC (GDR), 144A (Cost $1,582,698)	69,623	**2,732,703**
Belgium 0.6%		
Hansen Transmissions International NV* (Cost $1,094,124)	308,511	**1,648,802**
Bermuda 0.8%		
Orient-Express Hotels Ltd. "A" (Cost $1,713,712)	46,700	**2,028,648**
Brazil 0.7%		
Diagnosticos da America SA (Cost $1,664,080)	73,200	**1,885,821**
Canada 2.7%		
CAE, Inc.	161,000	1,818,888
Certicom Corp.*	301,900	515,157
Flint Energy Services Ltd.*	40,700	984,272
OPTI Canada, Inc.*	78,000	1,766,990
SunOpta, Inc.*	344,800	1,789,512
(Cost $8,931,812)		**6,874,819**
China 0.9%		
Synear Food Holdings Ltd.	1,406,000	447,224
VanceInfo Technologies, Inc. (ADR)*	105,600	889,152
WuXi PharmaTech Cayman, Inc. (ADR)* (a)	53,100	1,077,930
(Cost $4,114,636)		**2,414,306**
Cyprus 0.3%		
Prosafe Production Public Ltd.* (Cost $858,656)	119,823	**694,019**
France 2.4%		
Financiere Marc de Lacharriere SA (a)	24,110	1,676,279
Flamel Technologies SA (ADR)* (a)	206,000	2,062,060
JC Decaux SA (a)	93,481	2,380,310
(Cost $6,809,792)		**6,118,649**
Germany 13.9%		
Fresenius Medical Care AG & Co. KGaA	165,107	9,091,604
Grenkeleasing AG	38,617	1,280,062
Hypo Real Estate Holding AG (a)	25,016	700,945
M.A.X. Automation AG (a)	318,781	2,157,922
QSC AG* (a)	249,212	794,145
Rational AG (a)	11,684	2,355,891
SGL Carbon AG	29,000	2,029,417
Software AG	27,504	1,665,064
Stada Arzneimittel AG (a)	92,234	6,603,403
Tognum AG	49,920	1,338,514
United Internet AG (Registered) (a)	269,643	5,308,359
Wincor Nixdorf AG	35,934	2,494,818
(Cost $18,061,993)		**35,820,144**
Greece 4.0%		
Coca-Cola Hellenic Bottling Co. SA	112,000	3,039,299
Hellenic Exchanges SA	95,700	1,195,290
Piraeus Bank SA	197,075	5,353,740
Titan Cement Co. SA	18,700	738,268
(Cost $5,914,916)		**10,326,597**
Hong Kong 4.8%		
Dalian Port (PDA) Co., Ltd. "H"*	2,290,000	1,284,997
K Wah International Holdings Ltd.	2,970,000	1,226,108
Kingboard Chemical Holdings Ltd.	886,140	4,084,245
Midland Holdings Ltd.	1,772,357	1,097,156
Wing Hang Bank Ltd.	351,700	4,655,802
(Cost $6,315,465)		**12,348,308**
Ireland 5.2%		
Anglo Irish Bank Corp. PLC	269,547	2,500,383
C&C Group PLC (b)	155,973	851,126
C&C Group PLC (b)	2,146	11,861
FBD Holdings PLC	29,800	794,566
ICON PLC (ADR)*	45,800	3,458,816
Kingspan Group PLC	103,407	1,000,245
Paddy Power PLC	105,236	3,302,002
Ryanair Holdings PLC* (b)	2,200	9,579
Ryanair Holdings PLC* (b)	317,328	1,395,429
(Cost $8,419,656)		**13,324,007**
Italy 1.4%		
Lottomatica SpA	37,485	1,117,023
Prysmian SpA	99,500	2,512,900
(Cost $3,818,794)		**3,629,923**
Japan 5.9%		
AEON Credit Services Co., Ltd.	85,800	1,072,803
AEON Mall Co., Ltd.	134,000	3,950,444
JAFCO Co., Ltd.	20,700	706,044
KITZ Corp. (a)	160,000	816,447
Matsui Securities Co., Ltd. (a)	154,200	924,706
Mitsubishi UFJ Lease & Finance Co., Ltd.	38,530	1,665,624
Nidec Corp.	20,500	1,362,319
Park24 Co., Ltd. (a)	203,000	1,228,329
Sumitomo Realty & Development Co., Ltd.	174,000	3,447,188
(Cost $13,044,572)		**15,173,904**
Netherlands 4.9%		
Arcadis NV	68,883	1,557,696
Chicago Bridge & Iron Co. NV (New York Shares)	29,100	1,158,762
QIAGEN NV* (a)	176,900	3,574,569
SBM Offshore NV (a)	174,845	6,441,199
(Cost $7,690,913)		**12,732,226**
Norway 0.5%		
ProSafe SE (Cost $1,104,367)	119,823	**1,184,747**
Spain 0.9%		
Tecnicas Reunidas SA (Cost $1,675,242)	27,292	**2,276,366**
Sweden 0.7%		
Brostrom AB "B" (a)	136,400	971,204
Eniro AB (a)	135,334	488,307

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Micronic Laser Systems AB* (a)	120,100	480,513
(Cost $3,104,710)		**1,940,024**
Switzerland 1.1%		
Advanced Digital Broadcast Holdings SA (ADB Group) (Registered)*	16,061	471,521
Partners Group Holding AG	17,500	2,411,178
(Cost $1,753,397)		**2,882,699**
Taiwan 1.6%		
Powerchip Semiconductor Corp.	2,582,339	730,041
Siliconware Precision Industries Co.	2,270,778	3,329,987
(Cost $2,685,785)		**4,060,028**
Thailand 0.7%		
Bangkok Bank PCL (Foreign Registered) (Cost $1,211,675)	487,500	**1,741,683**
United Kingdom 9.6%		
Aegis Group PLC	461,136	988,313
ARM Holdings PLC	1,242,362	2,092,938
Ashmore Group PLC	574,770	2,461,494
BlueBay Asset Management PLC (Unit) (a)	255,991	1,143,855
John Wood Group PLC	236,959	2,330,041
Kofax PLC	336,646	1,271,626
Lamprell PLC	341,074	3,891,279
Michael Page International PLC	413,420	1,920,785
Serco Group PLC	543,319	4,821,762
Taylor Nelson Sofres PLC	338,598	1,563,869
Xchanging Ltd.	448,726	2,185,802
(Cost $21,043,497)		**24,671,764**
United States 32.9%		
Advance Auto Parts, Inc.	58,550	2,273,497
Aecom Technology Corp.*	81,268	2,643,648
Aeropostale, Inc.*	100,700	3,154,931
Akamai Technologies, Inc.*	54,100	1,882,139
Allegheny Energy, Inc.	164,900	8,263,139
AMERIGROUP Corp.*	81,600	1,697,280
BE Aerospace, Inc.*	65,700	1,530,153
Carter's, Inc.*	82,100	1,134,622
Cogent, Inc.*	93,900	1,067,643
Diamond Foods, Inc.	58,300	1,343,232
Dresser-Rand Group, Inc.*	83,100	3,249,210
EMS Technologies, Inc.*	48,900	1,067,976
Euronet Worldwide, Inc.* (a)	83,700	1,414,530
Foundation Coal Holdings, Inc.	45,100	3,994,958
FTI Consulting, Inc.*	65,050	4,453,323
Gentex Corp.	74,400	1,074,336
Harman International Industries, Inc.	27,200	1,125,808
Invitrogen Corp.*	46,600	1,829,516
Itron, Inc.* (a)	52,100	5,124,035
Joy Global, Inc.	66,475	5,040,799
Lam Research Corp.*	26,600	961,590
Metabolix, Inc.* (a)	44,600	437,080
Mueller Water Products, Inc. "A"	82,600	666,582
Mylan, Inc. (a)	108,400	1,308,388
NeuStar, Inc. "A"*	61,900	1,334,564
NxStage Medical, Inc.* (a)	184,400	708,096
Owens & Minor, Inc.	59,500	2,718,555
Perficient, Inc.* (a)	77,900	752,514
Phillips-Van Heusen Corp.	30,200	1,105,924
Rowan Companies, Inc.	44,400	2,075,700
Schawk, Inc.	82,400	987,976
Somanetics Corp.* (a)	79,800	1,691,760
TETRA Technologies, Inc.*	122,800	2,911,588
Thoratec Corp.*	136,200	2,368,518
THQ, Inc.*	127,300	2,579,098
Ultra Petroleum Corp.*	91,300	8,965,660
(Cost $57,398,440)		**84,938,368**
Total Common Stocks (Cost $184,528,150)		**254,339,604**

Securities Lending Collateral 18.4%

Daily Assets Fund Institutional, 2.74% (c) (d) (Cost $47,444,770)	47,444,770	**47,444,770**

Cash Equivalents 0.9%

Cash Management QP Trust, 2.49% (c) (Cost $2,415,566)	2,415,566	**2,415,566**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $234,388,486)†	118.0	**304,199,940**
Other Assets and Liabilities, Net (a)	(18.0)	**(46,385,622)**
Net Assets	100.0	**257,814,318**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $240,383,981. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $63,815,959. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $99,516,429 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $35,700,470.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements) amounting to $45,057,840. In addition, included in other assets and liabilities are pending sales, amounting to $139,652, that are also on loan. The value of all securities loaned at June 30, 2008 amounted to $45,197,492 which is 17.5% 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. Income earned by the Portfolio is net of borrower rebates.*

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's assets carried at fair value:

Valuation Inputs	**Investments in Securities at Value**
Level 1 — Quoted Prices	$ 154,234,712
Level 2 — Other Significant Observable Inputs	149,965,228
Level 3 — Significant Unobservable Inputs	—
Total	**$ 304,199,940**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $184,528,150), including $45,057,840 of securities loaned	$	254,339,604
Investment in Daily Assets Fund Institutional (cost $47,444,770)*		47,444,770
Investment in Cash Management QP Trust (cost $2,415,566)		2,415,566
Total investments, at value (cost $234,388,486)		304,199,940
Cash		22
Foreign currency, at value (cost $175,787)		176,062
Receivable for investments sold		1,094,559
Dividends receivable		219,662
Interest receivable		79,598
Receivable for Portfolio shares sold		28,796
Foreign taxes recoverable		81,344
Due from Advisor		204
Other assets		3,876
Total assets		305,884,063

Liabilities		
Payable for Portfolio shares redeemed		249,916
Payable upon return of securities loaned		47,444,770
Accrued management fee		204,370
Accrued distribution service fee (Class B)		2,177
Other accrued expenses and payables		168,512
Total liabilities		48,069,745
Net assets, at value	**$**	**257,814,318**

Net Assets Consist of		
Accumulated distributions in excess of net investment income		(2,279,041)
Net unrealized appreciation (depreciation) on:		
Investments		69,811,454
Foreign currency		20,174
Accumulated net realized gain (loss)		8,791,673
Paid-in capital		181,470,058
Net assets, at value	**$**	**257,814,318**
Class A		
Net Asset Value, offering and redemption price per share ($247,764,553 ÷ 17,908,854 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**13.83**
Class B		
Net Asset Value, offering and redemption price per share ($10,049,765 ÷ 737,531 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**13.63**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $230,658)	$	4,145,717
Interest		1,494
Interest — Cash Management QP Trust		76,808
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		353,882
Total Income		4,577,901
Expenses:		
Management fee		1,225,065
Administration fee		137,648
Custodian fee		83,911
Distribution service fee (Class B)		13,283
Services to shareholders		567
Record keeping fee (Class B)		3,177
Professional fees		32,431
Trustees' fees and expenses		7,264
Reports to shareholders		4,275
Other		1,285
Total expenses before expense reductions		1,508,906
Expense reductions		(129,410)
Total expenses after expense reductions		1,379,496
Net investment income (loss)		**3,198,405**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		9,370,305
Foreign currency		25,779
		9,396,084
Change in net unrealized appreciation (depreciation) on:		
Investments		(47,839,704)
Foreign currency		2,529
		(47,837,175)
Net gain (loss)		**(38,441,091)**
Net increase (decrease) in net assets resulting from operations	**$**	**(35,242,686)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 3,198,405	$ 1,523,675
Net realized gain (loss)	9,396,084	41,714,536
Change in net unrealized appreciation (depreciation)	(47,837,175)	(9,538,525)
Net increase (decrease) in net assets resulting from operations	(35,242,686)	33,699,686
Distributions to shareholders from:		
Net investment income:		
Class A	(606,759)	(4,162,201)
Class B	—	(385,143)
Net realized gains:		
Class A	(38,799,742)	(23,747,876)
Class B	(1,584,503)	(2,659,501)
Total distributions	(40,991,004)	(30,954,721)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,396,414	25,551,412
Reinvestment of distributions	39,406,501	27,910,077
Cost of shares redeemed	(34,079,920)	(76,124,259)
Net increase (decrease) in net assets from Class A share transactions	10,722,995	(22,662,770)
Class B		
Proceeds from shares sold	598,165	2,661,166
Reinvestment of distributions	1,584,503	3,044,644
Cost of shares redeemed	(1,354,419)	(30,666,540)
Net increase (decrease) in net assets from Class B share transactions	828,249	(24,960,730)
Increase (decrease) in net assets	(64,682,446)	(44,878,535)
Net assets at beginning of period	322,496,764	367,375,299
Net assets at end of period (including accumulated distributions in excess of net investment income of $2,279,041 and $4,870,687, respectively)	**$ 257,814,318**	**$ 322,496,764**

Other Information		
Class A		
Shares outstanding at beginning of period	16,980,253	18,234,839
Shares sold	346,044	1,377,801
Shares issued to shareholders in reinvestment of distributions	2,730,873	1,512,741
Shares redeemed	(2,148,316)	(4,145,128)
Net increase (decrease) in Class A shares	928,601	(1,254,586)
Shares outstanding at end of period	**17,908,854**	**16,980,253**
Class B		
Shares outstanding at beginning of period	673,793	2,034,192
Shares sold	38,171	144,813
Shares issued to shareholders in reinvestment of distributions	111,428	167,013
Shares redeemed	(85,861)	(1,672,225)
Net increase (decrease) in Class B shares	63,738	(1,360,399)
Shares outstanding at end of period	**737,531**	**673,793**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$18.28**	**$18.15**	**$15.00**	**$12.77**	**$10.38**	**$ 6.97**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.18[f]	.08[e]	.03[d]	.04	.01	.02
Net realized and unrealized gain (loss)	(2.12)	1.61	3.28	2.27	2.41	3.40
Total from investment operations	(1.94)	1.69	3.31	2.31	2.42	3.42
Less distributions from:						
Net investment income	(.04)	(.23)	(.16)	(.08)	(.03)	(.01)
Net realized gains	(2.47)	(1.33)	—	—	—	—
Total distributions	(2.51)	(1.56)	(.16)	(.08)	(.03)	(.01)
Net asset value, end of period	**$13.83**	**$18.28**	**$18.15**	**$15.00**	**$12.77**	**$10.38**
Total Return (%)	(11.17)[c]**	9.33[c]	22.08[d]	18.19	23.35	49.09
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	248	310	331	285	232	183
Ratio of expenses before expense reductions (%)	1.08*	1.14	1.12	1.17	1.18	1.18
Ratio of expenses after expense reductions (%)	.99*	1.12	1.12	1.17	1.18	1.18
Ratio of net investment income (loss) (%)	1.16[f]**	.45[e]	.16[d]	.32	.09	.28
Portfolio turnover rate (%)	9**	19	28	30	24	41

a For the six months ended June 30, 2008 (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 Funds. 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 0.09% of average daily net assets, respectively.
f Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.05 per share and 0.31% of average daily net assets, respectively.
* Annualized ** Not annualized

Class B

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$18.03**	**$17.93**	**$14.84**	**$12.62**	**$10.25**	**$ 6.89**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.16[g]	.01[f]	(.00)[c,e]	.03	(.01)	.00[c]
Net realized and unrealized gain (loss)	(2.09)	1.61	3.24	2.24	2.38	3.36
Total from investment operations	(1.93)	1.62	3.24	2.27	2.37	3.36
Less distributions from:						
Net investment income	—	(.19)	(.15)	(.05)	—	—
Net realized gains	(2.47)	(1.33)	—	—	—	—
Total distributions	(2.47)	(1.52)	(.15)	(.05)	—	—
Net asset value, end of period	**$13.63**	**$18.03**	**$17.93**	**$14.84**	**$12.62**	**$10.25**
Total Return (%)	(11.27)[d]**	8.92[d]	21.88[d,e]	18.06[d]	23.12[d]	48.77
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	10	12	37	33	24	13
Ratio of expenses before expense reductions (%)	1.40*	1.53	1.51	1.54	1.52	1.43
Ratio of expenses after expense reductions (%)	1.30*	1.50	1.31	1.24	1.39	1.43
Ratio of net investment income (loss) (%)	1.01[g]**	.07[f]	(.03)[e]	.25	(.12)	.03
Portfolio turnover rate (%)	9**	19	28	30	24	41

a For the six months ended June 30, 2008 (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 Funds. 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 0.09% of average daily net assets, respectively.
g Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.05 per share and 0.31% of average daily net assets, respectively.
* Annualized ** Not annualized

Performance Summary

June 30, 2008

DWS International VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

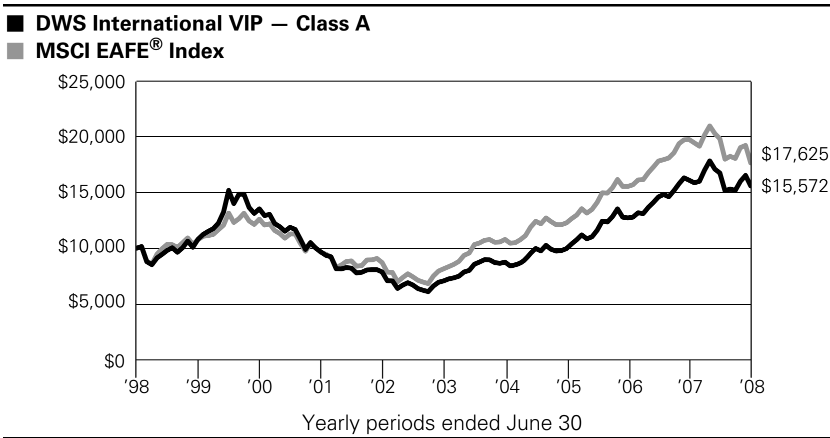
The total annual portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.94% and 1.19% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

Returns for all periods shown for Class B shares reflect a fee waiver and/or reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

This Portfolio is subject to stock market risk. Investing in foreign securities presents certain risks, 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 risks, 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.

Growth of an Assumed $10,000 Investment



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.

Comparative Results

DWS International VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$9,309	$9,683	$15,636	$21,988	$15,572
	Average annual total return	–6.91%	–3.17%	16.07%	17.07%	4.53%
MSCI EAFE® Index	Growth of $10,000	$8,904	$8,939	$14,367	$21,615	$17,625
	Average annual total return	–10.96%	–10.61%	12.84%	16.67%	5.83%
DWS International VIP		**6-Month‡**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Class B	Growth of $10,000	$9,288	$9,642	$15,471	$21,633	$15,174
	Average annual total return	–7.12%	–3.58%	15.66%	16.69%	4.26%
MSCI EAFE® Index	Growth of $10,000	$8,904	$8,939	$14,367	$21,615	$17,625
	Average annual total return	–10.96%	–10.61%	12.84%	16.67%	5.83%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are 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 of 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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 930.90	$ 928.80
Expenses Paid per $1,000*	$ 4.61	$ 6.23
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,020.09	$1,018.40
Expenses Paid per $1,000*	$ 4.82	$ 6.52

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS International VIP	.96%	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 VIP

The MSCI EAFE Index (the Portfolio's benchmark) returned –10.96% during the first six months of 2008, a time in which rising oil prices and slower economic growth resulted in pressure on corporate profit margins and persistent downward revisions to analysts' earnings estimates. While Class A shares of the Portfolio produced a total return of –6.91% (unadjusted for contract charges), this represented solid outperformance relative to the benchmark. We believe an important factor in the Portfolio's outperformance was its focus on companies that can perform well independent of broader economic cycles. We look for companies with competitive advantages, superior pricing power, and strong long-term earnings growth. At a time of slowing economic activity and declining profit margins, companies with favorable independent growth prospects and the ability to raise prices have been rewarded.

The Portfolio generated the best performance in the materials sector, where Potash Corp. of Saskatchewan, Inc. (Canada), Uralkali (Russia), and Xstrata PLC (Switzerland) all performed exceptionally well. The energy and industrials sectors were also sources of outperformance. On the negative side, an underweight in Japan weighed on performance relative to the benchmark.[1] Additionally, the Portfolio's holdings in the communications services sector lagged due in part to the poor returns of China Mobile Ltd. and Bharti Airtel Ltd. (India).

While our overall outlook remains cautious, we believe the international markets offer a wealth of opportunities for those, such as us, who focus on individual stock selection. We believe broader market turbulence provides an excellent environment in which to find the type of undervalued, fundamentally sound companies in which we seek to invest.

Matthias Knerr, CFA
Chris LaJaunie, CFA
Portfolio Managers

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.*

Portfolio management market commentary is as of June 30, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	94%	98%
Exchange Traded Funds	3%	—
Participatory Notes	1%	—
Cash Equivalents	1%	—
Preferred Stocks	1%	2%
	100%	100%

Geographical Diversification (As a % of Common, Preferred Stocks and Participatory Notes)	**6/30/08**	**12/31/07**
Continental Europe	46%	53%
United Kingdom	17%	15%
Japan	12%	14%
Pacific Basin	8%	7%
Latin America	7%	3%
Australia	3%	3%
Middle East	3%	3%
Other	4%	2%
	100%	100%

Sector Diversification (As a % of Common, Preferred Stocks and Participatory Notes)	**6/30/08**	**12/31/07**
Financials	21%	22%
Energy	16%	5%
Industrials	12%	17%
Health Care	10%	6%
Materials	9%	10%
Consumer Discretionary	7%	14%
Telecommunication Services	7%	9%
Information Technology	7%	5%
Consumer Staples	6%	7%
Utilities	5%	5%
	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 52. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-investments.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-investments.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 94.9%		
Australia 2.7%		
Leighton Holdings Ltd. (a)	216,300	10,424,573
QBE Insurance Group Ltd.	262,600	5,576,674
(Cost $14,409,245)		**16,001,247**
Austria 0.8%		
Erste Bank der oesterreichischen Sparkassen AG (a) (Cost $4,427,686)	73,027	**4,517,371**
Belgium 1.0%		
InBev NV	52,000	3,594,300
KBC Groep NV	20,750	2,288,299
(Cost $4,940,321)		**5,882,599**
Brazil 4.4%		
Banco Bradesco SA (ADR) (Preferred)	350,250	7,166,115
Companhia Vale do Rio Doce (ADR)	112,600	4,033,332
Petroleo Brasileiro SA (ADR)	129,800	9,193,734
Redecard SA (GDR) 144A	156,300	6,042,963
(Cost $22,647,246)		**26,436,144**
Canada 1.9%		
Potash Corp. of Saskatchewan, Inc. (Cost $6,879,296)	48,521	**11,256,949**
China 0.4%		
China Infrastructure Machinery Holdings Ltd. (Cost $2,536,992)	2,703,000	**2,496,046**
Denmark 4.1%		
Carlsberg AS "B" (a)	128,700	12,417,336
FLSmidth & Co. AS	42,800	4,691,554
Novo Nordisk AS "B"	111,900	7,372,580
(Cost $25,653,850)		**24,481,470**
Egypt 0.7%		
Orascom Construction Industries (GDR) (REG S) (Cost $5,191,367)	31,800	**4,347,800**
Finland 2.9%		
Nokia Oyj	196,500	4,813,496
Nokian Renkaat Oyj	264,446	12,619,301
(Cost $9,963,056)		**17,432,797**
France 2.4%		
Axa	85,355	2,515,798
BNP Paribas	32,201	2,884,962
Total SA	105,779	9,017,750
(Cost $9,249,871)		**14,418,510**
Germany 10.0%		
Adidas AG	61,300	3,859,584
Allianz SE (Registered)	26,300	4,621,209
Bayer AG	132,192	11,103,300
Deutsche Boerse AG	44,200	4,959,211
E.ON AG	76,468	15,398,935
Fresenius Medical Care AG & Co. KGaA	138,382	7,619,994
Gerresheimer AG*	135,266	6,883,119
Linde AG (a)	38,800	5,439,657
(Cost $42,601,128)		**59,885,009**
Greece 0.5%		
National Bank of Greece SA (Cost $2,676,145)	68,444	**3,082,941**
Hong Kong 5.4%		
Chaoda Modern Agriculture (Holdings) Ltd.	1,918,000	2,412,579
China Mobile Ltd.	401,000	5,366,444
CNOOC Ltd.	4,579,300	7,942,896
Esprit Holdings Ltd.	744,000	7,743,935
Noble Group Ltd.	2,496,000	4,361,666
Wharf Holdings Ltd.	1,052,000	4,395,831
(Cost $31,893,280)		**32,223,351**
India 2.1%		
Bharti Airtel Ltd.*	426,136	7,132,338
Housing Development Finance Corp., Ltd.	30,866	1,387,869
ICICI Bank Ltd.	270,000	3,986,817
(Cost $16,986,260)		**12,507,024**
Indonesia 1.7%		
PT Bumi Resources Tbk	4,833,800	4,320,188
PT Telekomunikasi Indonesia (ADR)	175,800	5,669,550
(Cost $11,805,556)		**9,989,738**
Italy 2.5%		
Intesa Sanpaolo	1,522,500	8,662,495
UniCredit SpA	1,022,673	6,229,651
(Cost $18,318,308)		**14,892,146**
Japan 12.0%		
Canon, Inc.	305,950	15,683,007
Komatsu Ltd.	327,000	9,092,760
Makita Corp.	117,000	4,772,113
Mitsubishi Corp.	278,500	9,163,761
Mitsui & Co., Ltd.	268,000	5,916,840
Nintendo Co., Ltd.	25,100	14,126,335
Suzuki Motor Corp.	272,900	6,439,041
Terumo Corp.	130,400	6,644,425
(Cost $59,541,811)		**71,838,282**
Kazakhstan 1.0%		
KazMunaiGas Exploration Production (GDR) 144A (Cost $4,560,431)	194,800	**6,077,760**
Mexico 1.9%		
America Movil SAB de CV "L" (ADR)	116,900	6,166,475
Grupo Financiero Banorte SAB de CV "O" (a)	1,032,900	4,857,477
(Cost $10,768,977)		**11,023,952**
Norway 1.5%		
StatoilHydro ASA (Cost $6,464,526)	239,000	**8,922,826**
Qatar 1.8%		
Commercial Bank of Qatar (GDR) 144A*	1,124,100	9,554,850
Qatar National Bank*	22,273	1,394,930
(Cost $9,933,377)		**10,949,780**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Russia 5.4%		
Gazprom (ADR) (b)	61,900	3,590,200
Gazprom (ADR) (b)	183,100	10,599,028
Novorossiysk Sea Trade Port (GDR) 144A*	88,200	1,320,354
Sberbank*	1,696,752	5,364,797
Uralkali (GDR) 144A*	154,500	11,232,150
(Cost $22,634,379)		**32,106,529**
Spain 3.8%		
Iberdrola SA	750,706	10,035,148
Telefonica SA	476,994	12,606,446
(Cost $21,207,346)		**22,641,594**
Switzerland 7.1%		
Compagnie Financiere Richemont SA "A" (Unit)	50,550	2,791,629
Lonza Group AG (Registered) (a)	72,178	9,963,810
Nestle SA (Registered)	234,680	10,604,306
Roche Holding AG (Genusschein)	59,701	10,712,798
Xstrata PLC	104,963	8,341,864
(Cost $30,377,216)		**42,414,407**
United Arab Emirates 0.0%		
Arabtec Holding Co.* (Cost $37,017)	8,407	**37,079**
United Kingdom 16.9%		
3i Group PLC	669,699	10,941,864
AMEC PLC	1,257,666	22,249,026
Anglo American PLC	108,232	7,665,967
Babcock International Group PLC	640,788	7,795,963
BAE Systems PLC	417,889	3,678,122
BG Group PLC	303,202	7,898,246
HSBC Holdings PLC (Registered)	192,513	2,968,298
Imperial Tobacco Group PLC	105,685	3,933,488
Intertek Group PLC	249,595	4,903,478
Man Group PLC	343,770	4,237,532
Prudential PLC	698,726	7,400,772
Standard Chartered PLC	194,478	5,499,647
Vedanta Resources PLC	176,785	7,709,318
Vodafone Group PLC	1,364,420	4,020,261
(Cost $91,172,299)		**100,901,982**
Total Common Stocks (Cost $486,876,986)		**566,765,333**

	Shares	Value ($)
Preferred Stocks 0.7%		
Germany		
Porsche Automobil Holding SE (Cost $2,691,124)	29,085	**4,470,905**
Participatory Notes 1.2%		
Aldar Properties PJSC, Commercial Bank of Qatar, Dubai Islamic Bank, National Central Cooling Co., and Qatar Electricity & Water Co. (issuer Merrill Lynch International & Co.), Expiration Date 4/24/2009*	43,000	4,229,910
Arabtec Holding Co. (issuer Merrill Lynch International & Co.), Expiration Date 1/12/2010*	50,800	222,911
Merrill Lynch Pioneers Index (issuer Merrill Lynch International & Co.), Expiration Date 2/1/2010*	28,500	2,620,005
Total Participatory Notes (Cost $7,374,385)		**7,072,826**
Exchange Traded Funds 2.7%		
United States		
iShares MSCI Japan Index Fund (Cost $17,535,262)	1,304,369	**16,278,524**
Securities Lending Collateral 5.3%		
Daily Assets Fund Institutional, 2.74% (c) (d) (Cost $31,651,592)	31,651,592	**31,651,592**
Cash Equivalents 1.0%		
Cash Management QP Trust, 2.49% (c) (Cost $5,717,792)	5,717,792	**5,717,792**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $551,847,141)†	105.8	**631,956,972**
Other Assets and Liabilities, Net	(5.8)	**(34,562,241)**
Net Assets	100.0	**597,394,731**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $554,823,716. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $77,133,256. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $114,310,258 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $37,177,002.*

(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, 2008 amounted to $29,891,347 which is 5.0% 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. Income earned by the Portfolio is net of borrower rebates.*

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

MSCI: Morgan Stanley Capital International

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's assets carried at fair value:

Valuation Inputs	**Investments in Securities at Value**
Level 1 — Quoted Prices	$ 112,654,565
Level 2 — Other Significant Observable Inputs	519,302,407
Level 3 — Significant Unobservable Inputs	—
Total	**$ 631,956,972**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $514,477,757), including $29,891,347 of securities loaned	$	594,587,588
Investment in Daily Assets Fund Institutional (Cost $31,651,592)		31,651,592
Investment in Cash Management QP Trust (cost $5,717,792)*		5,717,792
Total investments, at value (cost $551,847,141)		631,956,972
Cash		17
Foreign currency, at value (cost $212,193)		221,970
Receivable for investments sold		4,496,602
Dividends receivable		1,580,706
Interest receivable		87,662
Receivable for Portfolio shares sold		105,450
Foreign taxes recoverable		299,084
Other assets		8,485
Total assets		638,756,948
Liabilities		
Payable for investments purchased		8,443,849
Payable for Portfolio shares redeemed		526,039
Payable upon return of securities loaned		31,651,592
Accrued management fee		408,336
Other accrued expenses and payables		332,401
Total liabilities		41,362,217
Net assets, at value	**$**	**597,394,731**
Net Assets Consist of		
Undistributed net investment income		12,396,920
Net unrealized appreciation (depreciation) on:		
Investments		80,109,831
Foreign currency		43,696
Accumulated net realized gain (loss)		(14,543,226)
Paid-in capital		519,387,510
Net assets, at value	**$**	**597,394,731**
Class A		
Net Asset Value, offering and redemption price per share ($596,642,968 ÷ 50,919,293 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**11.72**
Class B		
Net Asset Value, offering and redemption price per share ($751,763 ÷ 64,132 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**11.72**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $1,107,066)	$	14,753,882
Interest		52,421
Interest — Cash Management QP Trust		92,776
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		655,563
Total Income		15,554,642
Expenses:		
Management fee		2,372,029
Administration fee		312,356
Custodian fee		211,424
Distribution service fee (Class B)		9,121
Services to shareholders		1,311
Record keeping fee (Class B)		3,554
Professional fees		31,928
Trustees' fees and expenses		13,864
Reports to shareholders		20,796
Other		52,133
Total expenses before expense reductions		3,028,516
Expense reductions		(4,749)
Total expenses after expense reductions		3,023,767
Net investment income (loss)		**12,530,875**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments (net of foreign taxes of $13,109)		(11,518,254)
Foreign currency		(334,937)
Payments by affiliates (See Note H)		304,364
		(11,548,827)
Change in net unrealized appreciation (depreciation) on:		
Investments (net of deferred foreign tax credit of $152,816)		(49,971,336)
Foreign currency		20,262
		(49,951,074)
Net gain (loss)		**(61,499,901)**
Net increase (decrease) in net assets resulting from operations	**$**	**(48,969,026)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 12,530,875	$ 11,097,935
Net realized gain (loss)	(11,548,827)	163,447,235
Change in net unrealized appreciation (depreciation)	(49,951,074)	(70,490,293)
Net increase (decrease) in net assets resulting from operations	(48,969,026)	104,054,877
Distributions to shareholders from:		
Net investment income:		
Class A	(7,239,383)	(17,645,331)
Class B	(82,273)	(1,050,909)
Net realized gains:		
Class A	(94,147,000)	—
Class B	(1,663,249)	—
Total distributions	(103,131,905)	(18,696,240)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	12,741,853	64,649,737
Reinvestment of distributions	101,386,383	17,645,331
Cost of shares redeemed	(69,545,600)	(163,705,768)
Net increase (decrease) in net assets from Class A share transactions	44,582,636	(81,410,700)
Class B		
Proceeds from shares sold	316,008	1,213,337
Reinvestment of distributions	1,745,522	1,050,909
Cost of shares redeemed	(11,319,955)	(45,235,722)
Net increase (decrease) in net assets from Class B share transactions	(9,258,425)	(42,971,476)
Increase (decrease) in net assets	(116,776,720)	(39,023,539)
Net assets at beginning of period	714,171,451	753,194,990
Net assets at end of period (including undistributed net investment income of $12,396,920 and $7,187,701, respectively)	**$ 597,394,731**	**$ 714,171,451**

Other Information		
Class A		
Shares outstanding at beginning of period	46,761,118	52,299,023
Shares sold	972,321	4,471,485
Shares issued to shareholders in reinvestment of distributions	8,413,808	1,243,505
Shares redeemed	(5,227,954)	(11,252,895)
Net increase (decrease) in Class A shares	4,158,175	(5,537,905)
Shares outstanding at end of period	**50,919,293**	**46,761,118**
Class B		
Shares outstanding at beginning of period	818,856	3,829,429
Shares sold	22,987	84,891
Shares issued to shareholders in reinvestment of distributions	144,736	74,060
Shares redeemed	(922,447)	(3,169,524)
Net increase (decrease) in Class B shares	(754,724)	(3,010,573)
Shares outstanding at end of period	**64,132**	**818,856**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$15.01**	**$13.42**	**$10.85**	**$ 9.50**	**$ 8.26**	**$ 6.52**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.26[e]	.21[d]	.28[c]	.15	.09	.09
Net realized and unrealized gain (loss)	(1.23)	1.73	2.51	1.36	1.26	1.70
Total from investment operations	(.97)	1.94	2.79	1.51	1.35	1.79
Less distributions from:						
Net investment income	(.17)	(.35)	(.22)	(.16)	(.11)	(.05)
Net realized gains	(2.15)	—	—	—	—	—
Total distributions	(2.32)	(.35)	(.22)	(.16)	(.11)	(.05)
Net asset value, end of period	**$11.72**	**$15.01**	**$13.42**	**$10.85**	**$ 9.50**	**$ 8.26**
Total Return (%)	(6.91)[f]**	14.59	25.91	16.17	16.53	27.75
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	597	702	702	558	533	485
Ratio of expenses (%)	.96*	.98	.98	1.02	1.04	1.05
Ratio of net investment income (loss) (%)	2.00[e]**	1.48[d]	2.32[c]	1.59	1.05	1.32
Portfolio turnover rate (%)	55**	108	105	59	73	119

a *For the six months ended June 30, 2008 (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.*
d *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.05 per share and 0.33% of average daily net assets, respectively.*
e *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.09 per share and 0.68% of average daily net assets, respectively.*
f *Includes a reimbursement from the Advisor to reimburse the effect of losses incurred as the result of certain operation errors during the period. Excluding this reimbursement, total return would have been 0.05% lower.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$14.98**	**$13.38**	**$10.82**	**$ 9.48**	**$ 8.24**	**$ 6.50**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.24[f]	.16[e]	.24[d]	.12	.06	.07
Net realized and unrealized gain (loss)	(1.24)	1.73	2.50	1.35	1.27	1.71
Total from investment operations	(1.00)	1.89	2.74	1.47	1.33	1.78
Less distributions from:						
Net investment income	(.11)	(.29)	(.18)	(.13)	(.09)	(.04)
Net realized gains	(2.15)	—	—	—	—	—
Total distributions	(2.26)	(.29)	(.18)	(.13)	(.09)	(.04)
Net asset value, end of period	**$11.72**	**$14.98**	**$13.38**	**$10.82**	**$ 9.48**	**$ 8.24**
Total Return (%)	(7.12)[c,g]**	14.25[c]	25.44[c]	15.71[c]	16.24[c]	27.52
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.8	12	51	40	35	24
Ratio of expenses before expense reductions (%)	1.34*	1.41	1.37	1.41	1.38	1.32
Ratio of expenses after expense reductions (%)	1.30*	1.39	1.36	1.37	1.35	1.32
Ratio of net investment income (loss) (%)	1.83[f]**	1.07[e]	1.94[d]	1.24	.74	1.05
Portfolio turnover rate (%)	55**	108	105	59	73	119

a *For the six months ended June 30, 2008 (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.*
e *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.05 per share and 0.33% of average daily net assets, respectively.*
f *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.09 per share and 0.68% of average daily net assets, respectively.*
g *Includes a reimbursement from the Advisor to reimburse the effect of losses incurred as the result of certain operation errors during the period. Excluding this reimbursement, total return would have been 0.05% lower.*
* *Annualized* ** *Not annualized*

Performance Summary

June 30, 2008

DWS Health Care VIP

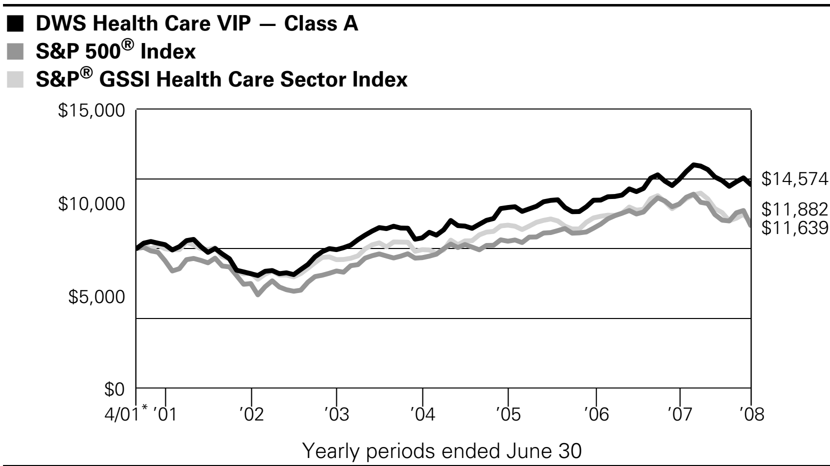
All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original 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 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. While all share classes have the same underlying portfolio, their performance will differ.

The total annual portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.90% and 1.28% for Class A and Class B 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, 2008.

Risk Considerations

This Portfolio is subject to stock market risk. The Portfolio may focus its investments on certain industry sectors, thereby increasing its vulnerability to any single industry or regulatory development. 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.

Growth of an Assumed $10,000 Investment



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 S&P® GSSI Health Care Sector Index is an unmanaged, market capitalization-weighted index of 133 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.

Comparative Results

DWS Health Care VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$9,313	$9,836	$12,005	$14,917	$14,574
	Average annual total return	–6.87%	–1.64%	6.28%	8.33%	5.38%
S&P 500 Index	Growth of $10,000	$8,809	$8,688	$11,381	$14,413	$11,639
	Average annual total return	–11.91%	–13.12%	4.41%	7.58%	2.14%
S&P GSSI Health Care Sector Index	Growth of $10,000	$8,768	$8,907	$10,590	$12,699	$11,882
	Average annual total return	–12.32%	–10.93%	1.93%	4.89%	2.44%

DWS Health Care VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class**
Class B	Growth of $10,000	$9,299	$9,796	$11,878	$14,656	$17,664
	Average annual total return	–7.01%	–2.04%	5.91%	7.95%	9.95%
S&P 500 Index	Growth of $10,000	$8,809	$8,688	$11,381	$14,413	$14,449
	Average annual total return	–11.91%	–13.12%	4.41%	7.58%	6.33%
S&P GSSI Health Care Sector Index	Growth of $10,000	$8,768	$8,907	$10,590	$12,699	$14,225
	Average annual total return	–12.32%	–10.93%	1.93%	4.89%	6.04%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced operations on May 1, 2001. Index returns began on April 30, 2001.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 931.30	$ 929.90
Expenses Paid per $1,000*	$ 4.42	$ 6.09
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,020.29	$1,018.55
Expenses Paid per $1,000*	$ 4.62	$ 6.37

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Health Care VIP	.92%	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 or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

DWS Health Care VIP

During a time of uncertainty over the state of the US economy and consumer confidence, DWS Health Care VIP posted a –6.87% return for its most recent semiannual period ended June 30, 2008. (Class A shares, unadjusted for contract charges). In comparison, the Standard & Poor's 500® (S&P 500) Index returned –11.91% and the S&P® GSSI Health Care Sector Index returned –12.32%.

Holdings in BioMarin Pharmaceutical, Inc. posted strong gains during the period, as the company received marketing authorization from the Food and Drug Administration (FDA) for its drug Kuvan for the treatment of phenylketonuria, a rare genetic disorder caused by an enzyme deficiency. Two small-cap positions, Cepheid, Inc. and NuVasive, Inc., were also top performers during the period. Cepheid's Xpert™ test allows for the rapid detection of methicillin-resistant staphylococcus aureus (MRSA) infection; NuVasive is a medical device company with a product that assists with minimally-invasive surgical treatments for the spine. The largest detractor from the Portfolio's comparative performance was an underweight position in Johnson & Johnson, as the company's shares posted gains based on investors' view of the stock as a defensive holding given its diversified revenue base, as well as clinical data showing progress on its late-stage pharmaceutical product pipeline.[1]

With the prospects for the US economy uncertain, we believe that investors may focus on defensive areas of the market including health care stocks going forward. However, we are mindful of the risk that news headlines surrounding the upcoming US presidential election could dampen enthusiasm for the sector, as reducing health care costs and increasing access for the uninsured are priorities for voters and candidates.

Leefin Lai, CFA, CPA
Managing Director and Portfolio Manager

Thomas E. Bucher, CFA
Managing Director and Consultant

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 S&P GSSI Health Care Sector Index is an unmanaged, market-capitalization-weighted index of 133 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.*

Portfolio management market commentary is as of June 30, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	98%	99%
Cash Equivalents	2%	1%
	100%	100%

Industry Diversification (As a % of Common Stocks)	**6/30/08**	**12/31/07**
Pharmaceuticals	29%	31%
Medical Supply & Specialty	23%	21%
Biotechnology	22%	21%
Health Care Services	19%	22%
Life Sciences Equipment	7%	5%
	100%	100%

Asset allocation and industry diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 61. Information concerning portfolio holdings of the Portfolio as of month-end will be posted to www.dws-investments.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-investments.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 97.9%		
Health Care 97.9%		
Biotechnology 21.2%		
Acorda Therapeutics, Inc.*	10,400	341,432
Alexion Pharmaceuticals, Inc.* (a)	13,500	978,750
Amgen, Inc.*	27,550	1,299,258
Amylin Pharmaceuticals, Inc.*	5,100	129,489
Applera Corp. — Celera Group*	36,800	418,048
Biogen Idec, Inc.*	26,320	1,471,025
BioMarin Pharmaceutical, Inc.*	31,900	924,462
Celgene Corp.*	35,960	2,296,765
Cepheid, Inc.*	19,500	548,340
Gen-Probe, Inc.*	12,300	584,004
Genentech, Inc.*	24,300	1,844,370
Genmab A/S*	4,600	174,957
Genzyme Corp.*	32,800	2,362,256
Gilead Sciences, Inc.*	56,900	3,012,855
Medarex, Inc.* (a)	26,100	172,521
Myriad Genetics, Inc.* (a)	6,300	286,776
Onyx Pharmaceuticals, Inc.*	10,000	356,000
OSI Pharmaceuticals, Inc.*	5,900	243,788
Regeneron Pharmaceuticals, Inc.*	27,900	402,876
Rigel Pharmaceuticals, Inc.*	11,700	265,122
Savient Pharmaceuticals, Inc.* (a)	11,400	288,420
United Therapeutics Corp.*	8,500	830,875
Vertex Pharmaceuticals, Inc.*	7,400	247,678
		19,480,067
Health Care Services 18.2%		
Aetna, Inc.	28,100	1,138,893
Allscripts Healthcare Solutions, Inc.* (a)	48,600	603,126
Covance, Inc.*	13,900	1,195,678
CVS Caremark Corp.	47,331	1,872,888
Express Scripts, Inc.*	20,500	1,285,760
Fresenius Medical Care AG & Co. KGaA	27,797	1,530,640
Health Management Associates, Inc., "A"*	36,500	237,615
Henry Schein, Inc.*	16,600	856,062
Laboratory Corp. of America Holdings*	18,800	1,309,044
McKesson Corp.	24,200	1,353,022
Medco Health Solutions, Inc.*	30,668	1,447,529
Quality Systems, Inc. (a)	31,800	931,104
Quest Diagnostics, Inc.	27,500	1,332,925
UnitedHealth Group, Inc.	24,800	651,000
WellPoint, Inc.*	20,100	957,966
		16,703,252
Life Sciences Equipment 7.4%		
Applera Corp. — Applied Biosystems Group	15,400	515,592
Charles River Laboratories International, Inc.*	12,000	767,040
Illumina, Inc.*	5,900	513,949
Mettler-Toledo International, Inc.*	6,900	654,534
Pharmaceutical Product Development, Inc.	27,400	1,175,460
Thermo Fisher Scientific, Inc.*	56,700	3,159,891
		6,786,466
Medical Supply & Specialty 22.8%		
Alcon, Inc.	10,800	1,758,132
Align Technology, Inc.* (a)	17,400	182,526
ArthroCare Corp.* (a)	17,000	693,770
Baxter International, Inc.	47,500	3,037,150
Beckman Coulter, Inc.	7,900	533,487
Becton, Dickinson & Co.	30,200	2,455,260
C.R. Bard, Inc.	27,800	2,445,010
Covidien Ltd.	40,200	1,925,178
Hologic, Inc.*	60,400	1,316,720
Medtronic, Inc.	47,300	2,447,775
NuVasive, Inc.* (a)	10,300	459,998
ResMed, Inc.*	11,800	421,732
SonoSite, Inc.* (a)	13,900	389,339
Stryker Corp.	28,500	1,792,080
Zimmer Holdings, Inc.*	15,500	1,054,775
		20,912,932
Pharmaceuticals 28.3%		
Abbott Laboratories	37,600	1,991,672
Allergan, Inc.	24,700	1,285,635
Astellas Pharma, Inc.	23,800	1,011,014
Barr Pharmaceuticals, Inc.*	11,300	509,404
Bristol-Myers Squibb Co.	59,600	1,223,588
Cardiome Pharma Corp.* (a)	27,800	244,640
Eli Lilly & Co.	36,400	1,680,224
Forest Laboratories, Inc.*	11,500	399,510
Johnson & Johnson	35,000	2,251,900
Merck & Co., Inc.	44,300	1,669,667
Merck KGaA	10,862	1,542,348
Mylan, Inc. (a)	85,900	1,036,813
Novartis AG (Registered)	19,150	1,050,119
Pfizer, Inc.	54,740	956,308
Roche Holding AG (Genusschein)	15,845	2,843,240
Sanofi-Aventis	7,646	508,654
Schering-Plough Corp.	67,600	1,331,044
Sepracor, Inc.*	21,700	432,264
Shire Ltd. (ADR)	19,800	972,774
Stada Arzneimittel AG (a)	15,797	1,130,971
Wyeth	40,700	1,951,972
		26,023,761
Total Common Stocks (Cost $68,270,525)		**89,906,478**
Securities Lending Collateral 7.5%		
Daily Assets Fund Institutional, 2.74% (b) (c) (Cost $6,893,229)	6,893,229	**6,893,229**
Cash Equivalents 2.2%		
Cash Management QP Trust, 2.49% (b) (Cost $2,007,756)	2,007,756	**2,007,756**

The accompanying notes are an integral part of the financial statements.

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $ 77,171,510)†	107.6	**98,807,463**
Other Assets and Liabilities, Net (a)	(7.6)	**(6,972,517)**
Net Assets	100.0	**91,834,946**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $77,595,113. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $21,212,350. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $25,870,448 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,658,098.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statements) amounting to $6,276,078. In addition, included in other assets and liabilities, net are pending sales, amounting to $353,430, that are also on loan. The value of all securities loaned at June 30, 2008 amounted to $6,629,508 which is 7.2% 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. Income earned by the Portfolio is net of borrower rebates.*

ADR: American Depositary Receipt

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's assets carried at fair value:

Valuation Inputs	**Investments in Securities at Value**
Level 1 — Quoted Prices	$ 89,015,520
Level 2 — Other Significant Observable Inputs	9,791,943
Level 3 — Significant Unobservable Inputs	—
Total	**$ 98,807,463**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $68,270,525), including $6,276,078 of securities loaned	$	89,906,478
Investment in Daily Assets Fund Institutional (cost $6,893,229)*		6,893,229
Investment in Cash Management QP Trust (cost $2,007,756)		2,007,756
Total investments, at value (cost $77,171,510)		98,807,463
Foreign currency, at value (cost $68,678)		68,950
Dividends receivable		39,966
Interest receivable		18,564
Receivable for Portfolio shares sold		40,305
Receivable for investments sold		413,669
Foreign taxes recoverable		21,633
Other assets		1,984
Total assets		99,412,534
Liabilities		
Cash overdraft		403,669
Payable for Portfolio shares redeemed		137,317
Payable upon return of securities loaned		6,893,229
Accrued management fee		50,788
Accrued distribution service fee (Class B)		990
Other accrued expenses and payables		91,595
Total liabilities		7,577,588
Net assets, at value	**$**	**91,834,946**
Net Assets Consist of		
Undistributed net investment income		324,081
Net unrealized appreciation (depreciation) on:		
Investments		21,635,953
Foreign currency		486
Accumulated net realized gain (loss)		1,150,389
Paid-in capital		68,724,037
Net assets, at value	**$**	**91,834,946**
Class A		
Net Asset Value, offering and redemption price per share ($87,033,084 ÷ 7,591,848 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**11.46**
Class B		
Net Asset Value, offering and redemption price per share ($4,801,862 ÷ 427,954 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**11.22**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $34,497)	$	689,774
Interest		1,294
Interest — Cash Management QP Trust		23,447
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		83,302
Total Income		797,817
Expenses:		
Management fee		325,812
Administration fee		48,994
Custodian fee		8,215
Distribution service fee (Class B)		6,166
Services to shareholders		5,197
Record keeping fee (Class B)		2,466
Professional fees		26,567
Trustees' fees and expenses		3,241
Reports to shareholders		23,497
Other		9,655
Total expenses before expense reductions		459,810
Expense reductions		(586)
Total expenses after expense reductions		459,224
Net investment income (loss)		**338,593**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		1,536,647
Foreign currency		64,823
		1,601,470
Change in net unrealized appreciation (depreciation) on:		
Investments		(9,226,610)
Foreign currency		(17,702)
		(9,244,312)
Net gain (loss)		**(7,642,842)**
Net increase (decrease) in net assets resulting from operations	**$**	**(7,304,249)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 338,593	$ 173,147
Net realized gain (loss)	1,601,470	15,451,366
Change in net unrealized appreciation (depreciation)	(9,244,312)	(1,128,994)
Net increase (decrease) in net assets resulting from operations	(7,304,249)	14,495,519
Distributions to shareholders from:		
Net investment income:		
Class A	(269,428)	—
Net realized gains:		
Class A	(14,518,785)	(6,096,998)
Class B	(789,529)	(1,254,197)
Total distributions	(15,577,742)	(7,351,195)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	8,574,410	9,495,145
Reinvestment of distributions	14,788,213	6,096,998
Cost of shares redeemed	(13,077,975)	(24,413,031)
Net increase (decrease) in net assets from Class A share transactions	10,284,648	(8,820,888)
Class B		
Proceeds from shares sold	449,529	827,879
Reinvestment of distributions	789,529	1,254,197
Cost of shares redeemed	(703,704)	(18,374,489)
Net increase (decrease) in net assets from Class B share transactions	535,354	(16,292,413)
Increase (decrease) in net assets	(12,061,989)	(17,968,977)
Net assets at beginning of period	103,896,935	121,865,912
Net assets at end of period (including undistributed net investment income of $324,081 and $254,916, respectively)	**$ 91,834,946**	**$ 103,896,935**

Other Information		
Class A		
Shares outstanding at beginning of period	6,708,658	7,330,897
Shares sold	609,539	663,065
Shares issued to shareholders in reinvestment of distributions	1,271,557	431,188
Shares redeemed	(997,906)	(1,716,492)
Net increase (decrease) in Class A shares	883,190	(622,239)
Shares outstanding at end of period	**7,591,848**	**6,708,658**
Class B		
Shares outstanding at beginning of period	376,902	1,544,881
Shares sold	34,676	59,012
Shares issued to shareholders in reinvestment of distributions	69,318	90,295
Shares redeemed	(52,942)	(1,317,286)
Net increase (decrease) in Class B shares	51,052	(1,167,979)
Shares outstanding at end of period	**427,954**	**376,902**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$14.68**	**$13.77**	**$13.02**	**$12.00**	**$10.95**	**$ 8.19**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.05	.03[d]	(.01)[c]	(.02)	(.03)	(.02)
Net realized and unrealized gain (loss)	(1.03)	1.75	.81	1.04	1.08	2.78
Total from investment operations	(.98)	1.78	.80	1.02	1.05	2.76
Less distributions from:						
Net investment income	(.04)	—	—	—	—	—
Net realized gains	(2.20)	(.87)	(.05)	—	—	—
Total distributions	(2.24)	(.87)	(.05)	—	—	—
Net asset value, end of period	**$11.46**	**$14.68**	**$13.77**	**$13.02**	**$12.00**	**$10.95**
Total Return (%)	(6.87)**	13.20	6.17[c]	8.50	9.59	33.70
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	87	98	101	109	109	101
Ratio of expenses (%)	.92*	.93	.89	.88	.88	.87
Ratio of net investment income (loss) (%)	.71*	.19[d]	(.03)[c]	(.18)	(.29)	(.24)
Portfolio turnover rate (%)	11**	37	47	43	77	64

a For the six months ended June 30, 2008 (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 Funds. 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 ratio of net investment income include non-recurring dividend income amounting to $0.02 per share and 0.13% of average daily net assets, respectively.

* Annualized ** Not annualized

Class B

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$14.40**	**$13.55**	**$12.87**	**$11.91**	**$10.91**	**$ 8.19**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.02	(.03)[d]	(.06)[c]	(.07)	(.08)	(.07)
Net realized and unrealized gain (loss)	(1.00)	1.75	.79	1.03	1.08	2.79
Total from investment operations	(.98)	1.72	.73	.96	1.00	2.72
Less distributions from:						
Net realized gains	(2.20)	(.87)	(.05)	—	—	—
Net asset value, end of period	**$11.22**	**$14.40**	**$13.55**	**$12.87**	**$11.91**	**$10.91**
Total Return (%)	(7.01)**	12.88	5.77[c]	8.06	9.17	33.21
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	5	5	21	23	20	11
Ratio of expenses (%)	1.27*	1.34	1.28	1.27	1.27	1.26
Ratio of net investment income (loss) (%)	.36*	(.22)[d]	(.42)[c]	(.57)	(.68)	(.63)
Portfolio turnover rate (%)	11**	37	47	43	77	64

a For the six months ended June 30, 2008 (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 Funds. 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 ratio of net investment income include non-recurring dividend income amounting to $0.02 per share and 0.13% of average daily net assets, respectively.

* 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. On May 22, 2008, Class B shares of DWS Bond VIP were liquidated.

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.

The Portfolios adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), which governs the application of generally accepted accounting principles that require fair value measurements of the Portfolios' assets and liabilities. Fair value is an estimate of the price the Portfolio would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in the three broad levels as follows:

- Level 1 — quoted prices in active markets for identical securities
- Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Portfolio's own assumptions in determining the fair value of investments)

For Level 1 inputs, the Portfolio uses unadjusted quoted prices in active markets for assets or liabilities with sufficient frequency and volume to provide pricing information as the most reliable evidence of fair value. The Portfolio's Level 2 valuation techniques include inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 observable inputs may include quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active in which there are few transactions, the prices are not current, or price quotations vary substantially over time or among market participants. Inputs that are observable for the asset or liability in Level 2 include such factors as interest rates, yield curves, prepayment speeds, credit risk, and default rates for similar liabilities. For Level 3 valuation techniques, the Portfolio uses unobservable inputs that reflect assumptions market participants would be expected to use in pricing the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available and are developed based on the best information available under the circumstances. In developing unobservable inputs, market participant assumptions are used if they are reasonably available without undue cost and effort.

The Portfolio may record changes to valuations based on the amount that might reasonably be expected to receive for a security upon its current sale consistent with the fair value measurement objective. Each determination is based on a consideration of all relevant factors, which are likely to vary from one pricing context to another. Examples of such factors may include, but are not limited to the type of the security, the existence of any contractual restrictions on the security's disposition, the price and extent of public trading in similar securities of the issue or of comparable companies, quotations or evaluated prices from broker-dealers and/or pricing services, information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange-traded securities), an analysis of the company's financial statements, an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold, and with respect to debt securities, the maturity, coupon, creditworthiness, currency denomination, and the movement of the market in which the security is normally traded. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value determined upon sale of those investments.

New Accounting Pronouncement. In March 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 161 ("FAS 161") Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133. FAS 161 requires enhanced disclosure about an entity's derivative and hedging activities. FAS 161 is effective for fiscal years beginning after November 15, 2008. Management is currently evaluating the impact the adoption of FAS 161 will have on the Portfolio's financial statement disclosures.

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 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 the 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 may use futures in circumstances where portfolio management believes they offer an economic means of gaining exposure to a particular asset class or to keep cash on hand to meet shareholder redemptions or other needs while maintaining exposure to the market. In addition, the DWS Bond VIP, DWS Capital Growth VIP, DWS Global Opportunities VIP and DWS Health Care VIP Portfolios may use futures for hedging and for risk management or for non-hedging purposes to seek to enhance potential gains.

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.

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, as amended, 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.

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.

At December 31, 2007, 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	1,266,000	12/31/2014
DWS Growth & Income VIP	4,777,000	12/31/2010
DWS Capital Growth VIP	277,224,000	12/31/2008–12/31/2012

In addition, from November 1, 2007 through December 31, 2007, DWS Bond VIP and DWS Growth & Income VIP incurred approximately $136,000 and $4,777,000, respectively, 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 ended December 31, 2008.

At December 31, 2007, DWS Growth & Income VIP had a net tax basis capital loss carryforward of approximately $4,777,000 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 December 31, 2010, the expiration date, whichever occurs first, and which may be subject to certain limitations under Sections 382–384 of the Internal Revenue Code.

At December 31, 2007, DWS Capital Growth VIP had a net tax basis capital loss carryforward of approximately $277,224,000, of which a portion was inherited from its mergers with the SVS Eagle Focused Large Cap Growth Portfolio, Scudder Growth Portfolio, DWS Oak Strategic Equity VIP and DWS Janus Growth Opportunities VIP, and which is included in the table above and may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the expiration dates, whichever occurs first, and which may be subject to certain limitations under Section 382–384 of the Internal Revenue Code. The DWS Capital Growth VIP utilized approximately $2,550,000 of the inherited amounts, which is included in the table above.

Each Portfolio has reviewed the tax positions for the open tax years as of December 31, 2007 and has determined that no provision for income tax is required in each Portfolio's financial statements. Each of the Portfolio's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

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, 2008, purchases and sales of investment securities (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Bond VIP excluding US Treasury Obligations	69,063,912	73,248,468
US Treasury Obligations	189,069,535	203,718,703
DWS Growth & Income VIP	116,945,639	145,921,282
DWS Capital Growth VIP	96,334,028	160,531,418
DWS Global Opportunities VIP	23,463,182	45,750,683
DWS International VIP	345,317,040	400,874,166
DWS Health Care VIP	10,865,042	15,479,236

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 management fee, based on the average daily net assets of each Portfolio, computed and 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%

Portfolio	Annual Management Fee Rate
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%
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 are 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.

For the period from January 1, 2008 through April 30, 2008, 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 and interest) as follows:

Portfolio	Annual Rate
DWS Bond VIP Class B	1.03%

In addition, for the period from January 1, 2008 through September 30, 2008 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 and interest) as follows:

Portfolio	Annual Rate
DWS Bond VIP Class A	.63%

In addition, for the period from January 1, 2008 through April 30, 2009, 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 and interest) as follows:

Portfolio	Annual Rate
DWS Global Opportunities VIP Class A	.99%
DWS Global Opportunities VIP Class B	1.39%

In addition, for the period from January 1, 2008 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 and interest) as follows:

Portfolio	Annual Rate
DWS Capital Growth VIP Class A	.49%
DWS Capital Growth VIP Class B	.82%
DWS Growth & Income VIP Class A	.54%
DWS Growth & Income VIP Class B	.87%
DWS International VIP Class A	.96%
DWS International VIP Class B	1.29%

In addition, for the period from January 1, 2008 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, 2008, the Portfolios earned and waived a portion of their management fee as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Bond VIP	424,237	—	.39%
DWS Growth & Income VIP	349,400	38,215	.35%
DWS Capital Growth VIP	1,826,968	43,611	.36%
DWS Global Opportunities VIP	1,225,065	127,617	.80%
DWS International VIP	2,372,029	—	.76%
DWS Health Care VIP	325,812	—	.67%

In addition, for the six months ended June 30, 2008, the Advisor waived record keeping expenses of Class B shares of each Portfolio as follows:

Portfolio	Waived ($)
DWS Capital Growth VIP	1,423
DWS International VIP	1,273

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA 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, 2008, the Advisor received an Administration Fee as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2008 ($)
DWS Bond VIP	108,779	16,552
DWS Growth & Income VIP	89,590	13,605
DWS Capital Growth VIP	492,293	80,771
DWS Global Opportunities VIP	137,648	22,359
DWS International VIP	312,356	50,434
DWS Health Care VIP	48,994	7,696

Service Provider Fees. DWS Investments Service Company ("DISC"), an affiliate of the Advisor, is the transfer agent, dividend-paying agent and shareholder service agent for the Series. Pursuant to a sub-transfer agency agreement between DISC and DST Systems, Inc. ("DST"), DISC has delegated certain transfer agent, dividend-paying agent and shareholder service agent functions to DST. DISC compensates DST out of the shareholder servicing fee it receives from each Portfolio. For the six months ended June 30, 2008, the amounts charged to the Portfolios by DISC were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Unpaid at June 30, 2008 ($)
DWS Bond VIP Class A	418	—	341
DWS Bond VIP Class B	19	—	19
DWS Growth & Income VIP Class A	347	347	—
DWS Growth & Income VIP Class B	94	—	78
DWS Capital Growth VIP Class A	615	615	—

Portfolio	Total Aggregated ($)	Waived ($)	Unpaid at June 30, 2008 ($)
DWS Capital Growth VIP Class B	129	129	—
DWS Global Opportunities VIP Class A	347	347	—
DWS Global Opportunities VIP Class B	130	—	130
DWS International VIP Class A	348	—	348
DWS International VIP Class B	225	225	—
DWS Health Care VIP Class A	145	—	131
DWS Health Care VIP Class B	82	—	82

DWS Investments Distributors, Inc. ("DIDI"), also an affiliate of the Advisor, is the Series' Distributor. In accordance with the Master Distribution Plan, DIDI receives 12b-1 fees of 0.25% of average daily net assets of Class B shares. Pursuant to the Master Distribution Plan, DIDI 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, 2008, the amount charged to the Portfolios by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2008 ($)
DWS Bond VIP	1,383	1,383
DWS Growth & Income VIP	3,340	334
DWS Capital Growth VIP	1,469	—
DWS Global Opportunities VIP	4,275	739
DWS International VIP	4,636	1,431
DWS Health Care VIP	3,811	1,729

Trustees' Fees and Expenses. Each Portfolio paid each Trustee not affiliated with the Advisor retainer fees plus specified amounts for various committee services and for the Board Chairperson and Vice Chairperson.

In connection with the board consolidation on April 1, 2008, of the two DWS Funds Boards of Trustees, certain Independent Board Members retired prior to their normal retirement date, and received a one-time retirement benefit. DIMA has agreed to reimburse the Portfolios for the cost of this benefit. During the period ended June 30, 2008, each Portfolio paid its allocated portion, as follows, of the retirement benefit to the non-continuing Independent Board Members, and each Portfolio was reimbursed by DIMA for this payment:

Portfolio	Amount ($)
DWS Bond VIP	1,213
DWS Growth & Income VIP	988
DWS Capital Growth VIP	5,091
DWS Global Opportunities VIP	1,446
DWS International VIP	3,251
DWS Health Care VIP	535

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 and DWS International 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 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.

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, 2008, the custodian fees were reduced as follows:

Portfolio	Custody Credits ($)
DWS Bond VIP	367
DWS Growth & Income VIP	17
DWS Capital Growth VIP	87
DWS Health Care VIP	51

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 62%.

DWS Growth & 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 30%, 30% and 14%. One participating insurance company was an owner of record, owning 90% 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 38%, 27% and 11%. 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 58%, 17% and 10%. Two participating insurance companies were owners of record, each owning 64% and 34% 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 35% and 19%. Four participating insurance companies were owners of record, each owning 48%, 18%, 18% and 15% 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 75% and 18%. 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 $490 million revolving credit facility provided by a syndication of banks. The Portfolio may borrow 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 on 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. Payments Made by Affiliates

During the six months ended June 30, 2008, the Advisor fully reimbursed DWS Bond VIP $221 for losses incurred on trades executed incorrectly. The amount of the losses was less than 0.01% of the Portfolio's average net asset, thus having no impact on the Portfolio's total return.

In addition, during the six months ended June 30, 2008, the Advisor fully reimbursed DWS International VIP $304,364 for losses incurred on trades executed incorrectly.

Proxy Voting

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 are available on our Web site — www.dws-investments.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.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 26, 2007

Pursuant to an Order entered into by Deutsche Investment Management Americas and affiliates (collectively, "DeAM") with the Attorney General of New York, I, Thomas H. Mack, have been appointed the Independent Fee Consultant for the DWS Scudder Funds. My duties include preparing an annual written evaluation of the management fees DeAM charges the Funds, considering among other factors the management fees charged by other mutual fund companies for like services, management fees DeAM charges other clients for like services, DeAM's costs of supplying services under the management agreements and related profit margins, possible economies of scale if a Fund grows larger, and the nature and quality of DeAM's services, including fund performance. This report summarizes my evaluation for 2007, including my qualifications, the evaluation process for each of the DWS Scudder Funds, consideration of certain complex-level factors, and my conclusions.

Qualifications

For more than 30 years I have served in various professional capacities within the investment management business. I have held investment analysis and advisory positions, including securities analyst, portfolio strategist and director of investment policy with a large investment firm. I have also performed business management functions, including business development, financial management and marketing research and analysis.

Since 1991, I have been an independent consultant within the asset management industry. I have provided services to over 125 client organizations, including investment managers, mutual fund boards, product distributors and related organizations. Over the past several years I have completed a number of assignments for mutual fund boards, specifically including assisting boards with management contract renewal.

I hold a Master of Business Administration degree, with highest honors, from Harvard University; and Master of Science and Bachelor of Science (highest honors) degrees from the University of California at Berkeley. I am an independent director and audit committee financial expert for two closed-end mutual funds, serve on the board of directors of a private market research company, and have served in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Scudder Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 136 Fund portfolios in the DWS Scudder Fund family. For each Fund, I considered each of the key factors mentioned above, as well as any other relevant information. In doing so I worked closely with the Funds' Independent Directors in their annual contract renewal process, as well as in their approval of contracts for several new funds (documented separately).

In evaluating each Fund's fees, I reviewed comprehensive materials provided by or on behalf of DeAM, including expense information prepared by Lipper Analytical, comparative performance information, profitability data, manager histories, and other materials. I also accessed certain additional information from the Lipper, Strategic Insight, and Morningstar databases and drew on my industry knowledge and experience.

To facilitate evaluating this considerable body of information, I prepared for each Fund a document summarizing the key data elements in each area as well as additional analytics discussed below. This made it possible to consider each key data element in the context of the others.

In the course of contract renewal, DeAM agreed to implement a number of fee and expense adjustments requested by the Independent Directors which will favorably impact future fees and expenses, and my evaluation includes the effects of these changes.

Fees and Expenses Compared with Other Funds

The competitive fee and expense evaluation for each fund focused on two primary comparisons:

The Fund's contractual management fee (the advisory fee plus the administration fee where applicable) compared with those of a group of typically 12–15 funds in the same Lipper investment category (e.g. Large Capitalization Growth) having similar distribution arrangements and being of similar size.

The Fund's total expenses compared with a broader universe of funds from the same Lipper investment category and having similar distribution arrangements.

These two comparisons provide a view of not only the level of the fee compared with funds of similar scale but also the total expense the Fund bears for all the services it receives, in comparison with the investment choices available in the Fund's investment category and distribution channel. The principal figure-of-merit used in these comparisons was the subject Fund's percentile ranking against peers.

DeAM's Fees for Similar Services to Others

DeAM provided management fee schedules for all of its US domiciled fund and non-fund investment management accounts in any of the investment categories where there is a DWS Scudder Fund. These similar products included the other DWS Scudder Funds, non-fund pooled accounts, institutional accounts and sub-advisory accounts. Using this information, I calculated for each Fund the fee that would be charged to each similar product, at the subject Fund's asset level.

Evaluating information regarding non-fund products is difficult because there are varying levels of services required for different types of accounts, with mutual funds generally requiring considerably more regulatory and administrative types of service as well as having more frequent cash flows than other types of accounts. Also, while mutual fund fees for similar fund products can be expected to be similar, there will be some differences due to different pricing conditions in different distribution channels (e.g. retail funds versus those used in variable insurance products), differences in underlying investment processes and other factors.

Costs and Profit Margins

DeAM provided a detailed profitability analysis for each Fund. After making some adjustments so that the presentation would be more comparable to the available industry figures, I reviewed profit margins from investment management alone, from investment management plus other fund services (excluding distribution) provided to the Funds by DeAM (principally shareholder services), and DeAM profits from all sources, including distribution. A later section comments on overall profitability.

Economies of Scale

Economies of scale — an expected decline in management cost per dollar of fund assets as fund assets grow — are very rarely quantified and documented because of inherent difficulties in collecting and analyzing relevant data. However, in virtually every investment category that I reviewed, larger funds tend to have lower fees and lower total expenses than smaller funds. To see how each DWS Scudder Fund compares with this industry observation, I reviewed:

The trend in Fund assets over the last five years and the accompanying trend in total expenses. This shows if the Fund has grown and, if so, whether total expense (management fees as well as other expenses) have declined as a percent of assets.

Whether the Fund has break-points in its management fee schedule, the extent of the fee reduction built into the schedule and the asset levels where the breaks take effect, and in the case of a sub-advised Fund how the Fund's break-points compare with those of the sub-advisory fee schedule.

How the Fund's contractual fee schedule compares with trends in the industry data. To accomplish this, I constructed a chart showing how actual latest-fiscal-year contractual fees of the Fund and of other similar funds relate to average fund assets, with the subject Fund's contractual fee schedule superimposed.

Quality of Service — Performance

The quality-of-service evaluation focused on investment performance, which is the principal result of the investment management service. Each Fund's performance was reviewed over the past 1, 3, 5 and 10 years, as applicable, and compared with that of other funds in the same investment category and with a suitable market index.

In addition, I calculated and reviewed risk-adjusted returns relative to an index of similar mutual funds' returns and a suitable market index. The risk-adjusted returns analysis provides a way of determining the extent to which the Fund's return comparisons are mainly the product of investment value-added (or lack thereof) or alternatively taking considerably more or less risk than is typical in its investment category.

I also received and considered the history of portfolio manager changes for each Fund, as this provided an important context for evaluating the performance results.

Complex-Level Considerations

While this evaluation was conducted mainly at the individual fund level, there are some issues relating to the reasonableness of fees that can alternatively be considered across the whole fund complex:

I reviewed DeAM's profitability analysis for all DWS Scudder funds, with a view toward determining if the allocation procedures used were reasonable and how profit levels compared with public data for other investment managers.

I considered whether DeAM and affiliates receive any significant ancillary or "fall-out" benefits that should be considered in interpreting the direct profitability results. These would be situations where serving as the investment manager of the Funds is beneficial to another part of the Deutsche Bank organization.

I considered how aggregated DWS Scudder Fund expenses had varied over the years, by asset class and in the context of trends in asset levels.

I reviewed the structure of the DeAM organization, trends in staffing levels, and information on compensation of investment management and other professionals compared with industry data.

Findings

Based on the process and analysis discussed above, which included reviewing a wide range of information from management and external data sources and considering among other factors the fees DeAM charges other clients, the fees charged by other fund managers, DeAM's costs and profits associated with managing the Funds, economies of scale, possible fall-out benefits, and the nature and quality of services provided, in my opinion the management fees charged the DWS Scudder Funds are reasonable.

Thomas H. Mack

Thomas H. Mack

Notes

Notes

DWS Investments is part of Deutsche Bank's Asset Management division and, within the US, represents the retail 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.

DWS Investments Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 778-1482

VS1-3 (R-4329-2 8/08)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2008

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

RESHAPING INVESTING.

DWS INVESTMENTS

Deutsche Bank Group

Contents

Information About Your Portfolio's Expenses, Management Summary, Portfolio Summary, Investment Portfolio, Financial Statements and Financial Highlights for:

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 carefully consider the product's objectives, risks, charges and expenses before investing. The prospectus contains this and other important information about the product. Please read the prospectus carefully before you invest.

NOT FDIC/NCUA INSURED   NO BANK GUARANTEE   MAY LOSE VALUE   NOT A DEPOSIT
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

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 Investments is part of Deutsche Bank's Asset Management division and, within the US, represents the retail asset management activities of Deutsche Bank AG, Deutsche Bank Trust Company Americas, Deutsche Investment Management Americas Inc. and DWS Trust Company.

Performance Summary

June 30, 2008

DWS Balanced VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

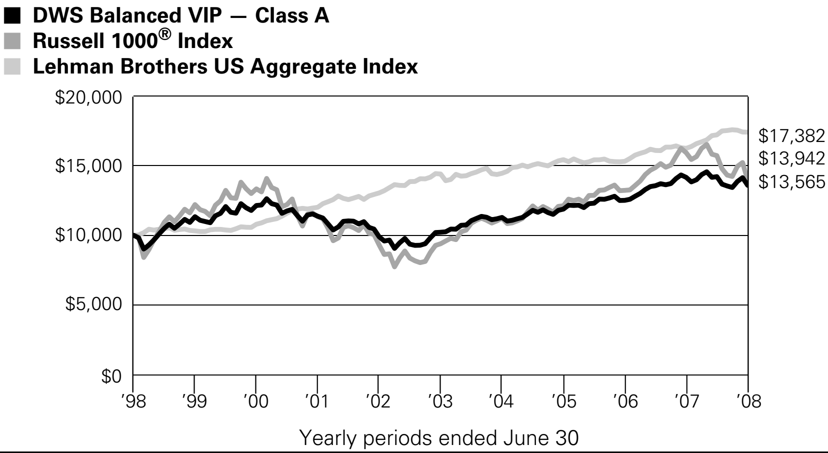
The total annual Portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.52% and 0.77% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

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. The Portfolio invests in derivatives seeking to hedge positions in certain securities and to generate income in order to enhance the Portfolio's returns. Derivatives can be more volatile and less liquid than traditional fixed-income securities. In the current market environment, mortgage-backed securities are experiencing increased volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Portfolio returns for all periods shown reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Balanced VIP



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 reinvestment of dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

The Lehman Brothers US Aggregate Index is an unmanaged, market value-weighted measure of treasury issues, agency issues, corporate bond issues and mortgage securities. Index returns, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Balanced VIP		**6-Month‡**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Class A	Growth of $10,000	$9,552	$9,587	$11,427	$13,290	$13,565
	Average annual total return	–4.48%	–4.13%	4.55%	5.85%	3.10%
Russell 1000 Index	Growth of $10,000	$8,880	$8,764	$11,513	$14,846	$13,942
	Average annual total return	–11.20%	–12.36%	4.81%	8.22%	3.38%
Lehman Brothers US Aggregate Index	Growth of $10,000	$10,113	$10,712	$11,276	$12,082	$17,382
	Average annual total return	1.13%	7.12%	4.09%	3.85%	5.68%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

DWS Balanced VIP		**6-Month‡**	**1-Year**	**3-Year**	**5-Year**	**Life of Class***
Class B	Growth of $10,000	$9,565	$9,580	$11,334	$13,076	$13,651
	Average annual total return	–4.35%	–4.20%	4.26%	5.51%	5.32%
Russell 1000 Index	Growth of $10,000	$8,880	$8,764	$11,513	$14,846	$14,987
	Average annual total return	–11.20%	–12.36%	4.81%	8.22%	6.98%
Lehman Brothers US Aggregate Index	Growth of $10,000	$10,113	$10,712	$11,276	$12,082	$13,339
	Average annual total return	1.13%	7.12%	4.09%	3.85%	4.92%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 955.20	$ 956.50
Expenses Paid per $1,000*	$ 2.87	$ 4.38

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,021.93	$1,020.39
Expenses Paid per $1,000*	$ 2.97	$ 4.52

* *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 366.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Balanced VIP	.59%	.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 Balanced VIP

For the six months ended June 30, 2008, DWS Balanced VIP's Class A shares (unadjusted for contract charges) had a return of –4.48%. For the six-month period, the Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, had a return of –11.05%, and the Lehman Brothers US Aggregate Index, the Portfolio's bond benchmark, which is considered indicative of broad bond market trends, returned 1.13%. The Russell 1000® Index, the Portfolio's equity benchmark, returned –11.20%.

In December 2007, we made changes to enhance our investment process. We updated strategic asset allocation, adding international equities, among other changes, and we plan to update strategic allocation at least once a year in the future. We expanded the global portable alpha strategy, which is designed to take advantage of short-term mispricings in global bond and currency markets, to cover the entire Porfolio, and we expanded the strategy to include equity positions, as well as bonds and currency positions. Finally, we increased diversification by adding more managers and investment styles.

The underlying strategies as a group contributed positively to performance. Fixed-income strategies, in particular the Core Fixed Income component, detracted from performance due to a significant underperformance relative to the Lehman Brothers US Aggregate Index. The main reason for the Core Fixed Income underperformance was its emphasis on fixed-income sectors, such as corporate bonds, that carry some degree of credit risk during a period of market turmoil when Treasury securities were the best-performing asset category. Equity strategies more than compensated for underperformance in bonds, outperforming the respective indices with which each strategy is compared, although returns of the equity portion of the Portfolio were negative. Stock selection in the equity portions of the Portfolio contributed to performance, as the equity components collectively outperformed their respective benchmarks. The global portable alpha strategy also helped performance.

Julie Abbett	James B. Francis, CFA	William Chepolis, CFA	John Brennan
Matthew F. MacDonald	Inna Okounkova	Thomas Picciochi	J. Richard Robben, CFA
Gary Sullivan, CFA	Robert Wang	Julie M.VanCleave, CFA	Matthias Knerr, CFA
Thomas Schuessler, PhD			

Portfolio Managers, Deutsche Investment Management Americas Inc.

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. 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.

The Lehman Brothers US Aggregate Index is an unmanaged market-value-weighted measure of Treasury issues, corporate bond issues and mortgage securities. Index returns, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

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 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, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	57%	59%
Commercial and Non-Agency Mortgage Backed Securities	12%	16%
Corporate Bonds	12%	7%
Cash Equivalents	7%	5%
Mortgage Backed Securities Pass-Throughs	5%	1%
Government & Agency Obligations	4%	5%
Collateralized Mortgage Obligations	2%	3%
Asset Backed	1%	3%
Senior Loans	—	1%
	100%	100%

Sector Diversification (Excludes Cash Equivalents and Securities Lending)	**6/30/08**	**12/31/07**
Financials	17%	18%
Energy	15%	12%
Industrials	12%	12%
Information Technology	11%	12%
Health Care	11%	12%
Consumer Discretionary	9%	11%
Consumer Staples	8%	8%
Materials	6%	5%
Utilities	6%	4%
Telecommunication Services	5%	6%
	100%	100%

Asset allocation and sector diversification 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-investments.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-investments.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 57.3%		
Consumer Discretionary 5.1%		
Auto Components 0.4%		
Aisin Seiki Co., Ltd.	100	3,264
American Axle & Manufacturing Holdings, Inc.	10,300	82,297
Autoliv, Inc.	23,400	1,090,908
Bridgestone Corp.	300	4,566
Compagnie Generale des Etablissements Michelin "B"	105	7,490
Continental AG	94	9,630
Cooper Tire & Rubber Co.	12,200	95,648
Denso Corp.	200	6,846
GKN PLC	897	3,976
Goodyear Tire & Rubber Co.*	1,400	24,962
Lear Corp.*	7,500	106,350
Magna International, Inc. "A"	400	23,803
Nokian Renkaat Oyj	10,292	491,132
Rieter Holding AG (Registered)	16	5,188
Stoneridge, Inc.*	6,000	102,360
Tenneco, Inc.*	900	12,177
Toyota Industries Corp.	100	3,183
		2,073,780
Automobiles 0.2%		
Daimler AG (Registered)	552	34,074
Fiat SpA	4,214	68,796
Harley-Davidson, Inc.	7,260	263,248
Honda Motor Co., Ltd.	700	23,816
Isuzu Motors Ltd.	1,000	4,802
Mazda Motor Corp.	1,000	5,206
Mitsubishi Motors Corp.*	2,000	3,630
Nissan Motor Co., Ltd.	900	7,409
PSA Peugeot Citroen	112	6,030
Renault SA	129	10,554
Suzuki Motor Corp.	10,600	250,106
Toyota Motor Corp.	1,200	56,445
Volkswagen AG	93	26,804
		760,920
Distributors 0.1%		
Genuine Parts Co.	13,702	543,695
Li & Fung Ltd.	14,000	42,101
		585,796
Diversified Consumer Services 0.0%		
DeVry, Inc.	4,200	**225,204**
Hotels Restaurants & Leisure 0.9%		
Accor SA	151	10,031
Bally Technologies, Inc.*	400	13,520
Buffalo Wild Wings, Inc.*	4,600	114,218
California Pizza Kitchen, Inc.*	1,900	21,261
Carnival PLC	148	4,702
CEC Entertainment, Inc.*	5,200	145,652
Chipotle Mexican Grill, Inc. "B"*	900	67,824
Compass Group PLC	2,000	15,026
Crown Ltd.	2,892	25,715
Darden Restaurants, Inc.	7,600	242,744
Enterprise Inns PLC	482	3,890
InterContinental Hotel Group PLC	251	3,350
Jack in the Box, Inc.*	4,600	103,086
Ladbrokes PLC	788	4,002
Lottomatica SpA	307	9,148
McDonald's Corp.	36,642	2,060,013
P.F. Chang's China Bistro, Inc.*	6,900	154,146
Shangri-La Asia Ltd.	8,000	18,653
Sodexo	85	5,557
TABCORP Holding Ltd.	3,956	37,160
Tatts Group Ltd.	9,003	20,149
Town Sports International Holdings, Inc.*	13,400	125,156
TUI AG	155	3,586
Whitbread PLC	229	5,584
WMS Industries, Inc.*	5,900	175,643
Yum! Brands, Inc.	23,000	807,070
		4,196,886
Household Durables 0.3%		
CSS Industries, Inc.	3,800	92,036
D.R. Horton, Inc.	33,500	363,475
Electrolux AB "B"	800	10,152
Furniture Brands International, Inc.	4,600	61,456
Hooker Furniture Corp.	7,900	136,828
Husqvarna AB "B"	900	7,825
Lennar Corp. "A"	1,800	22,212
Libbey, Inc.	6,800	50,592
Makita Corp.	4,000	163,149
Matsushita Electric Industrial Co., Ltd.	1,000	21,445
NVR, Inc.*	200	100,016
Persimmon PLC	272	1,701
Snap-on, Inc.	900	46,809
Sony Corp.	400	17,186
Taylor Wimpey PLC	1,128	1,384
Tupperware Brands Corp.	6,000	205,320
		1,301,586
Internet & Catalog Retail 0.1%		
Amazon.com, Inc.*	1,100	80,663
Home Retail Group PLC	703	3,036
Overstock.com, Inc.*	4,800	124,560
Priceline.com, Inc.*	500	57,730
Stamps.com, Inc.*	1,100	13,728
		279,717
Media 1.1%		
British Sky Broadcasting Group PLC	1,232	11,569
CBS Corp. "B"	31,600	615,884
Comcast Corp. "A"	47,300	897,281
DG Fastchannel, Inc.*	6,400	110,400
Fairfax Media Ltd.	10,068	28,323
Gannett Co., Inc.	20,953	454,052
Gestevision Telecinco SA	345	4,388
Global Sources Ltd.*	8,880	134,798
ITV PLC	3,194	2,828
Lagardere SCA	107	6,081
Mediaset SpA	4,120	27,082
Modern Times Group MTG AB "B"	175	10,259
Omnicom Group, Inc.	25,020	1,122,898
Pearson PLC	647	7,907
Publicis Groupe	132	4,260

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Reed Elsevier NV	3,446	57,802
Reed Elsevier PLC	1,232	14,086
Seat Pagine Gialle SpA*	18,242	1,892
SES "A" (FDR)	184	4,636
Shaw Communications, Inc. "B"	1,600	32,668
Singapore Press Holdings Ltd.	91,000	283,221
The DIRECTV Group, Inc.*	21,000	544,110
Thomson Reuters Corp.	1,000	32,264
Thomson Reuters PLC	285	7,617
United Business Media Ltd.	388	4,208
Vivendi	790	29,907
Walt Disney Co.	18,800	586,560
Wolters Kluwer NV	1,709	39,644
WPP Group PLC	846	8,144
Yellow Pages Income Fund (Unit)	400	3,472
		5,088,241
Multiline Retail 0.5%		
Canadian Tire Corp. Ltd. "A"	300	15,564
Kohl's Corp.*	16,380	655,855
Macy's, Inc.	20,800	403,936
Marks & Spencer Group PLC	1,148	7,497
Next PLC	169	3,258
PPR	57	6,297
Sears Holdings Corp.*	6,400	471,424
Target Corp.	15,700	729,893
		2,293,724
Specialty Retail 1.2%		
American Eagle Outfitters, Inc.	19,500	265,785
AnnTaylor Stores Corp.*	23,600	565,456
Best Buy Co., Inc.	6,620	262,152
Build-A-Bear Workshop, Inc.*	2,900	21,083
Dick's Sporting Goods, Inc.*	9,600	170,304
Esprit Holdings Ltd.	36,100	375,747
GameStop Corp. "A"*	8,800	355,520
Gymboree Corp.*	2,700	108,189
Hennes & Mauritz AB "B"	1,525	82,311
Hot Topic, Inc.*	10,500	56,805
Industria de Diseno Textil SA	2,564	117,862
Jo-Ann Stores, Inc.*	3,700	85,211
Jos. A. Bank Clothiers, Inc.*	6,300	168,525
Kingfisher PLC	1,961	4,376
Lowe's Companies, Inc.	12,500	259,375
Office Depot, Inc.*	24,694	270,152
RadioShack Corp.	38,500	472,395
Rent-A-Center, Inc.*	10,900	224,213
Staples, Inc.	23,810	565,488
Systemax, Inc.	7,100	125,315
Talbots, Inc.	4,700	54,473
The Buckle, Inc.	4,400	201,212
Tiffany & Co.	7,800	317,850
TJX Companies, Inc.	5,300	166,791
Tween Brands, Inc.*	3,900	64,194
Yamada Denki Co., Ltd.	50	3,555
		5,364,339
Textiles, Apparel & Luxury Goods 0.3%		
Adidas AG	2,229	140,343
Billabong International Ltd.	204	2,109
Burberry Group PLC	424	3,807
Compagnie Financiere Richemont SA "A" (Unit)	3,517	194,227
Fossil, Inc.*	6,200	180,234
G-III Apparel Group Ltd.*	2,500	30,850
Gildan Activewear, Inc.*	600	15,422
Hermes International	54	8,460
Luxottica Group SpA	492	11,501
LVMH Moet Hennessy Louis Vuitton SA	165	17,196
NIKE, Inc. "B"	3,700	220,557
Perry Ellis International, Inc.*	7,700	163,394
Swatch Group AG (Bearer)	96	23,788
Swatch Group AG (Registered)	162	7,532
UniFirst Corp.	2,800	125,048
Wolverine World Wide, Inc.	8,000	213,360
		1,357,828
Consumer Staples 4.4%		
Beverages 1.1%		
Asahi Breweries Ltd.	800	14,948
Carlsberg AS "B"	5,375	518,595
Coca-Cola Amatil Ltd.	1,393	9,352
Diageo PLC	30,253	556,724
Dr. Pepper Snapple Group, Inc.*	20,153	422,810
Foster's Group Ltd.	4,320	20,970
Heineken NV	577	29,328
InBev NV	2,761	190,843
Kirin Holdings Co., Ltd.	1,000	15,573
Pepsi Bottling Group, Inc.	60,800	1,697,536
PepsiCo, Inc.	23,960	1,523,616
Pernod Ricard SA	266	27,282
SABMiller PLC	698	15,983
		5,043,560
Food & Staples Retailing 0.7%		
AEON Co., Ltd.	1,200	14,782
Carrefour SA	847	47,762
Casino Guichard-Perrachon SA	82	9,258
Colruyt SA	81	21,313
Costco Wholesale Corp.	2,800	196,392
CVS Caremark Corp.	24,932	986,559
Delhaize Group	449	30,180
George Weston Ltd.	400	18,488
Ingles Markets, Inc. "A"	600	13,998
J Sainsbury PLC	1,318	8,341
Kesko Oyj "B"	133	4,278
Koninklijke Ahold NV	2,426	32,498
Kroger Co.	25,900	747,733
Lawson, Inc.	100	4,872
Loblaw Companies Ltd.	800	23,858
Metro AG	770	49,065
Metro, Inc. "A"	500	11,886
Nash Finch Co.	800	27,416
Seven & I Holdings Co., Ltd.	1,400	40,026
Shoppers Drug Mart Corp.	7,300	400,115
Sysco Corp.	2,400	66,024
Tesco PLC	5,893	43,274
Wal-Mart Stores, Inc.	1,400	78,680
Walgreen Co.	12,410	403,449
Wesfarmers Ltd.	1,325	47,304
Wesfarmers Ltd. (PPS)	167	6,016
William Morrison Supermarkets PLC	1,655	8,757
Winn-Dixie Stores, Inc.*	600	9,612
Woolworths Ltd.	2,545	59,571
		3,411,507

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Food Products 1.1%		
Ajinomoto Co., Inc.	1,000	9,446
Cadbury PLC	1,029	12,912
Cal-Maine Foods, Inc.	5,300	174,847
Chaoda Modern Agriculture (Holdings) Ltd.	74,000	93,082
Danisco AS	650	41,750
Darling International, Inc.*	13,400	221,368
Dean Foods Co.*	30,460	597,625
Flowers Foods, Inc.	10,100	286,234
Fresh Del Monte Produce, Inc.*	6,200	146,134
General Mills, Inc.	9,471	575,553
Golden Agri-Resources Ltd.	7,000	4,646
Groupe Danone	6,642	466,253
IAWS Group PLC	155	3,880
Imperial Sugar Co.	5,700	88,521
Kellogg Co.	9,310	447,066
Kerry Group PLC "A" (b)	2,393	71,074
Kerry Group PLC "A" (b)	1,500	44,387
Kraft Foods, Inc. "A"	20,917	595,088
Nestle SA (Registered)	13,319	601,835
Nissin Food Products Co., Ltd.	100	3,350
Parmalat SpA	2,981	7,771
Ralcorp Holdings, Inc.*	1,300	64,272
Saputo, Inc.	1,000	28,577
Tate & Lyle PLC	461	3,644
Tyson Foods, Inc. "A"	32,500	485,550
Unilever NV (CVA)	3,277	92,931
Unilever PLC	966	27,482
Wilmar International Ltd.	1,000	3,728
Yakult Honsha Co., Ltd.	200	5,625
		5,204,631
Household Products 0.5%		
Colgate-Palmolive Co.	15,670	1,082,797
Henkel AG & Co. KGaA	557	20,852
Kao Corp.	1,000	26,194
Procter & Gamble Co.	16,790	1,021,000
Reckitt Benckiser Group PLC	343	17,368
Unicharm Corp.	100	7,097
		2,175,308
Personal Products 0.1%		
American Oriental Bioengineering, Inc.*	11,900	117,453
Beiersdorf AG	570	41,929
L'Oreal SA	362	39,321
Shiseido Co., Ltd.	1,000	22,920
		221,623
Tobacco 0.9%		
Alliance One International, Inc.*	13,100	66,941
Altria Group, Inc.	38,073	782,781
British American Tobacco PLC	1,123	38,725
Imperial Tobacco Group PLC	4,830	179,768
Japan Tobacco, Inc.	8	34,047
Philip Morris International, Inc.*	47,787	2,360,200
Reynolds American, Inc.	9,399	438,651
Swedish Match AB	8,600	175,192
		4,076,305
Energy 10.0%		
Energy Equipment & Services 2.3%		
Acergy SA	350	7,804
Aker Solutions ASA	300	7,053
AMEC PLC	47,447	839,372
Baker Hughes, Inc.	11,050	965,107
Compagnie Generale de Geophysique-Veritas*	89	4,202
Dawson Geophysical Co.*	2,400	142,704
ENSCO International, Inc.	10,025	809,418
Fugro NV (CVA)	607	51,757
Gulf Island Fabrication, Inc.	1,000	48,930
Halliburton Co.	39,414	2,091,701
Noble Corp.	25,544	1,659,338
Petroleum Geo-Services ASA	300	7,329
Prosafe Production Public Ltd.*	300	1,738
ProSafe SE	300	2,966
Saipem SpA	231	10,821
SBM Offshore NV	1,462	53,859
Schlumberger Ltd.	16,060	1,725,326
Seadrill Ltd.	400	12,223
Technip SA	75	6,896
Transocean, Inc.*	7,658	1,167,003
Union Drilling, Inc.*	2,400	52,032
Weatherford International Ltd.*	13,938	691,185
WorleyParsons Ltd.	268	9,711
		10,368,475
Oil, Gas & Consumable Fuels 7.7%		
Alpha Natural Resources, Inc.*	7,100	740,459
Apache Corp.	6,600	917,400
ATP Oil & Gas Corp.*	300	11,841
Berry Petroleum Co. "A"	4,300	253,184
BG Group PLC	12,390	322,753
Bill Barrett Corp.*	3,600	213,876
BP PLC	3,970	46,056
Brigham Exploration Co.*	9,700	153,551
Callon Petroleum Co.*	6,500	177,840
Cameco Corp. (b)	17,224	738,393
Cameco Corp. (b)	100	4,295
Canadian Natural Resources Ltd.	200	19,778
Canadian Oil Sands Trust (Unit)	100	5,394
Chevron Corp.	28,166	2,792,096
Cimarex Energy Co.	1,900	132,373
Clayton Williams Energy, Inc.*	1,700	186,915
CNOOC Ltd.	175,200	303,888
Comstock Resources, Inc.*	4,300	363,049
ConocoPhillips	31,551	2,978,099
Denbury Resources, Inc.*	3,600	131,400
Devon Energy Corp.	21,205	2,547,993
El Paso Corp.	400	8,696
Enbridge, Inc.	100	4,321
EnCana Corp.	200	18,311
Encore Acquisition Co.*	4,500	338,355
Eni SpA	2,945	109,664
EOG Resources, Inc.	12,620	1,655,744
ExxonMobil Corp.	23,800	2,097,494
Gazprom (ADR) REG S	9,400	544,134
Hess Corp.	15,400	1,943,326
Husky Energy, Inc.	100	4,788
Imperial Oil Ltd.	100	5,508
INPEX Holdings, Inc.	3	38,005
KazMunaiGas Exploration Production (GDR) 144A	7,700	240,240
Knightsbridge Tankers Ltd.	3,100	99,851
Marathon Oil Corp.	15,232	790,084
Mariner Energy, Inc.*	26,200	968,614
McMoRan Exploration Co.*	6,400	176,128

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Mongolia Energy Corp., Ltd.*	11,000	21,246
Neste Oil Oyj	113	3,310
Nexen, Inc. (b)	19,088	758,748
Nexen, Inc. (b)	200	7,975
Nippon Mining Holdings, Inc.	3,500	21,969
Nippon Oil Corp.	5,000	33,650
Noble Energy, Inc.	22,648	2,277,483
Occidental Petroleum Corp.	28,299	2,542,948
OMV AG	1,327	103,586
Origin Energy Ltd.	1,638	25,228
Paladin Energy Ltd.*	597	3,645
Petro-Canada	200	11,201
Petroleo Brasileiro SA (ADR)	5,000	354,150
PetroQuest Energy, Inc.*	8,000	215,200
PT Bumi Resources Tbk	181,100	161,857
Repsol YPF SA	5,721	225,096
Rosetta Resources, Inc.*	2,600	74,100
Royal Dutch Shell PLC "A"	756	31,030
Royal Dutch Shell PLC "B"	575	23,110
Santos Ltd.	1,160	23,900
StatoilHydro ASA	11,050	412,541
Suncor Energy, Inc. (b)	23,220	1,349,546
Suncor Energy, Inc. (b)	200	11,611
Sunoco, Inc.	12,000	488,280
Swift Energy Co.*	4,200	277,452
Talisman Energy, Inc. (b)	20,821	460,769
Talisman Energy, Inc. (b)	500	11,072
TonenGeneral Sekiyu KK	1,000	9,070
Total SA	5,456	465,129
Valero Energy Corp.	15,000	617,700
W&T Offshore, Inc.	9,500	555,845
Whiting Petroleum Corp.*	3,200	339,456
Woodside Petroleum Ltd.	908	58,948
XTO Energy, Inc.	15,820	1,083,828
		35,144,575

Financials 7.0%

Capital Markets 1.1%

	Shares	Value ($)
3i Group PLC	27,017	441,417
Bank of New York Mellon Corp.	23,300	881,439
BGC Partners, Inc. "A"*	2,400	18,120
Credit Suisse Group (Registered)	572	25,954
Daiwa Securities Group, Inc.	1,000	9,151
FCStone Group, Inc.*	5,000	139,650
IGM Financial, Inc.	100	4,144
Julius Baer Holding AG (Registered)	118	7,898
Lehman Brothers Holdings, Inc.	21,500	425,915
Man Group PLC	13,384	164,980
Mediobanca SpA	349	5,896
Morgan Stanley	17,729	639,485
Nomura Holdings, Inc.	900	13,295
Prospect Capital Corp.	10,208	134,541
State Street Corp.	31,440	2,011,846
UBS AG (Registered)*	1,768	36,552
		4,960,283

Commercial Banks 2.1%

	Shares	Value ($)
Allied Irish Banks PLC	3,784	58,139
Anglo Irish Bank Corp. PLC	2,291	21,252
Australia & New Zealand Banking Group Ltd.	888	15,898
Banca Monte dei Paschi di Siena SpA	915	2,574
Banca Popolare di Milano Scarl	402	3,749
Banco Bilbao Vizcaya Argentaria SA	2,168	41,298
Banco Bradesco SA (ADR) (Preferred)	13,550	277,233
Banco Comercial Portugues SA (Registered)	56,062	120,711
Banco Espirito Santo SA (Registered)	5,226	81,166
Banco Latinoamericano de Exportaciones SA "E"	2,000	32,380
Banco Popolare Societa Cooperativa	263	4,639
Banco Popular Espanol SA	560	7,738
Banco Santander SA	2,899	52,896
Bank of East Asia Ltd.	1,800	9,761
Bank of Ireland	4,627	40,114
Bank of Montreal	300	12,504
Bank of Nova Scotia	500	22,884
Barclays PLC	1,486	8,603
Barclays PLC*	318	60
BB&T Corp.	46,206	1,052,111
BNP Paribas	1,635	146,483
BOC Hong Kong (Holdings) Ltd.	4,500	11,901
Canadian Imperial Bank of Commerce (b)	9,092	499,514
Canadian Imperial Bank of Commerce (b)	200	11,003
Chuo Mitsui Trust Holdings, Inc.	1,000	5,936
City Holding Co.	1,600	65,232
Comerica, Inc.	12,834	328,935
Commercial Bank of Qatar 144A (GDR)*	43,200	367,200
Commerzbank AG	406	11,996
Commonwealth Bank of Australia	608	23,363
Credit Agricole SA	364	7,376
Danske Bank AS	2,700	77,456
DBS Group Holdings Ltd.	3,000	41,678
Deutsche Postbank AG	64	5,600
Dexia SA	666	10,572
DnB NOR ASA	5,600	70,991
Erste Bank der oesterreichischen Sparkassen AG	4,086	252,756
First Financial Bankshares, Inc.	1,400	64,134
First Merchants Corp.	1,000	18,150
Grupo Financiero Banorte SAB de CV "O"	39,300	184,818
Hang Seng Bank Ltd.	1,100	23,181
HBOS PLC	809	4,428
HSBC Holdings PLC (Registered)	9,826	151,504
Hypo Real Estate Holding AG	145	4,063
ICICI Bank Ltd. (ADR)	5,200	149,552
Intesa Sanpaolo	64,871	369,093
Intesa Sanpaolo (RNC)	412	2,121
Jyske Bank AS (Registered)*	375	22,282
KBC Groep NV	927	102,229
Lakeland Bancorp., Inc.	1,500	18,270
Lloyds TSB Group PLC	1,300	7,967
Mitsubishi UFJ Financial Group, Inc.	4,300	37,852
Mizuho Financial Group, Inc.	4	18,523
National Australia Bank Ltd.	790	20,014
National Bank of Canada	100	4,966
National Bank of Greece SA	2,792	125,761
National Penn Bancshares, Inc.	8,200	108,896
Nordea Bank AB	3,800	52,025

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Old National Bancorp.	6,600	94,116
Oriental Financial Group, Inc.	10,200	145,452
Oversea-Chinese Banking Corp., Ltd.	7,000	42,102
Qatar National Bank*	845	52,921
Raiffeisen International Bank-Holding AG	352	44,607
Regions Financial Corp.	39,400	429,854
Republic Bancorp., Inc. "A"	1,400	34,440
Resona Holdings, Inc.	3	4,594
Royal Bank of Canada	700	31,461
Royal Bank of Scotland Group PLC	2,125	9,063
Skandinaviska Enskilda Banken AB "A"	900	16,565
Societe Generale	195	16,787
Southside Bancshares, Inc.	1,100	20,284
Standard Chartered PLC	7,999	226,204
Sterling Bancshares, Inc.	7,650	69,539
Sumitomo Mitsui Financial Group, Inc.	3	22,507
Sumitomo Trust & Banking Co., Ltd.	1,000	6,969
Susquehanna Bancshares, Inc.	10,000	136,900
Svenska Handelsbanken AB "A"	900	21,279
Swedbank AB "A"	300	5,758
Sydbank AS	400	15,223
Synovus Financial Corp.	40,056	349,689
The Bank of Yokohama Ltd.	1,000	6,897
Tompkins Financial Corp.	1,100	40,920
Toronto-Dominion Bank	200	12,602
U.S. Bancorp.	39,000	1,087,710
UMB Financial Corp.	5,400	276,858
UniCredit SpA	46,837	285,309
Unione di Banche Italiane ScpA	379	8,859
United Overseas Bank Ltd.	3,000	41,187
VTB Bank OJSC (GDR) 144A*	30,400	211,280
Wells Fargo & Co.	8,900	211,375
Westpac Banking Corp.	886	16,951
Zions Bancorp.	6,817	214,667
		9,504,460
Consumer Finance 0.2%		
Cash America International, Inc.	4,800	148,800
Credit Saison Co., Ltd.	200	4,193
Discover Financial Services	18,000	237,060
Dollar Financial Corp.*	3,700	55,907
EZCORP, Inc. "A"*	10,500	133,875
ORIX Corp.	50	7,225
World Acceptance Corp.*	3,700	124,579
		711,639
Diversified Financial Services 0.7%		
ASX Ltd.	115	3,455
Bank of America Corp.	12,600	300,762
CIT Group, Inc.	37,600	256,056
Citigroup, Inc.	12,900	216,204
CME Group, Inc.	2,055	787,455
Compagnie Nationale a Portefeuille	60	4,499
Deutsche Boerse AG	1,725	193,544
Fortis	3,268	51,868
Groupe Bruxelles Lambert SA	108	12,790
Hong Kong Exchanges & Clearing Ltd.	1,100	15,979
ING Groep NV (CVA)	1,932	61,055
Interactive Brokers Group, Inc. "A"*	1,500	48,195

	Shares	Value ($)
Investor AB "B"	600	12,593
JPMorgan Chase & Co.	32,400	1,111,644
KBC Ancora	49	4,255
Singapore Exchange Ltd.	2,000	10,191
The Nasdaq OMX Group, Inc.*	6,533	173,451
		3,263,996
Insurance 1.9%		
ACE Ltd.	17,000	936,530
Aegon NV	1,834	24,228
Aflac, Inc.	11,680	733,504
Alleanza Assicurazioni SpA	232	2,513
Alleghany Corp.*	718	238,412
Allianz SE (Registered)	1,275	224,032
Allied World Assurance Co. Holdings Ltd.	8,400	332,808
Allstate Corp.	10,293	469,258
American Physicians Capital, Inc.	700	33,908
AMP Ltd.	965	6,179
AmTrust Financial Services, Inc.	11,700	147,420
Aspen Insurance Holdings Ltd.	5,600	132,552
Assicurazioni Generali SpA	525	20,093
Aviva PLC	589	5,836
Axa	4,470	131,751
AXA Asia Pacific Holdings Ltd.	529	2,369
Chubb Corp.	4,735	232,062
Cincinnati Financial Corp.	7,186	182,524
CNP Assurances	24	2,702
Darwin Professional Underwriters, Inc.*	1,500	46,200
Endurance Specialty Holdings Ltd.	100	3,079
Fidelity National Financial, Inc. "A"	14,889	187,601
First American Corp.	4,900	129,360
Genworth Financial, Inc. "A"	23,692	421,955
Great-West Lifeco, Inc.	100	2,860
Hallmark Financial Services, Inc.*	4,500	43,515
Harleysville Group, Inc.	900	30,447
Hartford Financial Services Group, Inc.	2,800	180,796
Insurance Australia Group Ltd.	1,063	3,511
Irish Life & Permanent PLC	1,271	13,137
Legal & General Group PLC	2,181	4,327
Loews Corp.	11,422	535,692
Manulife Financial Corp.	800	27,977
MetLife, Inc.	25,258	1,332,865
Millea Holdings, Inc.	300	11,677
Mitsui Sumitomo Insurance Group Holdings, Inc.*	300	10,323
Muenchener Rueckversicherungs-Gesellschaft AG (Registered)	128	22,404
Navigators Group, Inc.*	3,200	172,960
Odyssey Re Holdings Corp.	6,928	245,944
Old Mutual PLC	1,347	2,467
Platinum Underwriters Holdings Ltd.	5,200	169,572
Power Corp. of Canada	200	6,123
Power Financial Corp.	100	3,252
Prudential PLC	28,575	302,661
QBE Insurance Group Ltd.	10,787	229,077
Reinsurance Group of America, Inc.	5,400	235,008
Sampo Oyj "A"	4,306	108,228
Seabright Insurance Holdings*	5,100	73,848
Sompo Japan Insurance, Inc.	1,000	9,378
Storebrand ASA	3,200	23,654
Sun Life Financial, Inc.	300	12,342

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Suncorp-Metway Ltd.	457	5,701
Swiss Life Holding (Registered)*	19	5,046
Swiss Re (Registered)	190	12,572
T&D Holdings, Inc.	100	6,167
The Travelers Companies, Inc.	1,900	82,460
Topdanmark AS*	125	18,820
Unum Group	14,790	302,456
Vienna Insurance Group	173	11,416
Zurich Financial Services AG (Registered)	77	19,661
		8,925,220
Real Estate Investment Trusts 0.7%		
Alexandria Real Estate Equities, Inc. (REIT)	900	87,606
Annaly Capital Management, Inc. (REIT)	4,200	65,142
Apartment Investment & Management Co. "A" (REIT)	1,659	56,505
AvalonBay Communities, Inc. (REIT)	1,100	98,076
BioMed Realty Trust, Inc. (REIT)	3,700	90,761
Boston Properties, Inc. (REIT)	1,900	171,418
CapitaMall Trust (REIT)	3,000	6,605
Corio NV (REIT)	72	5,592
Corporate Office Properties Trust (REIT)	2,700	92,691
Cousins Properties, Inc. (REIT)	3,400	78,540
Digital Realty Trust, Inc. (REIT)	2,800	114,548
Equity Lifestyle Properties, Inc. (REIT)	1,700	74,800
Equity Residential (REIT)	4,300	164,561
First Industrial Realty Trust, Inc. (REIT)	3,800	104,386
Glimcher Realty Trust (REIT)	3,400	38,012
Goodman Group (REIT)	1,094	3,249
GPT Group (REIT)	1,538	3,281
HCP, Inc. (REIT)	1,800	57,258
Healthcare Realty Trust, Inc. (REIT)	2,500	59,425
Home Properties, Inc. (REIT)	2,100	100,926
Hospitality Properties Trust (REIT)	3,000	73,380
Host Hotels & Resorts, Inc. (REIT)	5,200	70,980
Kimco Realty Corp. (REIT)	1,900	65,588
LaSalle Hotel Properties (REIT)	2,500	62,825
Lexington Realty Trust (REIT)	5,700	77,691
Link (REIT)	2,500	5,687
Maguire Properties, Inc. (REIT)	2,600	31,642
Mid-America Apartment Communities, Inc. (REIT)	1,800	91,872
OMEGA Healthcare Investors, Inc. (REIT)	2,700	44,955
Parkway Properties, Inc. (REIT)	2,400	80,952
Pennsylvania Real Estate Investment Trust (REIT)	2,200	50,908
Potlatch Corp. (REIT)	1,700	76,704
ProLogis (REIT)	500	27,175
Public Storage (REIT)	1,100	88,869
Realty Income Corp. (REIT)	3,900	88,764
Senior Housing Properties Trust (REIT)	5,600	109,368
Simon Property Group, Inc. (REIT)	3,300	296,637
Sovran Self Storage, Inc. (REIT)	1,500	62,340
Stockland (REIT)	923	4,761
Strategic Hotels & Resorts, Inc. (REIT)	4,800	44,976
Sunstone Hotel Investors, Inc. (REIT)	4,500	74,700
Unibail-Rodamco (REIT)	40	9,235
Vornado Realty Trust (REIT)	1,600	140,800
Washington Real Estate Investment Trust (REIT)	3,400	102,170
Wereldhave N.V. (REIT)	48	5,054
Westfield Group (REIT)	891	13,882
		3,275,297
Real Estate Management & Development 0.1%		
Brookfield Asset Management, Inc. "A"	300	9,738
Capitaland Ltd.	4,000	16,801
Cheung Kong (Holdings) Ltd.	1,000	13,448
City Developments Ltd.	1,000	8,003
Hang Lung Properties Ltd.	2,000	6,397
Henderson Land Development Co., Ltd.	1,000	6,222
Immoeast AG*	2,982	26,290
Immofinanz Immobilien Anlagen AG	3,441	35,470
Kerry Properties Ltd.	1,000	5,240
Lend Lease Corp., Ltd.	287	2,624
Meinl European Land Ltd.*	2,003	22,477
Mitsubishi Estate Co., Ltd.	1,000	22,831
New World Development Co., Ltd.	2,000	4,063
Sino Land Co., Ltd.	2,000	3,966
Sun Hung Kai Properties Ltd.	1,000	13,538
Swire Pacific Ltd. "A"	1,000	10,275
Wharf Holdings Ltd.	40,000	167,142
		374,525
Thrifts & Mortgage Finance 0.2%		
Capitol Federal Financial	6,405	240,892
Dime Community Bancshares	10,100	166,751
Flagstar Bancorp., Inc.	13,500	40,635
Flushing Financial Corp.	5,000	94,750
New York Community Bancorp., Inc.	13,430	239,591
Northwest Bancorp., Inc.	1,200	26,184
People's United Financial, Inc.	14,724	229,695
WSFS Financial Corp.	800	35,680
		1,074,178

Health Care 7.2%

	Shares	Value ($)
Biotechnology 0.9%		
Actelion Ltd. (Registered)*	83	4,416
Alkermes, Inc.*	9,900	122,364
Alnylam Pharmaceuticals, Inc.*	5,000	133,650
Celgene Corp.*	8,500	542,895
CSL Ltd.	3,003	102,924
Cubist Pharmaceuticals, Inc.*	7,200	128,592
Emergent Biosolutions, Inc.*	1,900	18,867
Enzon Pharmaceuticals, Inc.*	2,500	17,800
Genentech, Inc.*	9,990	758,241
Gilead Sciences, Inc.*	27,280	1,444,476
Grifols SA	301	9,592
Isis Pharmaceuticals, Inc.*	11,900	162,197
Onyx Pharmaceuticals, Inc.*	4,500	160,200
OSI Pharmaceuticals, Inc.*	6,000	247,920
		3,854,134
Health Care Equipment & Supplies 1.7%		
Align Technology, Inc.*	9,600	100,704
Analogic Corp.	600	37,842

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Baxter International, Inc.	45,437	2,905,242
C.R. Bard, Inc.	5,550	488,123
Cochlear Ltd.	314	13,154
Essilor International SA	609	37,157
Getinge AB "B"	200	4,882
Hologic, Inc.*	10,400	226,720
Intuitive Surgical, Inc.*	1,800	484,920
Medtronic, Inc.	28,500	1,474,875
Meridian Bioscience, Inc.	700	18,844
Merit Medical Systems, Inc.*	5,100	74,970
Nobel Biocare Holding AG (Bearer)	155	5,037
Olympus Corp.	1,000	33,890
Quidel Corp.*	900	14,868
Smith & Nephew PLC	1,343	14,750
Sonova Holding AG (Registered)	59	4,857
St. Jude Medical, Inc.*	18,300	748,104
SurModics, Inc.*	3,400	152,456
Synthes, Inc.	73	10,017
Terumo Corp.	5,800	295,534
William Demant Holding AS*	50	3,287
Zimmer Holdings, Inc.*	7,890	536,915
		7,687,148
Health Care Providers & Services 1.2%		
Aetna, Inc.	5,100	206,703
Alliance Imaging, Inc.*	2,000	17,340
Apria Healthcare Group, Inc.*	5,300	102,767
Celesio AG	634	22,916
Centene Corp.*	6,600	110,814
CorVel Corp.*	4,600	155,802
Express Scripts, Inc.*	11,600	727,552
Fresenius Medical Care AG & Co. KGaA	7,278	400,762
Health Management Associates, Inc. "A"*	125,700	818,307
Healthspring, Inc.*	9,500	160,360
Kindred Healthcare, Inc.*	6,300	181,188
Laboratory Corp. of America Holdings*	6,100	424,743
Landauer, Inc.	100	5,624
LifePoint Hospitals, Inc.*	9,000	254,700
Magellan Health Services, Inc.*	1,800	66,654
Mediceo Paltac Holdings Co., Ltd.	400	7,355
Owens & Minor, Inc.	6,200	283,278
RehabCare Group, Inc.*	3,900	62,517
Res-Care, Inc.*	3,100	55,118
Sonic Healthcare Ltd.	1,874	26,105
Suzuken Co., Ltd.	200	7,380
UnitedHealth Group, Inc.	8,330	218,663
WellPoint, Inc.*	22,997	1,096,037
		5,412,685
Health Care Technology 0.0%		
Eclipsys Corp.*	8,400	154,224
Phase Forward, Inc.*	1,900	34,143
		188,367
Life Sciences Tools & Services 0.5%		
Albany Molecular Research, Inc.*	600	7,962
Cambrex Corp.*	8,600	50,482
Dionex Corp.*	800	53,096
eResearchTechnology, Inc.*	12,800	223,232
Gerresheimer AG	5,519	280,839
Invitrogen Corp.*	1,500	58,890
Lonza Group AG (Registered)	2,850	393,428

	Shares	Value ($)
PAREXEL International Corp.*	3,400	89,454
Thermo Fisher Scientific, Inc.*	20,056	1,117,721
		2,275,104
Pharmaceuticals 2.9%		
Abbott Laboratories	20,219	1,071,000
Astellas Pharma, Inc.	1,500	63,719
AstraZeneca PLC	2,082	88,545
Bristol-Myers Squibb Co.	55,100	1,131,203
Caraco Pharmaceutical Laboratories Ltd.*	5,300	69,960
Chugai Pharmaceutical Co., Ltd.	900	14,419
Cypress Bioscience, Inc.*	12,300	88,437
Daiichi Sankyo Co., Ltd.	2,200	60,492
Eisai Co., Ltd.	800	28,219
Elan Corp. PLC* (b)	10,990	393,642
Elan Corp. PLC* (b)	189	6,685
Eli Lilly & Co.	34,120	1,574,979
GlaxoSmithKline PLC	7,866	173,847
Hisamitsu Pharmaceutical Co., Inc.	200	8,692
Johnson & Johnson	21,182	1,362,850
Kyowa Hakko Kogyo Co., Ltd.	1,000	10,233
Medicines Co.*	9,300	184,326
Medicis Pharmaceutical Corp. "A"	10,100	209,878
Merck & Co., Inc.	35,318	1,331,135
Merck KGaA	570	80,937
Mitsubishi Tanabe Pharma Corp.	1,000	13,089
Novartis AG (Registered)	2,484	136,214
Novo Nordisk AS "B"	7,100	467,787
Ono Pharmaceutical Co., Ltd.	300	16,547
Perrigo Co.	7,400	235,098
Pfizer, Inc.	131,415	2,295,820
Roche Holding AG (Genusschein)	3,150	565,239
Sanofi-Aventis	3,195	212,549
Shionogi & Co., Ltd.	1,000	19,760
Shire Ltd.	640	10,488
Takeda Pharmaceutical Co., Ltd.	2,700	136,925
Teva Pharmaceutical Industries Ltd. (ADR)	10,549	483,144
UCB SA	4,368	160,653
Wyeth	13,327	639,163
		13,345,674

Industrials 6.8%

	Shares	Value ($)
Aerospace & Defense 1.8%		
BAE Systems PLC	20,299	178,665
Boeing Co.	17,300	1,136,956
Bombardier, Inc. "B"*	3,500	25,434
CAE, Inc.	700	7,908
Cobham PLC	1,159	4,559
Esterline Technologies Corp.*	3,700	182,262
European Aeronautic Defence & Space Co.	222	4,167
Finmeccanica SpA	206	5,383
Goodrich Corp.	12,000	569,520
Honeywell International, Inc.	41,843	2,103,866
Northrop Grumman Corp.	8,900	595,410
Orbital Sciences Corp.*	400	9,424
Precision Castparts Corp.	7,600	732,412
Raytheon Co.	9,657	543,496
Rolls-Royce Group PLC*	1,977	13,424
Singapore Technologies Engineering Ltd.	9,000	18,040
Teledyne Technologies, Inc.*	4,400	214,676
Thales SA	71	4,039

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Triumph Group, Inc.	3,400	160,140
United Technologies Corp.	29,682	1,831,380
		8,341,161
Air Freight & Logistics 0.1%		
Deutsche Post AG (Registered)	514	13,409
FedEx Corp.	2,000	157,580
Hub Group, Inc. "A"*	2,300	78,499
Pacer International, Inc.	9,000	193,590
TNT NV	791	26,868
Toll Holdings Ltd.	1,558	9,016
		478,962
Airlines 0.0%		
Air France-KLM	113	2,693
Deutsche Lufthansa AG (Registered)	185	3,973
Iberia Lineas Aereas de Espana SA	855	2,035
Qantas Airways Ltd.	2,776	8,086
Singapore Airlines Ltd.	3,000	32,468
SkyWest, Inc.	3,400	43,010
		92,265
Building Products 0.2%		
AAON, Inc.	1,200	23,112
Apogee Enterprises, Inc.	7,100	114,736
Asahi Glass Co., Ltd.	1,000	12,114
Assa Abloy AB "B"	400	5,781
Compagnie de Saint-Gobain	180	11,235
Daikin Industries Ltd.	100	5,037
Geberit AG (Registered)	59	8,641
Gibraltar Industries, Inc.	4,400	70,268
Insteel Industries, Inc.	6,500	119,015
Lennox International, Inc.	10,600	306,976
Owens Corning, Inc.*	5,100	116,025
Wienerberger AG	68	2,850
		795,790
Commercial Services & Supplies 0.5%		
Adecco SA (Registered)	181	8,926
American Ecology Corp.	1,900	56,107
Babcock International Group PLC	24,830	302,087
Bowne & Co., Inc.	600	7,650
Brambles Ltd.	4,498	37,775
Capita Group PLC	467	6,386
Clean Harbors, Inc.*	1,400	99,484
Comfort Systems USA, Inc.	3,100	41,664
COMSYS IT Partners, Inc.*	12,900	117,648
Consolidated Graphics, Inc.*	2,700	133,029
Experian Group Ltd.	763	5,639
Exponent, Inc.*	2,400	75,384
G4S PLC	997	4,016
GeoEye, Inc.*	4,500	79,695
Hudson Highland Group, Inc.*	10,600	110,982
Intertek Group PLC	9,578	188,167
Manpower, Inc.	1,200	69,888
Randstad Holdings NV	312	10,886
Rentokil Initial PLC	1,774	3,503
Secom Co., Ltd.	100	4,869
Securitas AB "B"	400	4,640
Serco Group PLC	451	4,003
SGS SA (Registered)	7	9,986
Standard Register Co.	1,300	12,259
The Brink's Co.	10,500	686,910
Volt Information Sciences, Inc.*	8,300	98,853
Watson Wyatt Worldwide, Inc. "A"	500	26,445
		2,206,881
Construction & Engineering 0.6%		
Acciona SA	141	33,265
ACS, Actividades de Construccion y Servicios SA	951	47,494
Arabtec Holding Co.*	214	944
Balfour Beatty PLC	491	4,148
Boart Longyear Group	3,671	7,838
Bouygues SA	209	13,779
EMCOR Group, Inc.*	8,100	231,093
FLSmidth & Co. AS	1,750	191,827
Fluor Corp.	3,600	669,888
Fomento de Construcciones y Contratas SA	208	12,280
Granite Construction, Inc.	700	22,071
Grupo Ferrovial SA	303	18,713
Hochtief AG	35	3,540
Leighton Holdings Ltd.	9,181	442,478
MasTec, Inc.*	16,100	171,626
Michael Baker Corp.*	1,400	30,632
Orascom Construction Industries (GDR) (REG S)	1,100	150,396
Perini Corp.*	4,500	148,725
Shaw Group, Inc.*	8,000	494,320
Skanska AB "B"	600	8,569
SNC-Lavalin Group, Inc.	400	21,975
Vinci SA	266	16,230
YIT Oyj	789	19,702
		2,761,533
Electrical Equipment 0.4%		
ABB Ltd. (Registered)*	2,468	69,654
Acuity Brands, Inc.	2,300	110,584
Alstom	65	14,903
Brady Corp. "A"	1,000	34,530
Emerson Electric Co.	14,340	709,113
Gamesa Corp. Tecnologica SA	842	41,328
GrafTech International Ltd.*	7,400	198,542
II-VI, Inc.*	4,300	150,156
Mitsubishi Electric Corp.	1,000	10,815
Polypore International, Inc.*	1,400	35,462
Q-Cells AG*	40	4,048
Renewable Energy Corp. AS*	100	2,577
Schneider Electric SA	133	14,335
Solarworld AG	59	2,801
Sumitomo Electric Industries Ltd.	400	5,094
Superior Essex, Inc.*	3,700	165,131
Vestas Wind Systems AS*	500	65,239
		1,634,312
Industrial Conglomerates 0.6%		
CSR Ltd.	3,192	7,456
Fraser & Neave Ltd.	5,000	16,707
General Electric Co.	96,748	2,582,204
Hutchison Whampoa Ltd.	10,000	101,124
Keppel Corp., Ltd.	6,000	49,472
Koninklijke (Royal) Philips Electronics NV	2,098	70,846
Orkla ASA	900	11,515
SembCorp Industries Ltd.	5,000	15,363
Siemens AG (Registered)	564	62,455
Smiths Group PLC	412	8,896
		2,926,038

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Machinery 1.3%		
Actuant Corp. "A"	1,700	53,295
AGCO Corp.*	19,900	1,042,959
Alfa Laval AB	500	7,733
Ampco-Pittsburgh Corp.	300	13,344
Atlas Copco AB "A"	800	11,760
Atlas Copco AB "B"	400	5,316
Badger Meter, Inc.	2,300	116,219
Caterpillar, Inc.	15,870	1,171,523
China Infrastructure Machinery Holdings Ltd.	104,000	96,037
Columbus McKinnon Corp.*	5,300	127,624
Dover Corp.	14,333	693,287
EnPro Industries, Inc.*	5,000	186,700
FANUC Ltd.	100	9,744
Gorman-Rupp Co.	500	19,920
Invensys PLC*	823	4,262
KCI Konecranes Oyj	84	3,465
Komatsu Ltd.	12,300	342,021
Kone Oyj "B"	968	33,818
Kubota Corp.	1,000	7,172
MAN AG	79	8,753
Metso Corp.	793	35,877
Mitsubishi Heavy Industries Ltd.	2,000	9,577
Mueller Industries, Inc.	1,200	38,640
Parker Hannifin Corp.	25,600	1,825,792
Sandvik AB	1,200	16,395
Scania AB "B"	400	5,474
Schindler Holding AG	84	6,231
SembCorp. Marine Ltd.	2,000	5,988
SKF AB "B"	600	9,395
Sulzer AG (Registered)	40	5,072
Twin Disc, Inc.	1,100	23,023
Vallourec SA	33	11,528
Valmont Industries, Inc.	1,200	125,148
Volvo AB "A"	300	3,524
Volvo AB "B"	1,300	15,859
Wartsila Oyj	519	32,486
Xerium Technologies, Inc.	3,700	14,652
Zardoya Otis SA	514	10,651
		6,150,264
Marine 0.2%		
A P Moller-Maersk AS "A"	1	12,201
A P Moller-Maersk AS "B"	3	36,537
Alexander & Baldwin, Inc.	3,000	136,650
Kirby Corp.*	11,800	566,400
Kuehne & Nagel International AG (Registered)	78	7,379
Mitsui O.S.K. Lines Ltd.	1,000	14,362
Nippon Yusen Kabushiki Kaisha	1,000	9,596
Pacific Basin Shipping Ltd.	6,000	8,517
TBS International Ltd. "A"*	2,700	107,865
		899,507
Road & Rail 0.7%		
Arkansas Best Corp.	4,800	175,872
Bayerische Motoren Werke (BMW) AG	82	3,935
Burlington Northern Santa Fe Corp.	3,700	369,593
Canadian National Railway Co. (b)	14,400	692,352
Canadian National Railway Co. (b)	1,200	57,641
Canadian Pacific Railway Ltd.	400	26,557
Central Japan Railway Co.	1	11,013
CSX Corp.	3,300	207,273
DSV AS	700	16,748
East Japan Railway Co.	1	8,139
FirstGroup PLC	431	4,457
MTR Corp., Ltd.	7,000	22,007
Norfolk Southern Corp.	5,800	363,486
Ryder System, Inc.	18,900	1,301,832
West Japan Railway Co.	1	4,912
		3,265,817
Trading Companies & Distributors 0.3%		
Applied Industrial Technologies, Inc.	2,300	55,591
Bunzl PLC	366	4,765
Finning International, Inc.	500	12,504
Itochu Corp.	1,000	10,615
Marubeni Corp.	1,000	8,338
Mitsubishi Corp.	11,500	378,396
Mitsui & Co., Ltd.	12,000	264,933
Noble Group Ltd.	101,600	177,542
Sumitomo Corp.	500	6,554
United Rentals, Inc.*	16,900	331,409
Wolseley PLC	527	3,918
		1,254,565
Transportation Infrastructure 0.1%		
Abertis Infraestructuras SA	1,434	33,853
Atlantia SpA	186	5,614
Brisa	11,650	134,241
Cintra Concesiones de Infraestructuras de Transporte SA	1,277	14,230
Hopewell Holdings Ltd.	3,000	10,640
Macquarie Infrastructure Group (Unit)	7,725	17,148
Novorossiysk Sea Trade Port (GDR) 144A*	3,500	52,395
Transurban Group (Unit)	3,144	12,680
		280,801

Information Technology 7.4%

	Shares	Value ($)
Communications Equipment 0.9%		
Alcatel-Lucent*	6,661	40,103
Anaren, Inc.*	2,900	30,653
Avocent Corp.*	1,300	24,180
Black Box Corp.	1,100	29,909
Brocade Communications Systems, Inc.*	86,890	715,974
Cisco Systems, Inc.*	46,270	1,076,240
Corning, Inc.	14,300	329,615
Harmonic, Inc.*	14,800	140,748
Juniper Networks, Inc.*	5,000	110,900
Nokia Oyj	11,819	289,520
Nortel Networks Corp.*	900	7,370
Oplink Communications, Inc.*	5,100	48,960
Plantronics, Inc.	5,200	116,064
QUALCOMM, Inc.	15,930	706,814
Research In Motion Ltd.* (b)	800	93,902
Research In Motion Ltd.* (b)	1,100	128,590
Tandberg ASA	100	1,638
Tekelec*	10,200	150,042
Telefonaktiebolaget LM Ericsson "B"	9,600	99,065
		4,140,287

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Computers & Peripherals 2.2%		
Apple, Inc.*	10,700	1,791,608
EMC Corp.*	38,230	561,599
Fujitsu Ltd.	1,000	7,394
Hewlett-Packard Co.	46,900	2,073,449
International Business Machines Corp.	21,440	2,541,283
Intevac, Inc.*	5,800	65,424
Lexmark International, Inc. "A"*	29,800	996,214
Logitech International SA (Registered)*	8,420	224,448
NEC Corp.	1,000	5,252
Seagate Technology	54,600	1,044,498
Toshiba Corp.	2,000	14,705
Western Digital Corp.*	14,800	511,044
Wincor Nixdorf AG	83	5,762
		9,842,680
Electronic Equipment & Instruments 0.3%		
Arrow Electronics, Inc.*	1,900	58,368
Avnet, Inc.*	5,400	147,312
Benchmark Electronics, Inc.*	600	9,804
Electro Rent Corp.	4,900	61,446
Electrocomponents PLC	2,281	6,650
Fujifilm Holdings Corp.	200	6,848
Hitachi Ltd.	2,000	14,384
Hoya Corp.	200	4,635
IBIDEN Co., Ltd.	100	3,618
Insight Enterprises, Inc.*	6,300	73,899
Kyocera Corp.	100	9,390
Mettler-Toledo International, Inc.*	5,800	550,188
Multi-Fineline Electronix, Inc.*	5,600	154,952
Murata Manufacturing Co., Ltd.	100	4,743
Nidec Corp.	100	6,645
ScanSource, Inc.*	800	21,408
SYNNEX Corp.*	2,700	67,743
TDK Corp.	100	5,996
TTM Technologies, Inc.*	5,200	68,692
Tyco Electronics Ltd.	4,100	146,862
		1,423,583
Internet Software & Services 0.6%		
CMGI, Inc.*	5,700	60,420
EarthLink, Inc.*	13,100	113,315
eBay, Inc.*	11,200	306,096
Google, Inc. "A"*	2,915	1,534,514
GSI Commerce, Inc.*	2,700	36,801
InfoSpace, Inc.	2,600	21,658
j2 Global Communications, Inc.*	2,500	57,500
Marchex, Inc. "B"	1,600	19,712
NIC, Inc.	1,400	9,562
United Internet AG (Registered)	218	4,292
United Online, Inc.	7,200	72,216
ValueClick, Inc.*	6,000	90,900
Websense, Inc.*	5,000	84,200
Yahoo! Japan Corp.	9	3,451
Yahoo!, Inc.*	11,600	239,656
		2,654,293
IT Services 1.0%		
Accenture Ltd. "A"	18,510	753,727
Acxiom Corp.	5,400	62,046
Atos Origin SA*	177	9,740
Cap Gemini SA	340	19,984
CGI Group, Inc. "A"*	600	5,978

	Shares	Value ($)
Computer Sciences Corp.*	11,200	524,608
CSG Systems International, Inc.*	11,900	131,138
Fiserv, Inc.*	8,000	362,960
Gartner, Inc.*	9,900	205,128
iGATE Corp.*	3,400	27,642
Indra Sistemas SA	9,704	251,681
Integral Systems, Inc.	600	23,220
Logica PLC	19,836	42,597
MasterCard, Inc. "A"	2,500	663,800
MAXIMUS, Inc.	6,000	208,920
NTT Data Corp.	1	3,901
Redecard SA (GDR) 144A	6,200	239,708
SAIC, Inc.*	13,700	285,097
Sapient Corp.*	12,300	78,966
TNS, Inc.*	1,500	35,940
Visa, Inc. "A"*	10,400	845,624
		4,782,405
Office Electronics 0.2%		
Canon, Inc.	12,900	661,255
Konica Minolta Holdings, Inc.	500	8,464
Neopost SA	90	9,505
		679,224
Semiconductors & Semiconductor Equipment 0.9%		
ANADIGICS, Inc.*	10,800	106,380
ARM Holdings PLC	1,833	3,088
ASML Holding NV	4,336	105,604
Broadcom Corp. "A"*	9,040	246,702
Elpida Memory, Inc.*	100	3,211
Infineon Technologies AG*	1,742	15,051
Intel Corp.	54,700	1,174,956
Microsemi Corp.*	6,500	163,670
Monolithic Power Systems, Inc.*	5,400	116,748
Pericom Semiconductor Corp.*	2,000	29,680
ROHM Co., Ltd.	100	5,738
Semtech Corp.*	12,100	170,247
Skyworks Solutions, Inc.*	19,200	189,504
Standard Microsystems Corp.*	3,100	84,165
STMicroelectronics NV	1,681	17,343
Taiwan Semiconductor Manufacturing Co., Ltd. (ADR)	67,123	732,312
Techwell, Inc.*	1,300	16,016
Texas Instruments, Inc.	22,700	639,232
Tokyo Electron Ltd.	100	5,750
TriQuint Semiconductor, Inc.*	26,700	161,802
Ultratech, Inc.*	5,200	80,704
Volterra Semiconductor Corp.*	8,500	146,710
Zoran Corp.*	7,400	86,580
		4,301,193
Software 1.3%		
Adobe Systems, Inc.*	20,950	825,221
Advent Software, Inc.*	3,300	119,064
Compuware Corp.*	9,700	92,538
Dassault Systemes SA	159	9,648
Electronic Arts, Inc.*	8,500	377,655
JDA Software Group, Inc.*	10,400	188,240
Microsoft Corp.	119,550	3,288,821
Misys PLC	1,295	3,833
Net 1 UEPS Technologies, Inc.*	1,300	31,590
Nintendo Co., Ltd.	1,100	619,082
Parametric Technology Corp.*	1,400	23,338
Renaissance Learning, Inc.	1,700	19,057
SAP AG	2,011	105,123

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	Shares	Value ($)
SPSS, Inc.*	3,600	130,932
Sybase, Inc.*	4,800	141,216
Symantec Corp.*	2,300	44,505
The Sage Group PLC	17,707	73,313
		6,093,176

Materials 3.6%

	Shares	Value ($)
Chemicals 2.2%		
Agrium, Inc. (b)	4,566	491,028
Agrium, Inc. (b)	100	10,783
Air Liquide SA	90	11,865
Air Products & Chemicals, Inc.	9,114	901,010
Akzo Nobel NV	890	60,931
Asahi Kasei Corp.	1,000	5,248
Ashland, Inc.	6,500	313,300
BASF SE	638	43,938
Bayer AG	5,945	499,343
Calgon Carbon Corp.*	10,500	162,330
CF Industries Holdings, Inc.	2,600	397,280
Ciba Holding AG (Registered)	171	4,900
Cytec Industries, Inc.	800	43,648
Dow Chemical Co.	38,602	1,347,596
Eastman Chemical Co.	2,900	199,694
Ecolab, Inc.	11,650	500,833
GenTek, Inc.*	2,300	61,847
Givaudan SA (Registered)	8	7,125
Incitec Pivot Ltd.	26	4,580
Innospec, Inc.	500	9,410
JSR Corp.	200	3,966
K+S AG	14	8,032
Koninklijke DSM NV	553	32,336
Kuraray Co., Ltd.	500	5,976
Linde AG	1,583	221,932
Mitsubishi Chemical Holdings Corp.	1,000	5,803
Mitsubishi Gas Chemical Co., Inc.	1,000	7,200
Mitsui Chemicals, Inc.	1,000	4,919
Monsanto Co.	8,800	1,112,672
NewMarket Corp.	2,400	158,952
Nitto Denko Corp.	200	7,662
Novozymes AS "B"	1,650	148,178
Orica Ltd.	199	5,582
Potash Corp. of Saskatchewan, Inc.	1,701	394,581
Praxair, Inc.	17,697	1,667,765
ShengdaTech, Inc.*	1,300	12,909
Shin-Etsu Chemical Co., Ltd.	400	24,684
Showa Denko KK	2,000	5,301
Solvay SA	830	107,932
Sumitomo Chemical Co., Ltd.	2,000	12,575
Syngenta AG (Registered)	177	57,281
Teijin Ltd.	1,000	3,423
Terra Industries, Inc.	5,700	281,295
Toray Industries, Inc.	2,000	10,743
Ube Industries Ltd.	1,000	3,534
Umicore	1,794	88,504
Uralkali (GDR) 144A*	5,800	421,660
Yara International ASA	2,000	176,415
		10,068,501
Construction Materials 0.1%		
CRH PLC (b)	2,495	72,127
CRH PLC (b)	5,136	149,481
Fletcher Building Ltd.	324	1,567
Holcim Ltd. (Registered)	403	32,585
Imerys SA	73	5,280
Lafarge SA	142	21,724
		282,764
Containers & Packaging 0.2%		
Amcor Ltd.	605	2,926
Owens-Illinois, Inc.*	11,900	496,111
Sonoco Products Co.	19,377	599,718
Toyo Seikan Kaisha Ltd.	300	5,307
		1,104,062
Metals & Mining 1.0%		
A.M. Castle & Co.	1,100	31,471
Acerinox SA	4,664	106,962
Agnico-Eagle Mines Ltd.	100	7,501
Alumina Ltd.	739	3,343
Anglo American PLC	4,721	334,384
ArcelorMittal	561	55,378
Barrick Gold Corp.	300	13,713
BHP Billiton Ltd.	1,387	59,075
BHP Billiton PLC	836	32,110
BlueScope Steel Ltd.	470	5,102
Boliden AB	1,900	15,344
Companhia Vale do Rio Doce (ADR)	4,300	154,026
Compass Minerals International, Inc.	3,100	249,736
Fording Canadian Coal Trust (Unit)	100	9,562
Fortescue Metals Group Ltd.*	700	7,935
Freeport-McMoRan Copper & Gold, Inc.	8,700	1,019,553
Goldcorp, Inc.	300	13,830
JFE Holdings, Inc.	600	30,160
Kinross Gold Corp.	400	9,454
Kobe Steel Ltd.	3,000	8,568
Lonmin PLC	70	4,413
Mitsubishi Materials Corp.	1,000	4,267
Newcrest Mining Ltd.	264	7,450
Nippon Steel Corp.	6,000	32,413
Nisshin Steel Co., Ltd.	1,000	3,393
Norsk Hydro ASA	7,300	106,268
Nucor Corp.	3,900	291,213
Olympic Steel, Inc.	2,400	182,208
Outokumpu Oyj	1,187	41,233
Oxiana Ltd.*	1,031	2,580
Rautaruukki Oyj	857	38,966
Reliance Steel & Aluminum Co.	1,200	92,508
Rio Tinto Ltd.	95	12,384
Rio Tinto PLC	317	38,867
Salzgitter AG	31	5,665
Schnitzer Steel Industries, Inc. "A"	2,100	240,660
SSAB Svenskt Stal AB "A"	1,200	38,537
Sumitomo Metal Industries Ltd.	4,000	17,554
Sumitomo Metal Mining Co., Ltd.	1,000	15,222
Teck Cominco Ltd. "B"	300	14,466
ThyssenKrupp AG	248	15,541
United States Steel Corp.	3,800	702,164
Universal Stainless & Alloy Products, Inc.*	1,400	51,856
Vedanta Resources PLC	6,866	299,416
voestalpine AG	124	10,170
Xstrata PLC	4,276	339,832
Yamana Gold, Inc.	300	4,990
		4,781,443

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Paper & Forest Products 0.1%		
Buckeye Technologies, Inc.*	12,200	103,212
Domtar Corp.*	16,000	87,200
Oji Paper Co., Ltd.	1,000	4,708
Schweitzer-Mauduit International, Inc.	2,400	40,440
Stora Enso Oyj "R"	5,842	54,386
Svenska Cellulosa AB "B"	3,400	47,873
UPM-Kymmene Oyj	5,192	84,405
		422,224

Telecommunication Services 2.7%

	Shares	Value ($)
Diversified Telecommunication Services 2.2%		
AT&T, Inc.	70,082	2,361,062
Atlantic Tele-Network, Inc.	4,200	115,542
BCE, Inc. (b)	25,079	873,000
BCE, Inc. (b)	1,200	41,836
Belgacom SA	541	23,191
BT Group PLC	9,801	38,958
Cable & Wireless PLC	3,199	9,579
Deutsche Telekom AG (Registered)	8,760	143,226
Elisa Oyj	491	10,232
Embarq Corp.	8,900	420,703
FairPoint Communications, Inc.	941	6,785
France Telecom SA	7,108	208,656
Global Crossing Ltd.*	6,400	114,816
Koninklijke (Royal) KPN NV	8,852	151,327
Nippon Telegraph & Telephone Corp.	28	136,479
NTELOS Holdings Corp.	600	15,222
Portugal Telecom SGPS SA (Registered)	12,213	137,653
Premiere Global Services, Inc.*	4,900	71,442
PT Telekomunikasi Indonesia (ADR)	6,700	216,075
Singapore Telecommunications Ltd.	124,000	330,924
Swisscom AG (Registered)	471	156,605
Tele2 AB "B"	1,500	29,164
Telecom Corp. of New Zealand Ltd.	107,665	292,092
Telecom Italia SpA	49,605	99,332
Telecom Italia SpA (RNC)	27,168	43,800
Telefonica SA	27,638	730,443
Telekom Austria AG	6,774	146,588
Telenor ASA	12,500	234,266
TeliaSonera AB	10,500	77,366
Telstra Corp., Ltd.	55,630	225,938
Telus Corp.	300	12,612
Telus Corp. (Non-Voting Shares)	600	24,413
tw telecom, Inc.*	9,700	155,491
Verizon Communications, Inc.	42,300	1,497,420
Windstream Corp.	60,100	741,634
		9,893,872
Wireless Telecommunication Services 0.5%		
America Movil SAB de CV "L" (ADR)	4,600	242,650
American Tower Corp. "A"*	6,300	266,175
Centennial Communications Corp.*	11,000	76,890
China Mobile Ltd.	15,500	207,431
iPCS, Inc.*	2,200	65,186
KDDI Corp.	16	99,057
Millicom International Cellular SA (SDR)	300	31,076
Mobistar SA	53	4,305
NTT DoCoMo, Inc.	87	127,588
Rogers Communications, Inc. "B"	2,000	77,591
Softbank Corp.	4,300	72,359
Syniverse Holdings, Inc.*	7,100	115,020
Telephone & Data Systems, Inc.	7,900	373,433
USA Mobility, Inc.*	9,000	67,950
Vodafone Group PLC	127,373	375,304
		2,202,015

Utilities 3.1%

	Shares	Value ($)
Electric Utilities 2.3%		
Allegheny Energy, Inc.	20,290	1,016,732
American Electric Power Co., Inc.	24,200	973,566
British Energy Group PLC	2,200	31,101
Chubu Electric Power Co., Inc.	2,500	60,947
Chugoku Electric Power Co., Inc.	1,000	21,350
CLP Holdings Ltd.	18,000	154,131
Duke Energy Corp.	34,173	593,927
E.ON AG	4,159	837,529
Edison International	19,300	991,634
EDP — Energias de Portugal SA	24,551	127,994
Electricite de France	321	30,435
Enel SpA	21,075	199,971
Entergy Corp.	5,928	714,205
Exelon Corp.	14,761	1,327,900
FirstEnergy Corp.	15,075	1,241,125
Fortis, Inc.	2,200	58,598
Fortum Oyj	685	34,691
FPL Group, Inc.	13,352	875,624
Hokkaido Electric Power Co., Inc.	800	16,263
Hokuriku Electric Power Co.	700	16,638
Hongkong Electric Holding Ltd.	13,500	80,679
Iberdrola SA	38,359	512,768
Kansai Electric Power Co., Inc.	2,800	65,501
Kyushu Electric Power Co., Inc.	1,400	29,253
Oesterreichische Elektrizitaetswirtschafts AG "A"	68	6,084
Portland General Electric Co.	1,900	42,788
Red Electrica Corporation SA	229	14,880
RWE AG	587	74,050
Scottish & Southern Energy PLC	1,783	49,756
Shikoku Electric Power Co., Inc.	700	19,242
Southern Co.	2,800	97,776
Terna — Rete Elettrica Nationale SpA	6,478	27,398
Tohoku Electric Power Co., Inc.	1,600	34,826
Tokyo Electric Power Co., Inc.	4,600	118,202
Union Fenosa SA	478	27,819
Westar Energy, Inc.	6,300	135,513
		10,660,896
Gas Utilities 0.2%		
Centrica PLC	8,869	54,714
Enagas	311	8,793
Gas Natural SDG SA	502	29,222
Gaz de France	274	17,553
Hong Kong & China Gas Co., Ltd.	38,500	92,342
New Jersey Resources Corp.	550	17,958
ONEOK, Inc.	2,800	136,724
Osaka Gas Co., Ltd.	8,000	29,345
Snam Rete Gas SpA	4,641	31,674
The Laclede Group, Inc.	5,100	205,887
Tokyo Gas Co., Ltd.	9,000	36,210
WGL Holdings, Inc.	8,400	291,816
		952,238

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Independent Power Producers & Energy Traders 0.2%		
Constellation Energy Group, Inc.	9,100	747,110
Electric Power Development Co., Ltd.	600	22,241
Iberdrola Renovables*	1,405	10,846
International Power PLC	4,087	34,970
TransAlta Corp.	2,900	104,829
		919,996
Multi-Utilities 0.4%		
A2A SpA	4,548	16,706
AGL Energy Ltd.	25,006	343,144
Alliant Energy Corp.	1,500	51,390
Ameren Corp.	3,400	143,582
Avista Corp.	400	8,584
CH Energy Group, Inc.	700	24,899
National Grid PLC	5,608	73,491
PG&E Corp.	24,017	953,235
Sempra Energy	400	22,580
Suez SA	1,664	113,011
United Utilities PLC	1,724	23,516
Veolia Environnement	587	32,705
		1,806,843
Water Utilities 0.0%		
Severn Trent PLC	474	**11,989**
Total Common Stocks (Cost $248,456,722)		**262,138,295**

Preferred Stocks 0.1%

Consumer Discretionary 0.1%

Porsche Automobil Holding SE	1,167	179,389
Volkswagen AG	62	8,936
		188,325

Consumer Staples 0.0%

Henkel AG & Co. KGaA	1,125	**44,675**

Health Care 0.0%

Fresenius SE	629	**54,285**

Utilities 0.0%

RWE AG	22	**2,212**
Total Preferred Stocks (Cost $353,710)		**289,497**

Convertible Preferred Stocks 0.0%

Consumer Discretionary

ION Media Networks, Inc., 144A, 12.0%* (Cost $8,344)	60,000	**390**

Participatory Notes 0.1%

Aldar Properties PJSC, Commercial Bank of Qatar, Dubai Islamic Bank, National Central Cooling Co., and Qatar Electricity & Water Co. (issuer Merrill Lynch International & Co.), Expiration Date 4/24/2009*	1,700	167,229
Arabtec Holding Co. (issuer Merrill Lynch International & Co.), Expiration Date 1/12/2010*	1,800	7,898
Merrill Lynch Pioneers Index (issuer Merrill Lynch International & Co.), Expiration Date 2/27/2009*	1,100	101,123
Total Participatory Notes (Cost $287,968)		**276,250**

Warrants 0.0%

Materials

New ASAT (Finance) Ltd., Expiration Date 2/1/2011* (Cost $0)	24,700	**4,881**

Rights 0.0%

HBOS PLC, Expiration Date 7/18/2008* (Cost $269)	323	**69**

	Principal Amount ($)(a)	Value ($)

Corporate Bonds 11.6%

Consumer Discretionary 1.0%

	Principal Amount ($)(a)	Value ($)
AMC Entertainment, Inc., 8.0%, 3/1/2014	75,000	66,562
American Achievement Corp., 8.25%, 4/1/2012	15,000	14,700
American Achievement Group Holding Corp., 14.75%, 10/1/2012 (PIK)	30,279	27,857
Asbury Automotive Group, Inc.:		
7.625%, 3/15/2017	35,000	28,175
8.0%, 3/15/2014	15,000	12,975
Burlington Coat Factory Warehouse Corp., 11.125%, 4/15/2014	15,000	12,150
Cablevision Systems Corp., Series B, 7.133%***, 4/1/2009	15,000	15,000
CanWest MediaWorks LP, 144A, 9.25%, 8/1/2015	25,000	20,375
Carrols Corp., 9.0%, 1/15/2013	15,000	13,050
Charter Communications Holdings LLC, 11.0%, 10/1/2015	21,000	15,566
Charter Communications Operating LLC, 144A, 10.875%, 9/15/2014	60,000	61,650
Comcast Corp., 6.4%, 5/15/2038	1,250,000	1,153,091
Cooper-Standard Automotive, Inc., 7.0%, 12/15/2012	20,000	16,700
CSC Holdings, Inc.:		
7.25%, 7/15/2008	30,000	30,000
Series B, 8.125%, 7/15/2009	25,000	25,188
Series B, 8.125%, 8/15/2009	55,000	55,412
Denny's Holdings, Inc., 10.0%, 10/1/2012	10,000	9,700
DIRECTV Holdings LLC, 144A, 7.625%, 5/15/2016	70,000	68,950
Dollarama Group LP, 8.883%***, 8/15/2012	24,000	22,440
EchoStar DBS Corp.:		
6.625%, 10/1/2014	40,000	37,000
7.125%, 2/1/2016	35,000	32,287
Fontainebleau Las Vegas Holdings LLC, 144A, 10.25%, 6/15/2015	25,000	16,250
General Motors Corp.:		
7.2%, 1/15/2011	95,000	73,150
7.4%, 9/1/2025	20,000	10,300
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015	30,000	29,100

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	Principal Amount ($)(a)	Value ($)
Group 1 Automotive, Inc., 8.25%, 8/15/2013	15,000	14,025
Hanesbrands, Inc., Series B, 6.508%***, 12/15/2014	45,000	41,850
Hertz Corp.:		
8.875%, 1/1/2014	70,000	64,050
10.5%, 1/1/2016	15,000	13,650
Idearc, Inc., 8.0%, 11/15/2016	105,000	66,019
Indianapolis Downs LLC, 144A, 11.0%, 11/1/2012	20,000	18,200
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014	30,000	21,150
Jarden Corp., 7.5%, 5/1/2017	25,000	21,750
Lamar Media Corp., Series C, 6.625%, 8/15/2015	20,000	18,200
Liberty Media LLC:		
5.7%, 5/15/2013	5,000	4,481
8.25%, 2/1/2030	35,000	30,489
8.5%, 7/15/2029	50,000	44,724
MediMedia USA, Inc., 144A, 11.375%, 11/15/2014	15,000	15,000
MGM MIRAGE:		
6.75%, 9/1/2012	10,000	8,975
8.375%, 2/1/2011	20,000	19,300
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010	50,000	50,000
Norcraft Holdings LP, Step-up Coupon, 0% to 9/1/2008, 9.75% to 9/1/2012	80,000	74,500
Penske Automotive Group, Inc., 7.75%, 12/15/2016	50,000	43,750
Pinnacle Entertainment, Inc., 8.75%, 10/1/2013	30,000	30,000
Quebecor Media, Inc., 7.75%, 3/15/2016	20,000	18,600
Quebecor World, Inc., 144A, 9.75%, 1/15/2015**	25,000	12,125
Reader's Digest Association, Inc., 144A, 9.0%, 2/15/2017	25,000	18,250
Sabre Holdings Corp., 8.35%, 3/15/2016	25,000	18,938
Seminole Hard Rock Entertainment, Inc., 144A, 5.276%***, 3/15/2014	30,000	25,200
Shingle Springs Tribal Gaming Authority, 144A, 9.375%, 6/15/2015	25,000	20,313
Simmons Co.:		
Step-up Coupon, 0% to 12/15/2009, 10.0% to 12/15/2014	105,000	77,175
7.875%, 1/15/2014	5,000	4,300
Sinclair Television Group, Inc., 8.0%, 3/15/2012	16,000	16,120
Sirius Satellite Radio, Inc., 9.625%, 8/1/2013	40,000	32,400
Sonic Automotive, Inc., Series B, 8.625%, 8/15/2013	30,000	27,750
Station Casinos, Inc., 6.5%, 2/1/2014	50,000	28,750
TCI Communications, Inc., 8.75%, 8/1/2015	135,000	152,601
Time Warner Cable, Inc.:		
5.4%, 7/2/2012	810,000	801,818
6.2%, 7/1/2013	500,000	508,433
Travelport LLC:		
7.307%***, 9/1/2014	20,000	16,000
9.875%, 9/1/2014	25,000	22,188
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015	60,000	37,350
United Components, Inc., 9.375%, 6/15/2013	5,000	4,675
Univision Communications, Inc., 144A, 9.75%, 3/15/2015 (PIK)	20,000	14,700
Vitro SAB de CV:		
9.125%, 2/1/2017	40,000	31,700
11.75%, 11/1/2013	15,000	14,925
Young Broadcasting, Inc., 8.75%, 1/15/2014	130,000	70,200
		4,442,252
Consumer Staples 0.9%		
Alliance One International, Inc., 8.5%, 5/15/2012	15,000	14,100
CVS Caremark Corp., 6.25%, 6/1/2027	750,000	734,492
Delhaize America, Inc.:		
8.05%, 4/15/2027	30,000	32,372
9.0%, 4/15/2031	56,000	65,923
General Nutrition Centers, Inc., 7.199%***, 3/15/2014 (PIK)	15,000	12,675
Harry & David Holdings, Inc., 7.682%***, 3/1/2012	30,000	26,400
Kellogg Co., 4.25%, 3/6/2013	1,500,000	1,457,174
Kroger Co., 6.15%, 1/15/2020	1,250,000	1,236,769
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012	108,750	91,350
Smithfield Foods, Inc., 7.75%, 7/1/2017	15,000	12,450
Viskase Companies, Inc., 11.5%, 6/15/2011	480,000	417,600
		4,101,305
Energy 0.6%		
Atlas Energy Resources LLC, 144A, 10.75%, 2/1/2018	55,000	57,200
Belden & Blake Corp., 8.75%, 7/15/2012	130,000	132,925
Bristow Group, Inc., 7.5%, 9/15/2017	30,000	30,075
Chaparral Energy, Inc., 8.5%, 12/1/2015	40,000	34,700
Chesapeake Energy Corp.:		
6.25%, 1/15/2018	20,000	18,400
6.875%, 1/15/2016	90,000	86,850
7.75%, 1/15/2015	10,000	10,375
Cimarex Energy Co., 7.125%, 5/1/2017	25,000	24,563
Delta Petroleum Corp., 7.0%, 4/1/2015	65,000	55,575
Dynegy Holdings, Inc.:		
6.875%, 4/1/2011	10,000	9,888
8.375%, 5/1/2016	55,000	53,350
El Paso Corp., 7.25%, 6/1/2018	40,000	39,400
Forest Oil Corp., 144A, 7.25%, 6/15/2019	15,000	14,400
Frontier Oil Corp., 6.625%, 10/1/2011	20,000	19,700
KCS Energy, Inc., 7.125%, 4/1/2012	105,000	100,800
Kinder Morgan Energy Partners LP, 6.0%, 2/1/2017	381,000	376,464
Mariner Energy, Inc.:		
7.5%, 4/15/2013	25,000	24,250
8.0%, 5/15/2017	20,000	19,350

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	Principal Amount ($)(a)	Value ($)
Newfield Exploration Co., 7.125%, 5/15/2018	40,000	37,900
OPTI Canada, Inc.:		
7.875%, 12/15/2014	35,000	34,562
8.25%, 12/15/2014	30,000	29,850
Petrohawk Energy Corp., 144A, 7.875%, 6/1/2015	30,000	29,287
Plains Exploration & Production Co., 7.0%, 3/15/2017	15,000	14,400
Quicksilver Resources, Inc., 7.125%, 4/1/2016	70,000	65,187
Range Resources Corp., 7.25%, 5/1/2018	10,000	9,925
SandRidge Energy, Inc., 144A, 8.0%, 6/1/2018	20,000	20,100
Southern Natural Gas Co., 144A, 5.9%, 4/1/2017	895,000	855,025
Stone Energy Corp.:		
6.75%, 12/15/2014	40,000	35,100
8.25%, 12/15/2011	75,000	73,125
Tennessee Gas Pipeline Co., 7.625%, 4/1/2037	25,000	26,020
Whiting Petroleum Corp.:		
7.0%, 2/1/2014	30,000	29,437
7.25%, 5/1/2012	50,000	49,625
7.25%, 5/1/2013	10,000	9,925
Williams Companies, Inc.:		
8.125%, 3/15/2012	85,000	89,250
8.75%, 3/15/2032	115,000	130,525
Williams Partners LP, 7.25%, 2/1/2017	25,000	25,000
		2,672,508

Financials 4.6%

	Principal Amount ($)(a)	Value ($)
Algoma Acquisition Corp., 144A, 9.875%, 6/15/2015	75,000	71,250
American Express Co., 8.15%, 3/19/2038	1,000,000	1,111,448
Ashton Woods USA LLC, 9.5%, 10/1/2015	70,000	40,600
Buffalo Thunder Development Authority, 144A, 9.375%, 12/15/2014	15,000	10,050
Caterpillar Financial Services Corp., 5.45%, 4/15/2018	1,500,000	1,487,050
Citigroup, Inc.:		
5.5%, 4/11/2013	1,500,000	1,463,965
6.875%, 3/5/2038	1,000,000	964,995
Conproca SA de CV, Series REG S, 12.0%, 6/16/2010	360,450	403,704
Countrywide Home Loans, Inc., Series H, 6.25%, 4/15/2009	125,000	123,135
Daimler Finance North America LLC, Series E, 3.403%***, 10/31/2008	389,000	388,214
FIA Card Services NA, 7.125%, 11/15/2012	1,250,000	1,333,830
Ford Motor Credit Co., LLC:		
7.25%, 10/25/2011	155,000	120,119
7.375%, 10/28/2009	340,000	309,665
7.875%, 6/15/2010	90,000	77,684
General Electric Capital Corp., Series A, 5.25%, 10/19/2012	1,250,000	1,262,185
GMAC LLC, 6.875%, 9/15/2011	365,000	262,279
Hawker Beechcraft Acquisition Co., LLC:		
8.5%, 4/1/2015	50,000	50,375
9.75%, 4/1/2017	55,000	55,000
Hexion US Finance Corp., 9.75%, 11/15/2014	20,000	18,100
Inmarsat Finance PLC, Step-up Coupon, 0% to 11/15/2008, 10.375% to 11/15/2012	30,000	30,300
International Lease Finance Corp., 6.375%, 3/25/2013	625,000	570,479
iPayment, Inc., 9.75%, 5/15/2014	25,000	21,125
JPMorgan Chase & Co., 4.75%, 5/1/2013	1,625,000	1,579,274
Lehman Brothers Holdings, Inc., 5.625%, 1/24/2013	625,000	591,566
Local TV Finance LLC, 144A, 9.25%, 6/15/2015 (PIK)	25,000	19,500
Morgan Stanley, Series F, 5.75%, 8/31/2012	1,250,000	1,240,095
New ASAT (Finance) Ltd., 9.25%, 2/1/2011	95,000	60,800
Popular North America, Inc., Series E, 3.875%, 10/1/2008	1,000,000	997,898
Regions Financial Corp., 7.375%, 12/10/2037	1,000,000	900,760
Residential Capital LLC, 144A, 8.5%, 5/15/2010	25,000	21,000
Simon Property Group LP (REIT), 6.125%, 5/30/2018	850,000	826,877
SLM Corp., Series A, 4.5%, 7/26/2010	125,000	115,664
The Goldman Sachs Group, Inc., 6.15%, 4/1/2018	1,000,000	970,159
Travelers Companies, Inc., 5.8%, 5/15/2018	500,000	486,478
Tropicana Entertainment LLC, 9.625%, 12/15/2014**	75,000	35,625
UCI Holdco, Inc., 10.276%***, 12/15/2013 (PIK)	33,203	28,223
Universal City Development Partners, 11.75%, 4/1/2010	125,000	128,437
Wachovia Corp., Series G, 5.5%, 5/1/2013	1,625,000	1,555,289
Wells Fargo & Co., 4.375%, 1/31/2013	1,250,000	1,210,384
		20,943,581

Health Care 0.3%

	Principal Amount ($)(a)	Value ($)
Advanced Medical Optics, Inc., 7.5%, 5/1/2017	45,000	41,400
Bausch & Lomb, Inc., 144A, 9.875%, 11/1/2015	40,000	40,200
Boston Scientific Corp., 6.0%, 6/15/2011	25,000	24,438
Community Health Systems, Inc., 8.875%, 7/15/2015	185,000	186,156
HCA, Inc.:		
9.125%, 11/15/2014	35,000	35,788
9.25%, 11/15/2016	85,000	87,550
9.625%, 11/15/2016 (PIK)	40,000	41,200
HEALTHSOUTH Corp., 10.75%, 6/15/2016	20,000	21,500
IASIS Healthcare LLC, 8.75%, 6/15/2014	30,000	30,300
Johnson & Johnson, 5.85%, 7/15/2038	500,000	508,513
Psychiatric Solutions, Inc., 7.75%, 7/15/2015	25,000	24,750
Surgical Care Affiliates, Inc., 144A, 8.875%, 7/15/2015 (PIK)	30,000	26,250
The Cooper Companies, Inc., 7.125%, 2/15/2015	45,000	43,200

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	Principal Amount ($)(a)	Value ($)
Vanguard Health Holding Co. I, LLC, Step-up Coupon, 0% to 10/1/2009, 11.25% to 10/1/2015	25,000	22,000
Vanguard Health Holding Co. II, LLC, 9.0%, 10/1/2014	75,000	74,250
		1,207,495

Industrials 1.2%

	Principal Amount ($)(a)	Value ($)
Actuant Corp., 6.875%, 6/15/2017	20,000	19,650
Allied Security Escrow Corp., 11.375%, 7/15/2011	35,000	30,100
American Color Graphics, Inc., 10.0%, 6/15/2010*	140,000	46,200
American Color Graphics, Inc., Promissory Note due 9/15/2008 (c)	8,400	0
ARAMARK Corp., 6.373%***, 2/1/2015	30,000	28,050
Baldor Electric Co., 8.625%, 2/15/2017	25,000	25,125
BE Aerospace, Inc., 8.5%, 7/1/2018	50,000	50,125
Belden, Inc., 7.0%, 3/15/2017	25,000	24,000
Browning-Ferris Industries, Inc., 7.4%, 9/15/2035	250,000	237,500
Building Materials Corp. of America, 7.75%, 8/1/2014	35,000	28,700
Cenveo Corp., 144A, 10.5%, 8/15/2016	10,000	9,900
Congoleum Corp., 8.625%, 8/1/2008**	190,000	142,500
DRS Technologies, Inc.:		
6.625%, 2/1/2016	10,000	10,150
6.875%, 11/1/2013	65,000	65,000
7.625%, 2/1/2018	80,000	84,600
Education Management LLC, 8.75%, 6/1/2014	25,000	23,250
Esco Corp., 144A, 8.625%, 12/15/2013	45,000	45,450
General Cable Corp., 7.125%, 4/1/2017	15,000	14,288
Gibraltar Industries, Inc., Series B, 8.0%, 12/1/2015	75,000	62,625
Great Lakes Dredge & Dock Co., 7.75%, 12/15/2013	20,000	18,950
Harland Clarke Holdings Corp., 9.5%, 5/15/2015	25,000	20,500
Honeywell International, Inc., 4.25%, 3/1/2013	1,250,000	1,232,279
K. Hovnanian Enterprises, Inc.:		
8.875%, 4/1/2012	90,000	65,700
144A, 11.5%, 5/1/2013	10,000	10,375
Kansas City Southern de Mexico SA de CV:		
7.375%, 6/1/2014	20,000	19,400
9.375%, 5/1/2012	60,000	62,400
Kansas City Southern Railway Co., 7.5%, 6/15/2009	20,000	20,200
Lockheed Martin Corp., 4.121%, 3/14/2013	1,500,000	1,456,557
Mobile Services Group, Inc., 9.75%, 8/1/2014	25,000	24,000
Moog, Inc., 144A, 7.25%, 6/15/2018	10,000	9,900
Navios Maritime Holdings, Inc., 9.5%, 12/15/2014	35,000	35,787
R.H. Donnelley Corp., 144A, 8.875%, 10/15/2017	100,000	59,500
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014	4,000	4,250
RBS Global & Rexnord Corp., 9.5%, 8/1/2014	20,000	19,300
Seitel, Inc., 9.75%, 2/15/2014	15,000	13,406
Titan International, Inc., 8.0%, 1/15/2012	85,000	83,300
TransDigm, Inc., 7.75%, 7/15/2014	15,000	14,813
U.S. Concrete, Inc., 8.375%, 4/1/2014	30,000	26,625
Union Pacific Corp., 5.7%, 8/15/2018	1,250,000	1,219,802
United Rentals North America, Inc.:		
6.5%, 2/15/2012	15,000	13,500
7.0%, 2/15/2014	65,000	50,375
Xerox Capital Trust I, 8.0%, 2/1/2027	15,000	14,641
		5,442,773

Information Technology 0.7%

	Principal Amount ($)(a)	Value ($)
Alion Science & Technology Corp., 10.25%, 2/1/2015	20,000	14,000
Freescale Semiconductor, Inc., 8.875%, 12/15/2014	60,000	48,750
Hewlett-Packard Co., 4.5%, 3/1/2013	1,250,000	1,238,030
L-3 Communications Corp.:		
5.875%, 1/15/2015	80,000	73,800
Series B, 6.375%, 10/15/2015	35,000	32,725
Lucent Technologies, Inc., 6.45%, 3/15/2029	90,000	68,850
MasTec, Inc., 7.625%, 2/1/2017	35,000	29,750
Seagate Technology HDD Holdings, 6.8%, 10/1/2016	45,000	41,063
SunGard Data Systems, Inc., 10.25%, 8/15/2015	60,000	60,300
Tyco Electronics Group SA, 6.55%, 10/1/2017	500,000	504,484
Vangent, Inc., 9.625%, 2/15/2015	15,000	13,050
Xerox Corp., 5.65%, 5/15/2013	1,300,000	1,287,075
		3,411,877

Materials 0.4%

	Principal Amount ($)(a)	Value ($)
Appleton Papers, Inc., Series B, 8.125%, 6/15/2011	15,000	14,175
ARCO Chemical Co., 9.8%, 2/1/2020	195,000	155,025
AMH Holdings, Inc., Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014	45,000	29,700
Cascades, Inc., 7.25%, 2/15/2013	67,000	58,290
Chemtura Corp., 6.875%, 6/1/2016	50,000	43,250
CPG International I, Inc., 10.5%, 7/1/2013	50,000	41,750
Exopack Holding Corp., 11.25%, 2/1/2014	80,000	74,200
Freeport-McMoRan Copper & Gold, Inc.:		
8.25%, 4/1/2015	45,000	47,306
8.375%, 4/1/2017	70,000	73,850
GEO Specialty Chemicals, Inc.:		
144A, 10.698%***, 12/31/2009	322,000	241,097
144A, 10.698%***, 3/31/2015	189,280	141,723
144A, 7.5%***, 3/31/2015 (PIK)	3,203	2,398
Georgia-Pacific LLC, 144A, 7.125%, 1/15/2017	15,000	14,100
Hexcel Corp., 6.75%, 2/1/2015	95,000	92,387
Huntsman LLC, 11.625%, 10/15/2010	122,000	125,965
Innophos, Inc., 8.875%, 8/15/2014	10,000	10,000

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		Principal Amount ($)(a)	Value ($)
Jefferson Smurfit Corp., 8.25%, 10/1/2012		35,000	30,538
Koppers Holdings, Inc., Step-up Coupon, 0% to 11/15/2009, 9.875% to 11/15/2014		70,000	63,350
Metals USA Holdings Corp., 8.698%***, 7/1/2012 (PIK)		15,000	13,800
Millar Western Forest Products Ltd., 7.75%, 11/15/2013		15,000	9,750
Momentive Performance Materials, Inc., 9.75%, 12/1/2014		30,000	25,650
Monsanto Co., 5.875%, 4/15/2038		500,000	481,268
NewMarket Corp., 7.125%, 12/15/2016		65,000	64,513
Radnor Holdings Corp., 11.0%, 3/15/2010**		40,000	50
Smurfit-Stone Container Enterprises, Inc.:			
8.0%, 3/15/2017		20,000	16,000
8.375%, 7/1/2012		25,000	21,938
Steel Dynamics, Inc.:			
6.75%, 4/1/2015		35,000	33,513
144A, 7.375%, 11/1/2012		10,000	10,000
Terra Capital, Inc., Series B, 7.0%, 2/1/2017		50,000	49,000
The Mosaic Co., 144A, 7.375%, 12/1/2014		40,000	41,800
Witco Corp., 6.875%, 2/1/2026		60,000	38,400
Wolverine Tube, Inc., 10.5%, 4/1/2009		40,000	37,200
			2,101,986

Telecommunication Services 1.0%

		Principal Amount ($)(a)	Value ($)
AT&T, Inc.:			
6.3%, 1/15/2038		375,000	354,283
6.4%, 5/15/2038		1,250,000	1,196,602
BCM Ireland Preferred Equity Ltd., 144A, 11.856%***, 2/15/2017 (PIK)	EUR	86,314	80,794
Centennial Communications Corp.:			
10.0%, 1/1/2013		15,000	15,225
10.125%, 6/15/2013		40,000	41,200
Cincinnati Bell, Inc.:			
7.25%, 7/15/2013		50,000	48,750
8.375%, 1/15/2014		25,000	24,188
Cricket Communications, Inc.:			
9.375%, 11/1/2014		55,000	52,937
144A, 10.0%, 7/15/2015		50,000	49,000
Embratel, Series B, 11.0%, 12/15/2008		34,000	35,190
Intelsat Subsidiary Holding Co., Ltd., 144A, 8.875%, 1/15/2015		60,000	58,350
iPCS, Inc., 4.998%***, 5/1/2013		10,000	9,000
MetroPCS Wireless, Inc., 9.25%, 11/1/2014		60,000	57,750
Nortel Networks Ltd.:			
6.963%***, 7/15/2011		45,000	42,525
144A, 10.75%, 7/15/2016		35,000	34,650
Qwest Corp., 7.25%, 9/15/2025		10,000	8,850
Rural Cellular Corp., 9.875%, 2/1/2010		45,000	45,788
Sprint Nextel Corp., 6.0%, 12/1/2016		25,000	21,500
Stratos Global Corp., 9.875%, 2/15/2013		15,000	15,863
Telefonica Emisiones SAU, 6.221%, 7/3/2017		1,250,000	1,249,404
Telesat Canada, 144A, 11.0%, 11/1/2015		225,000	225,000
US Unwired, Inc., Series B, 10.0%, 6/15/2012		60,000	61,350
Verizon Communications, Inc., 4.35%, 2/15/2013		750,000	721,534
Virgin Media Finance PLC:			
8.75%, 4/15/2014		55,000	51,700
8.75%, 4/15/2014	EUR	45,000	64,828
West Corp., 9.5%, 10/15/2014		30,000	27,000
			4,593,261

Utilities 0.9%

	Principal Amount ($)(a)	Value ($)
AES Corp.:		
8.0%, 10/15/2017	45,000	44,100
144A, 8.0%, 6/1/2020	50,000	48,250
144A, 8.75%, 5/15/2013	152,000	157,700
9.5%, 6/1/2009	25,000	25,688
Allegheny Energy Supply Co., LLC, 144A, 8.25%, 4/15/2012	190,000	198,075
American Electric Power Co., Inc., Series C, 5.375%, 3/15/2010	1,000,000	1,010,505
Appalachian Power Co., 7.0%, 4/1/2038	750,000	742,206
CenterPoint Energy, Inc., 6.5%, 5/1/2018	750,000	732,504
CMS Energy Corp., 8.5%, 4/15/2011	110,000	114,832
DPL, Inc., 6.875%, 9/1/2011	500,000	520,591
Edison Mission Energy, 7.0%, 5/15/2017	40,000	37,400
Energy Future Holdings Corp., 144A, 10.875%, 11/1/2017	70,000	70,700
Knight, Inc., 6.5%, 9/1/2012	15,000	14,625
Mirant Americas Generation LLC, 8.3%, 5/1/2011	45,000	46,462
Mirant North America LLC, 7.375%, 12/31/2013	20,000	19,825
NRG Energy, Inc.:		
7.25%, 2/1/2014	55,000	52,525
7.375%, 2/1/2016	40,000	37,650
Regency Energy Partners LP, 8.375%, 12/15/2013	31,000	31,697
Reliant Energy, Inc., 7.875%, 6/15/2017	55,000	53,762
Sierra Pacific Resources:		
6.75%, 8/15/2017	50,000	48,581
8.625%, 3/15/2014	8,000	8,387
Texas Competitive Electric Holdings Co., LLC, 144A, 10.25%, 11/1/2015	105,000	102,900
		4,118,965
Total Corporate Bonds (Cost $55,076,841)		**53,036,003**

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Asset Backed 1.1%		
Automobile Receivables 0.2%		
Capital Auto Receivables Asset Trust, "B", Series 2006-1, 5.26%, 10/15/2010	566,000	570,560
Ford Credit Auto Owner Trust, "B", Series 2007-B, 5.69%, 11/15/2012	379,000	362,998
		933,558
Home Equity Loans 0.5%		
Countrywide Asset-Backed Certificates, "1AF2", Series 2005-17, 5.363%, 5/25/2036	689,000	626,838
Credit-Based Asset Servicing and Securitization, "AF2", Series 2006-CB2, 5.501%, 12/25/2036	1,539,652	1,494,429
		2,121,267
Miscellaneous 0.4%		
SLM Student Loan Trust, "A3", Series 2008-6, 3.714%***, 1/25/2019	2,000,000	**1,977,188**
Total Asset Backed (Cost $5,173,439)		**5,032,013**
Mortgage-Backed Securities Pass-Throughs 5.2%		
Federal Home Loan Mortgage Corp.:		
5.0%, 10/1/2035	2,477,332	2,383,852
6.0%, with various maturities from 8/1/2035 until 3/1/2038	6,587,233	6,659,343
Federal National Mortgage Association:		
4.5%, with various maturities from 11/1/2028 until 9/1/2035	2,299,010	2,136,525
5.5%, 3/1/2035 (f)	8,000,000	7,882,500
6.0%, with various maturities from 1/1/2024 until 5/1/2038	1,579,702	1,596,949
6.5%, with various maturities from 5/1/2017 until 1/1/2038	2,911,666	3,000,675
8.0%, 9/1/2015	135,208	143,710
Total Mortgage-Backed Securities Pass-Throughs (Cost $23,985,332)		**23,803,554**
Commercial and Non-Agency Mortgage-Backed Securities 11.9%		
Adjustable Rate Mortgage Trust, "3A31", Series 2005-10, 5.417%***, 1/25/2036	1,000,000	855,996
Banc of America Mortgage Securities, "2A6", Series 2004-G, 4.655%***, 8/25/2034	2,275,000	2,273,669
Bear Stearns Adjustable Rate Mortgage Trust:		
"13A2", Series 2004-1, 4.274%***, 4/25/2034	2,302,642	2,224,951
"12A5", Series 2004-1, 4.368%***, 4/25/2034	1,696,608	1,505,788

	Principal Amount ($)(a)	Value ($)
Citigroup Mortgage Loan Trust, Inc.:		
"1A1A", Series 2007-AR5, 5.615%***, 4/25/2037	1,735,984	1,382,102
"1CB2", Series 2004-NCM2, 6.75%, 8/25/2034	270,964	262,666
Countrywide Alternative Loan Trust:		
"3A11", Series 2005-20CB, 2.783%***, 7/25/2035	1,333,354	1,310,113
"A1", Series 2004-1T1, 5.0%, 2/25/2034	392,129	374,467
"1A5", Series 2003-J1, 5.25%, 10/25/2033	407,956	396,937
"4A3", Series 2005-43, 5.714%***, 10/25/2035	674,702	460,216
"A1", Series 2004-35T2, 6.0%, 2/25/2035	442,687	428,904
"3A5", Series 2005-28CB, 6.0%, 8/25/2035	1,940,898	1,860,712
"1A4", Series 2006-43CB, 6.0%, 2/25/2037	1,094,695	1,052,452
Countrywide Home Loans, "A6", Series 2003-57, 5.5%, 1/25/2034	20,641	20,597
First Horizon Alternative Mortgage Securities, "1A7", Series 2006-FA8, 6.0%, 2/25/2037	1,825,000	1,632,137
First Horizon Mortgage Pass-Through Trust, "1A15", Series 2006-2, 6.0%, 8/25/2036	2,658,737	2,558,758
GS Mortgage Securities Corp. II, "AAB", Series 2006-GG8, 5.535%, 11/10/2039	1,800,000	1,743,070
JPMorgan Alternative Loan Trust, "2A4", Series 2006-S1, 5.5%, 2/25/2021	2,211,551	2,122,592
JPMorgan Chase Commercial Mortgage Securities Corp.:		
"ASB", Series 2007-CB20, 5.688%, 2/12/2051	3,750,000	3,589,453
"A4", Series 2008-C2, 6.068%, 2/12/2051	2,531,000	2,444,902
LB-UBS Commercial Mortgage Trust, "A2", Series 2005-C2, 4.821%, 4/15/2030	130,863	130,571
Master Adjustable Rate Mortgages Trust, "2A1", Series 2007-1, 5.962%***, 11/25/2036	2,696,377	2,575,932
MLCC Mortgage Investors, Inc., "2A", Series 2005-2, 4.25%***, 10/25/2035	2,804,253	2,681,123
Morgan Stanley Capital I Trust, "A4", Series 2007-IQ16, 5.809%, 12/12/2049	2,900,000	2,753,149
Structured Adjustable Rate Mortgage Loan Trust:		
"6A3", Series 2005-21, 5.4%, 11/25/2035	900,000	759,487
"1A1", Series 2005-17, 5.708%***, 8/25/2035	1,120,370	1,028,254
Structured Asset Securities Corp., "4A1", Series 2005-6, 5.0%, 5/25/2035	135,391	121,641
Wachovia Bank Commercial Mortgage Trust:		
"APB", Series 2006-C23, 5.446%, 1/15/2045	2,100,000	2,027,077
"APB", Series 2007-C34, 5.617%, 5/15/2046	2,875,000	2,740,847

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Wachovia Mortgage Loan Trust LLC, "1A1", Series 2006-A, 5.465%***, 5/20/2036	2,609,491	2,413,776
Washington Mutual Mortgage Pass-Through Certificates Trust:		
"A6", Series 2004-AR4, 3.796%***, 6/25/2034	190,000	187,666
"A6", Series 2003-AR10, 4.056%***, 10/25/2033	1,620,000	1,618,759
"1A6", Series 2005-AR12, 4.833%***, 10/25/2035	1,880,000	1,783,723
"1A3", Series 2005-AR16, 5.099%***, 12/25/2035	1,005,000	947,274
Wells Fargo Mortgage Backed Securities Trust:		
"A1", Series 2005-6, 5.25%, 8/25/2035	2,219,275	2,113,323
"1A1", Series 2006-AR12, 6.025%***, 9/25/2036	1,956,771	1,899,764
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $57,130,694)		**54,282,848**

Collateralized Mortgage Obligations 1.6%

	Principal Amount ($)(a)	Value ($)
Fannie Mae Whole Loan, "1A1", Series 2004-W15, 6.0%, 8/25/2044	649,585	634,064
Federal Home Loan Mortgage Corp.:		
"OS", Series 3102, Principal Only, Zero Coupon, 1/15/2036	4,664,149	3,623,696
"H", Series 2278, 6.5%, 1/15/2031	22,502	23,287
Government National Mortgage Association, "CK", Series 2007-31, 5.0%, 5/16/2037	3,000,000	2,907,206
Total Collateralized Mortgage Obligations (Cost $6,953,440)		**7,188,253**

Senior Loans*** 0.3%

	Principal Amount ($)(a)	Value ($)
Advanced Medical Optics, Inc., Term Loan B, LIBOR plus 1.75%, 5.061%, 4/2/2014	15,682	14,466
Bausch & Lomb, Inc.:		
Term Delay Draw, LIBOR plus 3.25%, 6.561%, 4/11/2015	6,600	6,477
Term Loan B, LIBOR plus 3.25%, 6.561%, 4/11/2015	43,890	43,070
Buffets, Inc.:		
Letter of Credit, 9.73%, 5/1/2013	86,124	50,885
Term Loan B, 7.74%, 11/1/2013	143,104	84,551
Energy Future Holdings Corp.:		
Term Loan B1, LIBOR plus 3.5%, 6.811%, 10/10/2014	213,750	198,415
Term Loan B3, LIBOR plus 3.5%, 6.811%, 10/10/2014	139,175	129,045
General Nutrition Centers, Inc., Term Loan B, LIBOR plus 2.25%, 5.74%, 9/16/2013	14,887	13,771
Golden Nugget, Term Loan, 5.74%, 6/16/2014	35,000	24,850
Hawker Beechcraft, Inc.:		
Term Loan B, LIBOR plus 2.0%, 5.311%, 3/26/2014	22,925	21,589
Letter of Credit, LIBOR plus 2.0%, 5.311%, 3/26/2014	1,336	1,258
HCA, Inc., Term Loan A1, 4.301%, 11/18/2012	90,389	84,819
Hexion Specialty Chemicals:		
Term Loan C2, LIBOR plus 2.25%, 5.561%, 5/5/2013	30,982	28,299
Term Loan C1, LIBOR plus 2.25%, 5.561%, 5/5/2013	132,840	121,334
IASIS Healthcare, LLC, 8.131%, 6/15/2014	75,792	67,360
Intelstat Corp., Term Loan, LIBOR plus 9.25%, 12.561%, 8/15/2014	10,000	10,027
Longview Power LLC:		
Demand Draw, 5.063 4/1/2014	26,667	24,733
Letter of Credit, 5.063%, 4/1/2014	13,333	12,367
Term Loan B, 5.063%, 4/1/2014	25,000	23,188
Rail America, Inc., Term Loan, 5.32%, 10/2/2008	35,000	35,000
Sabre, Inc., Term Loan B, LIBOR plus 2.25%, 5.561%, 9/30/2014	23,027	18,978
Symbion, Inc.:		
Term Loan A, 6.149%, 8/23/2013	33,285	29,873
Term Loan B, 6.149%, 8/23/2014	33,285	29,873
Telesat Canada, Inc.:		
Term Loan, 5.9%, 9/1/2014	18,898	18,265
Term Loan B, LIBOR plus 3.0%, 6.311%, 10/31/2014	58,902	56,929
Tribune Co., Term Loan B, 5.482%, 5/24/2014	49,277	37,635
Total Senior Loans (Cost $1,336,772)		**1,187,057**

Preferred Security 0.0%

	Principal Amount ($)(a)	Value ($)
Farm Credit Bank of Texas, Series 1, 7.561%, 12/15/2013**** (Cost $230,727)	218,000	**207,839**

Government & Agency Obligations 4.2%

US Government Sponsored Agencies 1.4%

	Principal Amount ($)(a)	Value ($)
Federal Home Loan Mortgage Corp.:		
4.75%, 11/3/2009	1,500,000	1,535,307
5.5%, 8/20/2012	1,250,000	1,322,610
Federal National Mortgage Association:		
4.875%, 5/18/2012	1,000,000	1,033,899
6.25%, 2/1/2011	2,500,000	2,621,363
		6,513,179

US Treasury Obligations 2.8%

	Principal Amount ($)(a)	Value ($)
US Treasury Bills:		
1.08%*****, 7/17/2008 (d)	7,824,000	7,819,086
1.23%*****, 7/17/2008 (d)	109,000	108,931
1.24%*****, 7/17/2008 (d)	55,000	54,970
US Treasury Bond, 6.0%, 2/15/2026	2,000,000	2,342,344
US Treasury Inflation Indexed Note, 1.625%, 1/15/2018	2,306,745	2,343,328
		12,668,659
Total Government & Agency Obligations (Cost $19,225,545)		**19,181,838**

The accompanying notes are an integral part of the financial statements.

	Units	Value ($)
Other Investments 0.0%		
Hercules, Inc., (Bond Unit), 6.5%, 6/30/2029 (Cost $116,259)	170,000	**139,400**

	Shares	Value ($)
Exchange Traded Funds 0.1%		
iShares MSCI Japan Index Fund (Cost $667,654)	49,661	**619,769**

	Shares	Value ($)
Cash Equivalents 7.0%		
Cash Management QP Trust, 2.49%(e) (Cost $32,145,152)	32,145,152	**32,145,152**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $451,148,868)†	100.5	**459,533,108**
Other Assets and Liabilities, Net	(0.5)	**(2,052,749)**
Net Assets	100.0	**457,480,359**

* *Non-income producing security.*

** *Non-income producing security. 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	142,500
Quebecor World, Inc.	9.75%	1/15/2015	25,000	USD	25,000	12,125
Radnor Holdings Corp.	11.0%	3/15/2010	40,000	USD	25,775	50
Tropicana Entertainment LLC	9.625%	12/15/2014	75,000	USD	55,245	35,625
					296,176	**190,300**

*** *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, 2008.*

**** *Date shown is call date; not a maturity date for the perpetual preferred securities.*

***** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $453,608,365. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $5,924,743. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $33,025,249 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $27,100,506.*

(a) *Principal amount is stated in US dollars unless otherwise noted.*

(b) *Securities with the same description are the same corporate entity but trade on different stock exchanges.*

(c) *Security issued in lieu of interest payment due 12/15/2007, which has been deferred until 9/15/2008. This security is deemed to be non-income producing.*

(d) *At June 30, 2008, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(e) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(f) *Mortgage dollar rolls included.*

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

CVA: Certificaten van Aandelen

FDR: Fiduciary Depositary Receipt

GDR: Global Depositary Receipt

LIBOR: Represents the London InterBank Offered Rate.

MSCI: Morgan Stanley Capital International

PIK: Denotes that all or a portion of the income is paid in-kind.

Principal Only: Principal Only (PO) bonds represent the "principal only" portion of payments on a pool of underlying mortgage or mortgage-backed securities.

REIT: Real Estate Investment Trust

RNC: Riparmio Non-Convertible (Non-Convertible Savings Shares)

SDR: Swedish Depositary Receipt

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 this investment portfolio.

At June 30, 2008, the Portfolio had unfunded loan commitments of $7,462 which could be extended at the option of the borrower, pursuant to the following loan agreement:

Borrower	Unfunded Loan Commitment ($)	Value ($)	Unrealized Depreciation ($)
Bausch & Lomb, Inc., Term Delay Draw, 4/11/2015	5,486	5,397	(89)
Telesat Canada, Inc., Term Delay Draw 9/1/2014	1,976	1,949	(27)
Total	**7,462**	**7,346**	**(116)**

The accompanying notes are an integral part of the financial statements.

At June 30, 2008, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Australian Treasury Bond	9/15/2008	93	8,438,222	8,623,117	184,895
10 Year Canadian Government Bond	9/19/2008	61	7,069,143	7,027,234	(41,909)
10 Year US Treasury Note	9/19/2008	490	55,805,732	55,821,719	15,987
2 Year US Treasury Note	9/30/2008	74	15,637,332	15,629,031	(8,301)
DJ Euro Stoxx 50 Index	9/19/2008	10	549,601	532,164	(17,437)
EOE Dutch Stock Index	7/18/2008	4	585,714	536,699	(49,015)
FTSE 100 Index	9/19/2008	47	5,537,350	5,287,484	(249,866)
Hang Seng Stock Index	7/30/2008	30	4,386,623	4,255,346	(131,277)
Nikkei 225 Index	9/11/2008	1	72,803	67,675	(5,128)
Russell E Mini 2000 Index	9/19/2008	14	1,027,568	968,380	(59,188)
S&P 500 Index	9/18/2008	5	1,699,641	1,601,375	(98,266)
S&P Canada 60 Index	9/18/2008	35	6,142,016	5,946,259	(195,757)
S&P MIB 30 Index	9/19/2008	4	987,680	934,468	(53,212)
S&P Mini 500 Index	9/19/2008	139	9,333,691	8,903,645	(430,046)
Share Prices Index 200	9/18/2008	31	3,988,431	3,858,157	(130,274)
United Kingdom Treasury Bond	9/26/2008	188	39,720,656	39,090,681	(629,975)
Total net unrealized depreciation					**(1,898,769)**

At June 30, 2008, open futures contracts sold were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Federal Republic of Germany Bond	9/8/2008	621	108,941,435	108,108,061	833,374
10 Year Japanese Government Bond	9/10/2008	7	8,856,559	8,929,227	(72,668)
CAC 40 10 Euro Index	7/18/2008	79	5,861,259	5,527,520	333,739
DAX Index	9/19/2008	16	4,360,221	4,080,977	279,244
DJ Euro Stoxx 50 Index	9/19/2008	44	2,484,405	2,341,524	142,881
IBEX 35 Index	7/18/2008	2	404,715	376,420	28,295
Russell E Mini 2000 Index	9/19/2008	84	6,204,463	5,810,280	394,183
TOPIX Index	9/12/2008	45	5,927,062	5,587,654	339,408
Total net unrealized appreciation					**2,278,456**

At June 30, 2008, open credit default swap contracts sold were as follows:

Effective/Expiration Date	Notional Amount ($)	Cash Flows Received by the Portfolio	Underlying Debt Obligation	Unrealized Appreciation/ (Depreciation) ($)
10/3/2007–12/20/2008	75,000[1]	Fixed — 3.2%	General Motors Corp., 7.125%, 7/15/2013	(1,884)
10/4/2007–12/20/2008	80,000[2]	Fixed — 2.6%	General Motors Corp., 7.125%, 7/15/2013	(2,988)
10/20/2007–12/20/2008	150,000[3]	Fixed — 3.06%	General Motors Corp., 7.125%, 7/15/2013	(4,015)
10/9/2007–12/20/2008	75,000[4]	Fixed — 3.1%	Ford Motor Co., 6.5%, 8/1/2018	(1,883)
10/5/2007–12/20/2008	45,000[1]	Fixed — 3.15%	Ford Motor Co., 6.5%, 8/1/2018	(755)
10/20/2007–12/20/2008	150,000[3]	Fixed — 3.05%	Ford Motor Co., 6.5%, 8/1/2018	(2,397)
12/15/2007–12/20/2008	70,000[3]	Fixed — 2.9%	Tenet Healthcare Corp., 7.375%, 2/1/2013	1,323
1/28/2008–3/20/2009	35,000[3]	Fixed — 2.65%	HCA, Inc., 7.7%, 3/20/2009	373
2/19/2008–3/20/2009	35,000[5]	Fixed — 3.8%	HCA, Inc., 7.7%, 3/20/2009	679
2/26/2008–3/20/2009	25,000[5]	Fixed — 5.0%	Tenet Healthcare Corp., 7.375%, 2/1/2013	955
10/23/2007–12/20/2009	85,000[6]	Fixed — 4.65%	Ford Motor Co., 6.5%, 8/1/2018	(8,524)
12/13/2007–12/20/2009	25,000[5]	Fixed — 5.05%	Ford Motor Co., 6.5%, 8/1/2018	(1,505)
1/29/2008–3/20/2013	20,000[3]	Fixed — 3.0%	HCA, Inc., 7.7%, 3/20/2009	422
Total net unrealized depreciation				**(20,199)**

At June 30, 2008, open credit default swap contract purchased was as follows:

Effective/Expiration Date	Notional Amount ($)	Cash Flows Paid by the Portfolio	Underlying Debt Obligation	Unrealized Appreciation ($)
5/6/2008–6/20/2013	25,000[5]	Fixed — 7.25%	Arco Chemical Co., 9.8%, 2/1/2020	**896**

The accompanying notes are an integral part of the financial statements.

Counterparties:

1 *JP Morgan Chase Securities, Inc.*
2 *Citigroup Global Markets Inc.*
3 *Lehman Brothers, Inc.*
4 *Goldman Sachs & Co.*
5 *Merrill Lynch, Pierce, Fenner & Smith, Inc.*
6 *Morgan Stanley Co., Inc.*

At June 30, 2008, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation (US$)
USD	3,589	EUR	2,300	7/11/2008	30
CAD	1,580,000	USD	1,553,375	9/17/2008	5,459
USD	26,089,918	NOK	135,965,000	9/17/2008	396,607
USD	3,661,850	NZD	4,923,000	9/17/2008	42,571
USD	49,487,021	SGD	67,622,000	9/17/2008	403,174
Total unrealized appreciation					**847,841**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized (Depreciation) (US$)
EUR	103,000	USD	158,687	7/11/2008	(3,385)
CHF	21,698,000	USD	20,888,166	9/17/2008	(366,803)
DKK	2,544,000	USD	526,708	9/17/2008	(8,099)
EUR	5,767,000	USD	8,910,015	9/17/2008	(133,665)
GBP	3,463,000	USD	6,737,267	9/17/2008	(119,309)
JPY	401,988,000	USD	3,766,472	9/17/2008	(35,443)
SEK	3,472,000	USD	572,559	9/17/2008	(1,469)
Total unrealized depreciation					**(668,173)**

Currency Abbreviations

CAD	Canadian Dollar	GBP	British Pound	SEK	Swedish Krona
CHF	Swiss Franc	JPY	Japanese Yen	SGD	Singapore Dollar
DKK	Danish Krone	NOK	Norwegian Krone	USD	United States Dollar
EUR	Euro	NZD	New Zealand Dollar		

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	Investments in Securities at Value	Net Unrealized Appreciation on Other Financial Instruments††
Level 1 — Quoted Prices	$ 254,231,876	$ 379,687
Level 2 — Other Significant Observable Inputs	205,156,951	160,249
Level 3 — Significant Unobservable Inputs	144,281	—
Total	**$ 459,533,108**	**$ 539,936**

†† *Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as future contracts, forward foreign currency exchange contracts, unfunded loan commitments and credit default swap contracts, which are valued at the unrealized appreciation/depreciation on the instrument.*

The following is a reconciliation of the Portfolio's assets in which significant unobservable inputs (Level 3) were used in determining fair value at June 30, 2008:

	Investments in Securities at Market Value
Balance as of January 1, 2008	$ 148,070
Total realized gains or losses	—
Change in unrealized appreciation (depreciation)	(4,145)
Amortization Premium/Discount	356
Net purchases (sales)	—
Net transfers in (out) of Level 3	—
Balance as of June 30, 2008	**$ 144,281**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $419,003,716)	$	427,387,956
Investment in Cash Management QP Trust (cost $32,145,152)		32,145,152
Total investments, at value (cost $451,148,868)		459,533,108
Cash		255,219
Receivable for investments sold		9,474,440
Dividends receivable		396,718
Interest receivable		1,497,552
Foreign taxes recoverable		31,227
Receivable for Portfolio shares sold		8,430
Receivable for variation margin on open futures contracts		604,594
Unrealized appreciation on forward foreign currency exchange contracts		847,841
Due from Advisor		159
Other assets		8,965
Total assets		472,658,253
Liabilities		
Foreign cash overdraft		129,805
Payable for investments purchased		5,521,146
Payable for investment purchased — mortgage dollar roll		7,919,639
Unrealized depreciation on credit default swap contracts		19,303
Payable for Portfolio shares redeemed		369,778
Unrealized depreciation on forward foreign currency exchange contracts		668,173
Unrealized depreciation on unfunded loan commitments		116
Accrued management fee		150,108
Other accrued expenses and payables		399,826
Total liabilities		15,177,894
Net assets, at value	**$**	**457,480,359**
Net Assets Consist of		
Undistributed net investment income		6,992,622
Net unrealized appreciation (depreciation) on:		
Investments		8,384,240
Futures		379,687
Credit default swaps		(19,303)
Unfunded loan commitments		(116)
Foreign currency		181,424
Accumulated net realized gain (loss)		5,857,614
Paid-in capital		435,704,191
Net assets, at value	**$**	**457,480,359**
Class A		
Net Asset Value, offering and redemption price per share ($457,412,312 ÷ 20,044,241 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**22.82**
Class B		
Net Asset Value, offering and redemption price per share ($68,047 ÷ 2,974 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**22.88**

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $116,184)	$	3,283,121
Interest		4,627,634
Interest — Cash Management QP Trust		515,122
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		48,469
Total Income		8,474,346
Expenses:		
Management fee		1,035,685
Administration fee		79,656
Custodian fee		205,084
Services to shareholders		516
Distribution and service fees (Class B)		5,497
Record keeping fees (Class B)		2,124
Professional fees		65,780
Trustees' fees and expenses		42,727
Reports to shareholders and shareholder meeting		107,478
Other		34,949
Total expenses before expense reductions		1,579,496
Expense reductions		(77,203)
Total expenses after expense reductions		1,502,293
Net investment income (loss)		**6,972,053**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		9,446,765
Futures		1,223,989
Credit default swaps		(105,131)
Foreign currency		700,762
Payments by affiliates (see Note I)		11,599
		11,277,984
Change in net unrealized appreciation (depreciation) on:		
Investments		(41,377,756)
Futures		(265,669)
Credit default swaps		(13,485)
Unfunded loan commitments		429
Foreign currency		74,563
		(41,581,918)
Net gain (loss)		**(30,303,934)**
Net increase (decrease) in net assets resulting from operations	**$**	**(23,331,881)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 6,972,053	$ 17,503,276
Net realized gain (loss)	11,277,984	51,427,436
Change in net unrealized appreciation (depreciation)	(41,581,918)	(39,914,299)
Net increase (decrease) in net assets resulting from operations	(23,331,881)	29,016,413
Distributions to shareholders from:		
Net investment income:		
Class A	(17,655,048)	(18,973,533)
Class B	(219,769)	(849,365)
Total distributions	(17,874,817)	(19,822,898)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	9,700,088	13,218,397
Reinvestment of distributions	17,655,048	18,973,533
Cost of shares redeemed	(57,064,468)	(113,345,811)
Net increase (decrease) in net assets from Class A share transactions	(29,709,332)	(81,153,881)
Class B		
Proceeds from shares sold	106,595	575,499
Reinvestment of distributions	219,769	849,365
Cost of shares redeemed	(7,150,398)	(25,041,162)
Net increase (decrease) in net assets from Class B share transactions	(6,824,034)	(23,616,298)
Increase (decrease) in net assets	(77,740,064)	(95,576,664)
Net assets at beginning of period	535,220,423	630,797,087
Net assets at end of period (including undistributed net investment income of $6,992,622 and $17,895,386, respectively)	**$ 457,480,359**	**$ 535,220,423**

Other Information		
Class A		
Shares outstanding at beginning of period	21,278,440	24,544,133
Shares sold	411,877	536,248
Shares issued to shareholders in reinvestment of distributions	782,235	792,545
Shares redeemed	(2,428,311)	(4,594,486)
Net increase (decrease) in Class A shares	(1,234,199)	(3,265,693)
Shares outstanding at end of period	**20,044,241**	**21,278,440**
Class B		
Shares outstanding at beginning of period	293,818	1,244,941
Shares sold	4,561	23,371
Shares issued to shareholders in reinvestment of distributions	9,716	35,405
Shares redeemed	(305,121)	(1,009,899)
Net increase (decrease) in Class B shares	(290,844)	(951,123)
Shares outstanding at end of period	**2,974**	**293,818**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$24.81**	**$24.46**	**$22.75**	**$22.37**	**$21.32**	**$18.66**
Income (loss) from investment operations:						
Net investment income[b]	.34	.74	.69[e]	.59	.47	.37
Net realized and unrealized gain (loss)	(1.46)	.42	1.60	.34	.93	2.90
Total from investment operations	(1.12)	1.16	2.29	.93	1.40	3.27
Less distributions from:						
Net investment income	(.87)	(.81)	(.58)	(.55)	(.35)	(.61)
Net asset value, end of period	**$22.82**	**$24.81**	**$24.46**	**$22.75**	**$22.37**	**$21.32**
Total Return (%)	(4.48)[c]**	4.84[c]	10.24[c,e]	4.30[c]	6.64	18.10
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	457	528	600	653	622	667
Ratio of expenses before expense reductions (%)	.62*	.52	.55	.55	.59	.59
Ratio of expenses after expense reductions (%)	.59*	.51	.51	.53	.59	.59
Ratio of net investment income (%)	2.88*	3.00	2.99[e]	2.66	2.18	1.88
Portfolio turnover rate (%)	134[d]**	190[d]	108	121[d]	131[d]	102[d]

a *For the six months ended June 30, 2008 (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 141%, 199%, 122%, 140% and 108% for the periods ended June 30, 2008, December 31, 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 Funds. 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,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$24.78**	**$24.43**	**$22.72**	**$22.33**	**$21.28**	**$18.64**
Income (loss) from investment operations:						
Net investment income[b]	.30	.65	.60[e]	.51	.39	.28
Net realized and unrealized gain (loss)	(1.42)	.41	1.60	.35	.92	2.92
Total from investment operations	(1.12)	1.06	2.20	.86	1.31	3.20
Less distributions from:						
Net investment income	(.78)	(.71)	(.49)	(.47)	(.26)	(.56)
Net asset value, end of period	**$22.88**	**$24.78**	**$24.43**	**$22.72**	**$22.33**	**$21.28**
Total Return (%)	(4.35)[c]**	4.43[c]	9.82[c,e]	3.90[c]	6.26	17.66
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.07	7	30	34	33	21
Ratio of expenses before expense reductions (%)	.93*	.89	.93	.95	.97	.99
Ratio of expenses after expense reductions (%)	.90*	.88	.89	.91	.97	.99
Ratio of net investment income (%)	2.58*	2.63	2.61[e]	2.28	1.80	1.48
Portfolio turnover rate (%)	134[d]**	190[d]	108	121[d]	131[d]	102[d]

a *For the six months ended June 30, 2008 (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 141%, 199%, 122%, 140% and 108% for the periods ended June 30, 2008, December 31, 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 Funds. 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*

DWS Blue Chip VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

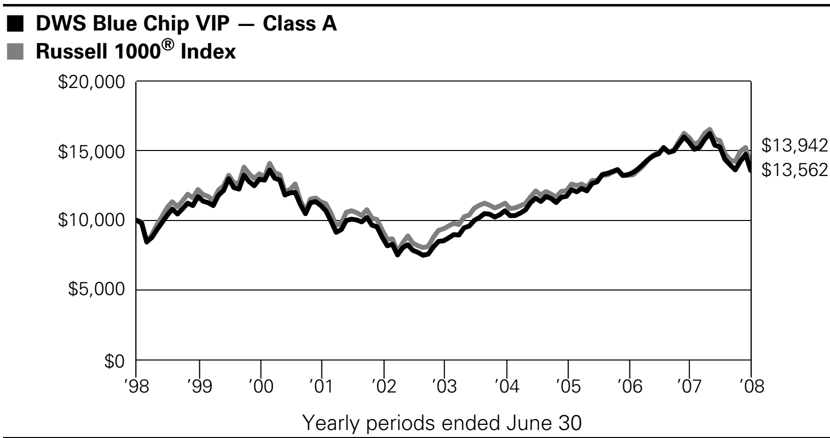
The total annual Portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.71% and 0.96% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

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.

Portfolio returns shown for all periods reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Blue Chip VIP



The Russell 1000® Index is an unmanaged index that measures the performance of the 1,000 largest companies in the Russell 3000® Index, which measures the performance of the 3,000 largest US companies based on total market capitalization. The Russell 1000 Index represents approximately 92% 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.

Comparative Results

DWS Blue Chip VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$8,891	$8,701	$11,584	$15,916	$13,562
	Average annual total return	–11.09%	–12.99%	5.02%	9.74%	3.09%
Russell 1000 Index	Growth of $10,000	$8,880	$8,764	$11,513	$14,846	$13,942
	Average annual total return	–11.20%	–12.36%	4.81%	8.22%	3.38%

DWS Blue Chip VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$8,872	$8,665	$11,453	$15,609	$15,404
	Average annual total return	–11.28%	–13.35%	4.63%	9.31%	7.47%
Russell 1000 Index	Growth of $10,000	$8,880	$8,764	$11,513	$14,846	$14,987
	Average annual total return	–11.20%	–12.36%	4.81%	8.22%	6.98%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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. 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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 889.10	$ 887.20
Expenses Paid per $1,000*	$ 3.52	$ 5.49
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,021.13	$1,019.05
Expenses Paid per $1,000*	$ 3.77	$ 5.87

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Blue Chip VIP	.75%	1.17%

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

The first half of 2008 was a period of considerable economic uncertainty and significant turmoil throughout the capital markets. At mid-year 2008, the US economy is experiencing a number of interrelated problems including liquidity issues in financial markets, increased concern about rising prices for energy and food, and rising unemployment.

Essentially all equity indices posted negative returns for this period. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, had a negative return of –11.05% for the six months ended June 30, 2008. Growth stocks, as measured by the Russell 1000® Growth Index, performed somewhat better than value stocks, as measured by the Russell 1000® Value Index. With a return of –11.09% (Class A shares, unadjusted for contract charges), the Portfolio's return was quite close to that of its benchmark, the Russell 1000® Index, which posted a return of –11.20%.

For the first half of 2008, an underweight position and stock selection in the banks sector, which performed very poorly, contributed to performance relative to the Russell 1000 Index.[1] Also positive was stock selection in the materials sector. Stock selection in the health care equipment & services and energy sectors detracted from performance.

In the banks sector, the Portfolio benefited from avoiding or significantly underweighting some of the large banks that were off sharply for the period. In the materials sector, a major positive was CF Industries Holdings, Inc., a fertilizer company that is benefiting from strong demand for agricultural products. Other positives in the materials sector were AK Steel Holding Corp.* and Alpha Natural Resources, Inc.*, an Appalachian coal supplier.

In the health care equipment and services sector, performance was hurt by positions in several managed care companies including Humana, Inc., Aetna, Inc. and Health Net, Inc.* In the energy sector, performance was hurt by positions in Frontier Oil Corp.* and Sunoco, Inc., which performed poorly; nonetheless, some of the Portfolio's best-performing issues, including ConocoPhillips and ENSCO International, Inc.*, were also in the energy sector.

Robert Wang, Julie Abbett and James B. Francis, CFA *(joined the Portfolio on 7/1/2008)*
Portfolio Managers, Deutsche Investment Management Americas Inc.

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 measures the performance of the 3,000 largest US companies based on total market capitalization. The Russell 1000 Index 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, 2008, the positions were sold.*

Portfolio management market commentary is as of June 30, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	97%	97%
Cash Equivalents	2%	3%
Government & Agency Obligation	1%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/08**	**12/31/07**
Information Technology	16%	15%
Industrials	15%	13%
Health Care	14%	14%
Energy	14%	14%
Financials	12%	15%
Consumer Discretionary	11%	11%
Consumer Staples	7%	9%
Materials	5%	3%
Telecommunication Services	4%	4%
Utilities	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 36. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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-investments.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 97.7%		
Consumer Discretionary 10.6%		
Auto Components 0.8%		
Autoliv, Inc.	10,500	489,510
Cooper Tire & Rubber Co.	12,800	100,352
Johnson Controls, Inc.	10,100	289,668
Lear Corp.*	36,800	521,824
TRW Automotive Holdings Corp.*	2,700	49,869
		1,451,223
Hotels Restaurants & Leisure 1.8%		
McDonald's Corp.	16,200	910,764
Yum! Brands, Inc.	69,100	2,424,719
		3,335,483
Household Durables 0.3%		
Leggett & Platt, Inc.	20,000	335,400
NVR, Inc.*	500	250,040
		585,440
Leisure Equipment & Products 0.2%		
Hasbro, Inc.	8,800	**314,336**
Media 3.7%		
Comcast Corp. "A"	114,900	2,179,653
DISH Network Corp. "A"*	24,500	717,360
Liberty Global, Inc. "A"*	14,800	465,164
Omnicom Group, Inc.	1,700	76,296
Scholastic Corp.*	5,400	154,764
The DIRECTV Group, Inc.*	108,200	2,803,462
The Walt Disney Co.	14,400	449,280
		6,845,979
Multiline Retail 0.2%		
Big Lots, Inc.*	8,100	253,044
Dollar Tree, Inc.*	1,900	62,111
		315,155
Specialty Retail 3.3%		
AutoZone, Inc.*	7,600	919,676
Best Buy Co., Inc.	55,200	2,185,920
RadioShack Corp.	83,700	1,026,999
Rent-A-Center, Inc.*	4,800	98,736
The Gap, Inc.	37,500	625,125
TJX Companies, Inc.	44,000	1,384,680
		6,241,136
Textiles, Apparel & Luxury Goods 0.3%		
Fossil, Inc.*	14,400	418,608
Hanesbrands, Inc.*	2,500	67,850
Quicksilver, Inc.*	8,500	83,470
Wolverine World Wide, Inc.	1,700	45,339
		615,267
Consumer Staples 6.6%		
Beverages 1.9%		
Coca-Cola Enterprises, Inc.	11,800	204,140
Pepsi Bottling Group, Inc.	25,200	703,584
PepsiCo, Inc.	41,300	2,626,267
		3,533,991
Food & Staples Retailing 0.8%		
Kroger Co.	49,800	**1,437,726**
Food Products 0.4%		
Chiquita Brands International, Inc.* (a)	18,500	280,645
Darling International, Inc.*	6,900	113,988
Fresh Del Monte Produce, Inc.*	15,700	370,049
		764,682
Household Products 1.7%		
Colgate-Palmolive Co.	46,200	**3,192,420**
Personal Products 0.2%		
Herbalife Ltd.	7,000	**271,250**
Tobacco 1.6%		
Altria Group, Inc.	63,200	1,299,392
Lorillard, Inc.*	4,900	338,884
Philip Morris International, Inc.*	27,400	1,353,286
		2,991,562
Energy 13.6%		
Energy Equipment & Services 0.2%		
Transocean, Inc.*	2,006	**305,695**
Oil, Gas & Consumable Fuels 13.4%		
Apache Corp.	25,400	3,530,600
Chevron Corp.	51,100	5,065,543
ConocoPhillips	48,600	4,587,354
ExxonMobil Corp.	16,940	1,492,922
Frontline Ltd. (a)	6,900	481,482
Hess Corp.	11,400	1,438,566
Marathon Oil Corp.	38,700	2,007,369
Mariner Energy, Inc.*	4,400	162,668
Murphy Oil Corp.	2,400	235,320
Noble Energy, Inc.	8,700	874,872
Occidental Petroleum Corp.	39,200	3,522,512
Sunoco, Inc.	35,000	1,424,150
W&T Offshore, Inc.	1,800	105,318
		24,928,676
Financials 11.7%		
Capital Markets 3.6%		
Bank of New York Mellon Corp.	90,800	3,434,964
Investment Technology Group, Inc.*	3,800	127,148
Morgan Stanley	14,200	512,194
Northern Trust Corp.	7,300	500,561
State Street Corp.	21,300	1,362,987
The Goldman Sachs Group, Inc.	4,400	769,560
		6,707,414
Commercial Banks 1.6%		
Banco Santander SA (ADR)	6,000	109,140
Barclays PLC (ADR) (a)	6,500	150,475
Lloyds TSB Group PLC (ADR)	2,900	71,543
PNC Financial Services Group, Inc.	14,400	822,240
Susquehanna Bancshares, Inc.	3,300	45,177
Wells Fargo & Co.	72,300	1,717,125
		2,915,700

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Consumer Finance 0.1%		
Cash America International, Inc.	5,300	**164,300**
Diversified Financial Services 2.0%		
Interactive Brokers Group, Inc. "A"*	2,000	64,260
JPMorgan Chase & Co.	77,200	2,648,732
Leucadia National Corp.	4,400	206,536
NYSE Euronext	6,800	344,488
The Nasdaq OMX Group, Inc.*	16,100	427,455
		3,691,471
Insurance 4.1%		
ACE Ltd.	42,200	2,324,798
Aflac, Inc.	3,600	226,080
Allied World Assurance Co. Holdings Ltd.	2,700	106,974
Berkshire Hathaway, Inc. "B"*	100	401,200
China Life Insurance Co., Ltd. "H" (ADR)	1,600	83,488
Endurance Specialty Holdings Ltd.	2,000	61,580
Hartford Financial Services Group, Inc.	1,600	103,312
Manulife Financial Corp.	2,400	83,304
MetLife, Inc.	52,800	2,786,256
PartnerRe Ltd.	6,500	449,345
The Travelers Companies, Inc.	22,600	980,840
		7,607,177
Real Estate Investment Trusts 0.3%		
Boston Properties, Inc. (REIT)	2,000	180,440
ProLogis (REIT)	5,300	288,055
Simon Property Group, Inc. (REIT)	2,000	179,780
		648,275
Health Care 14.0%		
Biotechnology 2.3%		
Gilead Sciences, Inc.*	64,200	3,399,390
OSI Pharmaceuticals, Inc.*	18,700	772,684
		4,172,074
Health Care Equipment & Supplies 1.9%		
Baxter International, Inc.	14,500	927,130
Intuitive Surgical, Inc.*	5,900	1,589,460
Kinetic Concepts, Inc.*	8,900	355,199
St. Jude Medical, Inc.*	13,600	555,968
		3,427,757
Health Care Providers & Services 4.3%		
Aetna, Inc.	66,700	2,703,351
Express Scripts, Inc.*	17,700	1,110,144
Health Management Associates, Inc. "A"*	34,300	223,293
Humana, Inc.*	37,200	1,479,444
Kindred Healthcare, Inc.*	5,000	143,800
LifePoint Hospitals, Inc.*	1,900	53,770
Medco Health Solutions, Inc.*	44,900	2,119,280
Owens & Minor, Inc.	4,600	210,174
		8,043,256
Life Sciences Tools & Services 0.5%		
Invitrogen Corp.*	23,400	**918,684**
Pharmaceuticals 5.0%		
Bristol-Myers Squibb Co.	118,300	2,428,699
Eli Lilly & Co.	41,400	1,911,024
Johnson & Johnson	5,900	379,606
Merck & Co., Inc.	31,300	1,179,697
Perrigo Co.	1,400	44,478
Pfizer, Inc.	29,100	508,377
Schering-Plough Corp.	90,700	1,785,883
Sepracor, Inc.*	53,700	1,069,704
Watson Pharmaceuticals, Inc.*	1,100	29,887
		9,337,355
Industrials 14.4%		
Aerospace & Defense 6.2%		
Boeing Co.	49,500	3,253,140
Bombardier, Inc. "B"*	32,500	236,172
General Dynamics Corp.	12,400	1,044,080
Goodrich Corp.	12,400	588,504
Honeywell International, Inc.	51,900	2,609,532
Lockheed Martin Corp.	24,300	2,397,438
Northrop Grumman Corp.	8,900	595,410
Teledyne Technologies, Inc.*	1,200	58,548
United Technologies Corp.	10,400	641,680
		11,424,504
Building Products 0.1%		
Armstrong World Industries, Inc.	3,200	**93,504**
Commercial Services & Supplies 0.8%		
Allied Waste Industries, Inc.*	28,200	355,884
IKON Office Solutions, Inc.	4,900	55,272
Manpower, Inc.	5,100	297,024
The Brink's Co.	9,100	595,322
United Stationers, Inc.*	2,300	84,985
		1,388,487
Construction & Engineering 1.2%		
EMCOR Group, Inc.*	14,300	407,979
Fluor Corp.	4,700	874,576
Perini Corp.*	15,900	525,495
Shaw Group, Inc.*	8,200	506,678
		2,314,728
Electrical Equipment 0.4%		
GrafTech International Ltd.*	30,200	**810,266**
Industrial Conglomerates 0.8%		
General Electric Co.	18,600	496,434
Walter Industries, Inc.	9,600	1,044,192
		1,540,626
Machinery 3.0%		
AGCO Corp.*	36,200	1,897,242
Caterpillar, Inc.	38,800	2,864,216
Flowserve Corp.	1,000	136,700
Parker Hannifin Corp.	8,900	634,748
		5,532,906
Marine 0.2%		
Kirby Corp.*	8,900	**427,200**
Road & Rail 1.7%		
Burlington Northern Santa Fe Corp.	4,600	459,494
Norfolk Southern Corp.	3,900	244,413
Ryder System, Inc.	36,500	2,514,120
		3,218,027
Information Technology 15.8%		
Communications Equipment 0.2%		
Cisco Systems, Inc.*	16,800	**390,768**
Computers & Peripherals 6.2%		
Apple, Inc.*	16,800	2,812,992
Hewlett-Packard Co.	68,300	3,019,543

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
International Business Machines Corp.	17,800	2,109,834
Lexmark International, Inc. "A"*	33,800	1,129,934
QLogic Corp.*	13,200	192,588
Sun Microsystems, Inc.*	47,800	520,064
Western Digital Corp.*	51,800	1,788,654
		11,573,609
Electronic Equipment & Instruments 0.6%		
Avnet, Inc.*	23,800	649,264
Dolby Laboratories, Inc. "A"*	11,700	471,510
Tyco Electronics Ltd.	1,600	57,312
		1,178,086
Internet Software & Services 1.4%		
eBay, Inc.*	29,800	814,434
Google, Inc. "A"*	3,300	1,737,186
		2,551,620
IT Services 2.3%		
Accenture Ltd. "A"	25,100	1,022,072
Computer Sciences Corp.*	25,700	1,203,788
MasterCard, Inc. "A"	7,900	2,097,608
		4,323,468
Semiconductors & Semiconductor Equipment 1.8%		
Amkor Technology, Inc.*	62,300	648,543
Analog Devices, Inc.	14,500	460,665
Skyworks Solutions, Inc.*	8,700	85,869
Texas Instruments, Inc.	73,400	2,066,944
		3,262,021
Software 3.3%		
Microsoft Corp.	210,600	5,793,606
Symantec Corp.*	14,300	276,705
		6,070,311
Materials 4.7%		
Chemicals 3.1%		
Celanese Corp. "A"	22,700	1,036,482
CF Industries Holdings, Inc.	11,900	1,818,320
Monsanto Co.	7,600	960,944
Terra Industries, Inc.	39,900	1,969,065
		5,784,811
Containers & Packaging 0.9%		
Owens-Illinois, Inc.*	39,500	**1,646,755**
Metals & Mining 0.7%		
Southern Copper Corp.	2,700	287,901
United States Steel Corp.	5,200	960,856
		1,248,757
Telecommunication Services 4.6%		
Diversified Telecommunication Services 4.5%		
AT&T, Inc.	73,000	2,459,370
Embarq Corp.	42,000	1,985,340
Telus Corp.	2,800	117,717
Verizon Communications, Inc.	108,400	3,837,360
		8,399,787
Wireless Telecommunication Services 0.1%		
Telephone & Data Systems, Inc.	3,300	**155,991**
Utilities 1.7%		
Electric Utilities 0.2%		
Edison International	5,800	298,004
Southern Co.	5,100	178,092
		476,096
Gas Utilities 0.2%		
ONEOK, Inc.	8,100	**395,523**
Independent Power Producers & Energy Traders 0.6%		
Constellation Energy Group, Inc.	12,600	**1,034,460**
Multi-Utilities 0.7%		
Ameren Corp.	1,500	63,345
Dominion Resources, Inc.	2,600	123,474
Sempra Energy	18,500	1,044,325
		1,231,144
Total Common Stocks (Cost $181,173,673)		**181,236,939**

	Principal Amount ($)	Value ($)
Government & Agency Obligation 0.4%		
US Treasury Obligations		
US Treasury Bill, 1.08%**, 7/17/2008 (b) (Cost $838,595)	839,000	**838,473**

	Shares	Value ($)
Securities Lending Collateral 0.5%		
Daily Assets Fund Institutional, 2.74% (c) (d) (Cost $868,705)	868,705	**868,705**
Cash Equivalents 2.0%		
Cash Management QP Trust, 2.49% (c) (Cost $3,761,797)	3,761,797	**3,761,797**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $186,642,770)†	100.6	**186,705,914**
Other Assets and Liabilities, Net	(0.6)	**(1,186,117)**
Net Assets	100.0	**185,519,797**

* *Non-income producing security.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $188,517,307. At June 30, 2008, net unrealized depreciation for all securities based on tax cost was $1,811,393. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $13,851,531 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $15,662,924.*

(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, 2008 amounted to $853,282 which is 0.5% of net assets.*

(b) *At June 30, 2008, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

The accompanying notes are an integral part of the financial statements.

(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. Income earned by the Portfolio is net of borrower rebates.*

ADR: American Depositary Receipt

REIT: Real Estate Investment Trust

At June 30, 2008, open futures contracts purchased were as follows:

Futures	**Expiration Date**	**Contracts**	**Aggregate Face Value ($)**	**Value ($)**	**Unrealized Depreciation ($)**
S&P 500 Index	9/18/2008	15	5,098,923	4,804,125	**(294,798)**

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	**Investments in Securities at Value**	**Net Unrealized Depreciation on Other Financial Instruments††**
Level 1 — Quoted Prices	$ 185,867,441	$ (294,798)
Level 2 — Other Significant Observable Inputs	838,473	—
Level 3 — Significant Unobservable Inputs	—	—
Total	**$ 186,705,914**	**$ (294,798)**

†† *Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as future contracts which are valued at the unrealized appreciation/depreciation on the instrument.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $182,012,268 — including $853,282 of securities loaned)	$	182,075,412
Investment in Daily Assets Fund Institutional (cost $868,705)*		868,705
Investment in Cash Management QP Trust (cost $3,761,797)		3,761,797
Total investments, at value (cost $186,642,770)		186,705,914
Cash		8,965
Foreign currency, at value (cost $1,150)		1,117
Dividends receivable		105,828
Interest receivable		8,625
Receivable for daily variation margin on open futures contracts		4,125
Other assets		5,251
Total assets		186,839,825
Liabilities		
Payable for Portfolio shares redeemed		243,120
Payable upon return of securities loaned		868,705
Accrued management fee		85,520
Other accrued expenses and payables		122,683
Total liabilities		1,320,028
Net assets, at value	**$**	**185,519,797**
Net Assets Consist of		
Undistributed net investment income		943,028
Net unrealized appreciation (depreciation) on:		
Investments		63,144
Futures		(294,798)
Foreign currency		(34)
Accumulated net realized gain (loss)		(17,935,942)
Paid-in capital		202,744,399
Net assets, at value	**$**	**185,519,797**
Class A **Net Asset Value,** offering and redemption price per share ($185,324,878 ÷ 17,682,142 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.48**
Class B **Net Asset Value,** offering and redemption price per share ($194,919 ÷ 18,617 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.47**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $4,079)	$	1,649,751
Interest		8,344
Interest — Cash Management QP Trust		81,391
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		12,286
Total Income		1,751,772
Expenses:		
Management fee		662,703
Administration fee		33,626
Custodian fee		12,499
Distribution and service fees (Class B)		8,047
Record keeping fees (Class B)		4,592
Services to shareholders		337
Professional fees		35,444
Trustees' fees and expenses		25,017
Reports to shareholders and shareholder meeting		87,328
Other		4,871
Total expenses before expense reductions		874,464
Expense reductions		(11,211)
Total expenses after expense reductions		863,253
Net investment income (loss)		**888,519**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(11,789,654)
Futures		(573,651)
Foreign currency		(2)
		(12,363,307)
Change in net unrealized appreciation (depreciation) on:		
Investments		(14,453,166)
Futures		(278,975)
Foreign currency		(46)
		(14,732,187)
Net gain (loss)		**(27,095,494)**
Net increase (decrease) in net assets resulting from operations	**$**	**(26,206,975)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 888,519	$ 3,464,188
Net realized gain (loss)	(12,363,307)	33,055,813
Change in net unrealized appreciation (depreciation)	(14,732,187)	(21,646,324)
Net increase (decrease) in net assets resulting from operations	(26,206,975)	14,873,677
Distributions to shareholders from:		
Net investment income:		
Class A	(3,297,531)	(3,290,254)
Class B	(117,139)	(315,334)
Net realized gain:		
Class A	(35,917,893)	(34,899,465)
Class B	(1,664,515)	(5,204,548)
Total distributions	(40,997,078)	(43,709,601)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,785,204	16,482,598
Reinvestment of distributions	39,215,424	38,189,719
Cost of shares redeemed	(33,933,887)	(100,561,920)
Net increase (decrease) in net assets from Class A share transactions	8,066,741	(45,889,603)
Class B		
Proceeds from shares sold	234,187	5,401,154
Reinvestment of distributions	1,781,654	5,519,882
Cost of shares redeemed	(10,415,496)	(42,573,159)
Net increase (decrease) in net assets from Class B share transactions	(8,399,655)	(31,652,123)
Increase (decrease) in net assets	(67,536,967)	(106,377,650)
Net assets at beginning of period	253,056,764	359,434,414
Net assets at end of period (including undistributed net investment income of $943,028 and $3,469,179, respectively)	**$ 185,519,797**	**$ 253,056,764**

Other Information		
Class A		
Shares outstanding at beginning of period	16,515,920	19,412,716
Shares sold	230,186	1,075,933
Shares issued to shareholders in reinvestment of distributions	3,731,249	2,657,601
Shares redeemed	(2,795,213)	(6,630,330)
Net increase (decrease) in Class A shares	1,166,222	(2,896,796)
Shares outstanding at end of period	**17,682,142**	**16,515,920**
Class B		
Shares outstanding at beginning of period	755,480	2,824,828
Shares sold	18,012	372,774
Shares issued to shareholders in reinvestment of distributions	169,520	384,392
Shares redeemed	(924,395)	(2,826,514)
Net increase (decrease) in Class B shares	(736,863)	(2,069,348)
Shares outstanding at end of period	**18,617**	**755,480**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$14.65**	**$16.17**	**$14.88**	**$13.65**	**$11.84**	**$ 9.37**
Income (loss) from investment operations:						
Net investment income[b]	.05	.17	.17[d]	.14	.13	.08
Net realized and unrealized gain (loss)	(1.67)	.36	2.07	1.22	1.76	2.45
Total from investment operations	(1.62)	.53	2.24	1.36	1.89	2.53
Less distributions from:						
Net investment income	(.21)	(.18)	(.14)	(.13)	(.08)	(.06)
Net realized gains	(2.34)	(1.87)	(.81)	—	—	—
Total distributions	(2.55)	(2.05)	(.95)	(.13)	(.08)	(.06)
Net asset value, end of period	**$10.48**	**$14.65**	**$16.17**	**$14.88**	**$13.65**	**$11.84**
Total Return (%)	(11.09)[c]**	3.50	15.65[d]	10.06	16.04	27.25
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	185	242	314	294	283	242
Ratio of expenses before expense reductions (%)	.75*	.71	.71	.70	.70	.71
Ratio of expenses after expense reductions (%)	.75*	.71	.71	.70	.70	.71
Ratio of net investment income (%)	.89*	1.13	1.12[d]	1.00	1.08	.82
Portfolio turnover rate (%)	66**	275	226	288	249	182

a *For the six months ended June 30, 2008 (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 Funds. 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,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$14.61**	**$16.12**	**$14.83**	**$13.60**	**$11.80**	**$ 9.35**
Income (loss) from investment operations:						
Net investment income[b]	.02	.11	.11[d]	.09	.09	.04
Net realized and unrealized gain (loss)	(1.66)	.36	2.07	1.22	1.74	2.45
Total from investment operations	(1.64)	.47	2.18	1.31	1.83	2.49
Less distributions from:						
Net investment income	(.16)	(.11)	(.08)	(.08)	(.03)	(.04)
Net realized gains	(2.34)	(1.87)	(.81)	—	—	—
Total distributions	(2.50)	(1.98)	(.89)	(.08)	(.03)	(.04)
Net asset value, end of period	**$10.47**	**$14.61**	**$16.12**	**$14.83**	**$13.60**	**$11.80**
Total Return (%)	(11.28)[c]**	3.15	15.19[d]	9.68	15.55	26.76
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.19	11	46	44	37	17
Ratio of expenses before expense reductions (%)	1.17*	1.09	1.09	1.09	1.08	1.10
Ratio of expenses after expense reductions (%)	1.17*	1.09	1.09	1.09	1.08	1.10
Ratio of net investment income (%)	.47*	.75	.74[d]	.61	.70	.43
Portfolio turnover rate (%)	66**	275	226	288	249	182

a *For the six months ended June 30, 2008 (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 Funds. 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*

DWS Core Fixed Income VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

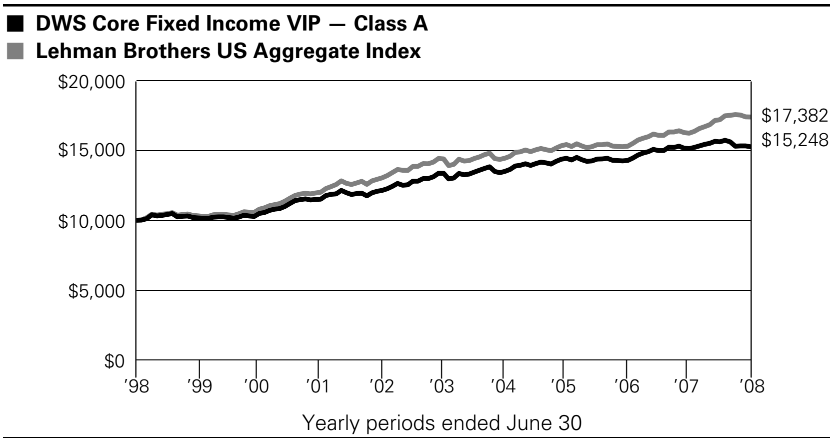
The total annual portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.66% and 0.91% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

Risk Considerations

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. In the recent market environment, mortgage-backed securities are experiencing increased volatility. Investments by the Portfolio in lower-rated bonds present greater risk to principal and income than investments in higher-quality securities. Additionally, investing in foreign securities presents certain risks, 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.

Portfolio returns shown for all periods reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Core Fixed Income VIP



The Lehman Brothers US Aggregate Index is an unmanaged, market value-weighted measure of Treasury issues, agency issues, corporate bond issues and mortgage securities.

Index returns, unlike Portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Core Fixed Income VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$9,771	$10,087	$10,568	$11,417	$15,248
	Average annual total return	–2.29%	.87%	1.86%	2.69%	4.31%
Lehman Brothers US Aggregate Index	Growth of $10,000	$10,113	$10,712	$11,276	$12,082	$17,382
	Average annual total return	1.13%	7.12%	4.09%	3.85%	5.68%

DWS Core Fixed Income VIP		6-Month‡	1-year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$9,747	$10,045	$10,435	$11,186	$12,286
	Average annual total return	–2.53%	.45%	1.43%	2.27%	3.49%
Lehman Brothers US Aggregate Index	Growth of $10,000	$10,113	$10,712	$11,276	$12,082	$13,339
	Average annual total return	1.13%	7.12%	4.09%	3.85%	4.92%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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. 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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 977.10	$ 974.70
Expenses Paid per $1,000*	$ 3.49	$ 5.40
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,021.33	$1,019.39
Expenses Paid per $1,000*	$ 3.57	$ 5.52

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Core Fixed Income VIP	.71%	1.10%

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 Core Fixed Income VIP

The US Federal Reserve Board (the Fed) did its part to restore hope to the US financial markets in the first quarter of 2008, easing its benchmark fed funds rate (the overnight rate charged by banks when they borrow money from each other) by 200 basis points (or two percentage points), and staving off a financial meltdown by arranging the sale of Bear Stearns to JP Morgan. The Bear Stearns rescue, along with extraordinary measures to add liquidity, supported a rally in mortgage-backed securities and corporate bonds that lasted through most of the second quarter. However, assets that trade at a yield spread over Treasuries came under renewed stress near the end of the period.[1] Inflation fears were reignited as oil threatened to breach the $150 per barrel level and another round of deterioration in financial sector fundamentals returned to haunt the markets. Downgrades of insurers, housing market declines, the threat of bank failures, and questions regarding the ongoing viability of Fannie Mae and Freddie Mac all pressured prices. The two-year Treasury yield fell from 3.05% to 2.62% over the period after having reached as low as 1.35%, and the 10-year yield fell from 4.04% to 3.97%.

During the six-month period ended June 30, 2008, the Portfolio provided a total return of –2.29% (Class A shares, unadjusted for contract charges) compared with the 1.13% return of its benchmark, the Lehman Brothers US Aggregate Index.

The Portfolio's focus on fixed-income sectors that trade at a yield spread to Treasuries detracted from performance for the full period, driven by the unprecedented flight to quality in the first quarter that boosted Treasuries. In particular, the Portfolio's exposure to commercial mortgage-backed securities and prime hybrid adjustable rate mortgages within the residential mortgage sector suffered from the lack of market liquidity.[2] While the Portfolio was underweight corporate bonds, within the sector it was overweight financials, which underperformed duration-equivalent Treasuries by a wide margin.[3] While further volatility can be expected, we remain focused on fundamental security level analysis to ensure that the Portfolio is comprised of holdings that we believe can maintain sound credit quality under difficult scenarios for the economy.

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Portfolio Managers, Aberdeen Asset Management Inc., Subadvisor to the Portfolio

The Lehman Brothers US Aggregate Index is an unmanaged, market value-weighted measure of Treasury issues, agency issues, corporate bond issues and mortgage securities. Index returns, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *The yield spread is the difference between the yield of a security and the yield of a comparable duration Treasury. A large spread indicates that investors require yields substantially above those of Treasuries in order to invest in lower-quality bonds. This is generally indicative of a higher-risk environment. A smaller spread generally indicates a more positive environment, since investors are less concerned about risk and therefore willing to accept lower yields. A drop in the yield spread is a positive.*

2 *A prime hybrid ARM (adjustable rate mortgage) features an interest rate that is fixed for an initial period of time, then floats thereafter. The "hybrid" refers to the ARM's blend of fixed-rate and adjustable-rate characteristics.*

3 *"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, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Commercial and Non-Agency Mortgage Backed Securities	40%	37%
Corporate Bonds	20%	17%
Mortgage-Backed Securities Pass-Throughs	15%	17%
Collateralized Mortgage Obligations	8%	7%
Government & Agency Obligations	8%	14%
Municipal Bonds and Notes	4%	2%
Preferred Securities	3%	3%
Asset Backed	2%	3%
	100%	100%

Bond Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/08**	**12/31/07**
Financials	50%	59%
Utilities	17%	20%
Consumer Staples	5%	6%
Materials	5%	5%
Consumer Discretionary	5%	2%
Industrials	5%	2%
Energy	4%	2%
Telecommunication Services	4%	1%
Information Technology	3%	3%
Health Care	2%	—
	100%	100%

Quality (Excludes Securities Lending Collateral)	**6/30/08**	**12/31/07**
US Government and Agencies	31%	38%
AAA*	44%	42%
AA	4%	2%
A	6%	7%
BBB	15%	11%
	100%	100%

* *Includes cash equivalents*

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/08**	**12/31/07**
Under 1 year	1%	2%
1–4.99 years	36%	48%
5–9.99 years	52%	39%
10–14.99 years	2%	1%
15 years or greater	9%	10%
	100%	100%

Asset allocation, bond diversification, quality and effective maturity are subject to change.

Weighted average effective maturity: 7.6 years and 6.7 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 47. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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 20.3%		
Consumer Discretionary 1.1%		
Comcast Cable Holdings LLC:		
9.875%, 6/15/2022	250,000	304,734
10.125%, 4/15/2022	363,000	449,655
Comcast Corp., 6.4%, 5/15/2038	120,000	110,697
Grupo Televisa SA, 144A, 6.0%, 5/15/2018	600,000	583,524
Time Warner Entertainment Co., LP, 10.15%, 5/1/2012	460,000	516,411
Viacom, Inc., 6.75%, 10/5/2037	550,000	526,784
		2,491,805
Consumer Staples 1.3%		
CVS Caremark Corp., 6.302%, 6/1/2037	1,949,000	1,671,268
Kroger Co., 6.4%, 8/15/2017 (a)	324,000	330,466
Miller Brewing Co., 144A, 5.5%, 8/15/2013	840,000	858,467
		2,860,201
Energy 1.1%		
Northwest Pipelines Corp., 144A, 6.05%, 6/15/2018	585,000	577,618
Petro-Canada, 6.8%, 5/15/2038	705,000	690,553
TransCanada PipeLines Ltd., 6.35%, 5/15/2067	825,000	712,363
Valero Energy Corp., 7.5%, 4/15/2032	365,000	369,405
		2,349,939
Financials 8.5%		
American International Group, Inc., 144A, 8.175%, 5/15/2058	360,000	338,799
Banco Mercantil del Norte SA, Series A, 144A, 6.862%, 10/13/2021	610,000	568,874
Bank of America Corp., 5.65%, 5/1/2018	1,165,000	1,087,629
Berkshire Hathaway Finance Corp., 144A, 4.6%, 5/15/2013	1,170,000	1,166,419
Corp. Andina de Fomento:		
5.75%, 1/12/2017 (a)	295,000	286,723
6.875%, 3/15/2012	210,000	220,700
Dresdner Funding Trust I, 144A, 8.151%, 6/30/2031	400,000	333,787
Erac USA Finance Co.:		
144A, 5.8%, 10/15/2012	545,000	515,107
144A, 7.0%, 10/15/2037	1,285,000	1,068,839
144A, 8.0%, 1/15/2011	1,346,000	1,390,091
Farmers Insurance Exchange, 144A, 8.625%, 5/1/2024	940,000	983,150
FPL Group Capital, Inc.:		
6.65%, 6/15/2067	859,000	759,366
Series D, 7.3%, 9/1/2067	135,000	127,027
Glen Meadow Pass-Through Trust, 144A, 6.505%, 2/12/2067	445,000	384,201
HBOS PLC, 144A, 6.75%, 5/21/2018 (a)	195,000	186,492
HSBC Finance Corp., 5.25%, 1/15/2014	390,000	380,489
International Lease Finance Corp.:		
6.375%, 3/25/2013	355,000	324,032
Series R, 6.625%, 11/15/2013	90,000	80,864
Merrill Lynch & Co., Inc., 7.75%, 5/14/2038	410,000	384,365
Morgan Stanley:		
Series F, 6.0%, 4/28/2015	290,000	277,246
Series F, 6.625%, 4/1/2018	500,000	473,763
National Australia Bank Ltd., 144A, 5.35%, 6/12/2013	485,000	484,234
PartnerRe Finance II, 6.44%, 12/1/2066	697,000	553,675
Rio Tinto Finance (USA) Ltd.:		
5.875%, 7/15/2013	675,000	678,742
6.5%, 7/15/2018	315,000	315,956
7.125%, 7/15/2028	240,000	242,860
StanCorp. Financial Group, Inc., 6.9%, 5/29/2067	940,000	788,767
Standard Chartered PLC, 144A, 7.014%, 12/30/2049	900,000	775,132
TNK-BP Finance SA, Series 5, 144A, 7.5%, 3/13/2013	245,000	241,325
UDR, Inc., Series E, (REIT), 3.9%, 3/15/2010	345,000	331,869
Wells Fargo & Co., 5.25%, 10/23/2012	270,000	271,513
Woori Bank, 144A, 6.208%, 5/2/2037	165,000	133,914
Xstrata Finance Canada Ltd.:		
144A, 5.8%, 11/15/2016	940,000	886,508
144A, 6.9%, 11/15/2037	895,000	860,903
ZFS Finance USA Trust V, 144A, 6.5%, 5/9/2037	1,000,000	872,806
		18,776,167
Health Care 0.4%		
GlaxoSmithKline Capital, Inc., 6.375%, 5/15/2038	550,000	545,948
Schering-Plough Corp., 6.55%, 9/15/2037	400,000	390,648
		936,596
Industrials 1.1%		
General Electric Co., 5.25%, 12/6/2017	815,000	783,486
Rockies Express Pipeline LLC, 144A, 6.25%, 7/15/2013	1,175,000	1,187,929
United Technologies Corp., 6.125%, 7/15/2038	465,000	467,100
		2,438,515
Information Technology 0.6%		
Broadridge Financial Solutions, Inc., 6.125%, 6/1/2017	823,000	692,170
Tyco Electronics Group SA, 6.0%, 10/1/2012	695,000	701,753
		1,393,923
Materials 1.2%		
ArcelorMittal, 144A, 5.375%, 6/1/2013	790,000	777,899
Celulosa Arauco y Constitucion SA, 5.625%, 4/20/2015	1,295,000	1,256,998

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Nucor Corp., 6.4%, 12/1/2037	555,000	563,096
United States Steel Corp., 5.65%, 6/1/2013	4,000	3,894
		2,601,887
Telecommunication Services 0.9%		
British Telecommunications PLC, 8.625%, 12/15/2010	848,000	910,540
Qwest Corp., 7.625%, 6/15/2015	234,000	225,225
Telecom Italia Capital, 7.721%, 6/4/2038	445,000	452,182
Verizon Communications, Inc., 6.9%, 4/15/2038	425,000	420,016
		2,007,963
Utilities 4.1%		
Arizona Public Service Co., 6.875%, 8/1/2036	1,045,000	942,738
Columbus Southern Power Co., 6.05%, 5/1/2018	715,000	710,854
Commonwealth Edison Co., Series 98, 6.15%, 3/15/2012	980,000	1,001,098
Dominion Resources, Inc.:		
Series 06-B, 6.3%, 9/30/2066	560,000	512,542
7.5%, 6/30/2066	640,000	595,441
Entergy Gulf States Louisiana LLC, 144A, 6.0%, 5/1/2018	610,000	595,186
Integrys Energy Group, Inc., 6.11%, 12/1/2066	1,305,000	1,080,408
Pedernales Electric Cooperative, Series 2002-A, 144A, 6.202%, 11/15/2032	1,715,000	1,584,917
PPL Capital Funding, Inc., Series A, 6.7%, 3/30/2067	1,580,000	1,347,797
Union Electric Co., 6.7%, 2/1/2019	815,000	825,532
		9,196,513
Total Corporate Bonds (Cost $48,329,012)		**45,053,509**

Asset Backed 1.7%

Home Equity Loans

	Principal Amount ($)	Value ($)
Countrywide Asset-Backed Certificates:		
"A6", Series 2006-S6, 5.657%, 3/25/2034	1,840,000	1,209,437
"A6", Series 2006-15, 5.826%, 10/25/2046	640,000	486,313
"A1B", Series 2007-S1, 5.888%, 11/25/2036	811,868	739,242
"1AF6", Series 2006-11, 6.15%, 9/25/2046	1,830,000	1,274,867
Securitized Asset Backed NIM Trust, "NIM", Series 2005-FR4, 144A, 6.0%, 1/25/2036 (e)	459,930	46
Total Asset Backed (Cost $5,574,024)		**3,709,905**

Mortgage-Backed Securities Pass-Throughs 14.8%

	Principal Amount ($)	Value ($)
Federal Home Loan Mortgage Corp., 6.0%, 12/1/2034	944,136	958,409
Federal National Mortgage Association:		
4.5%, with various maturities from 5/1/2019 until 10/1/2033	3,672,443	3,457,985
5.0%, 2/1/2034	547,690	528,136
5.5%, with various maturities from 2/1/2024 until 7/1/2037	19,105,097	18,942,321
6.0%, 4/1/2024	1,272,518	1,299,062
6.5%, with various maturities from 3/1/2017 until 4/1/2037	7,391,954	7,631,205
8.0%, 9/1/2015	24,354	25,886
Total Mortgage-Backed Securities Pass-Throughs (Cost $32,742,834)		**32,843,004**

Commercial and Non-Agency Mortgage-Backed Securities 40.4%

	Principal Amount ($)	Value ($)
Adjustable Rate Mortgage Trust:		
"3A31", Series 2005-10, 5.417%*, 1/25/2036	1,265,000	1,082,835
"1A4", Series 2006-2, 5.753%*, 5/25/2036	1,705,000	1,504,865
Banc of America Commercial Mortgage, Inc.:		
"A4", Series 2007-1, 5.451%, 1/15/2049	1,335,000	1,242,574
"A2", Series 2007-2, 5.634%, 4/10/2049	820,000	804,955
"A2", Series 2007-3, 5.838%*, 6/10/2049	660,000	651,369
"H", Series 2007-3, 144A, 5.838%*, 6/10/2049	1,050,000	464,830
"A4", Series 2007-2, 5.867%*, 4/10/2049	675,000	641,763
"AM", Series 2007-4, 6.003%*, 2/10/2051	545,000	498,451
Banc of America Mortgage Securities, Inc., "1A20", Series 2005-3, 5.5%, 4/25/2035	1,840,000	1,782,381
Bear Stearns Adjustable Rate Mortgage Trust:		
"A1", Series 2006-1, 4.625%*, 2/25/2036	2,520,823	2,406,976
"2A1", Series 2006-4, 5.794%*, 10/25/2036	1,380,412	1,223,834
"22A1", Series 2007-4, 6.001%*, 6/25/2047	1,277,269	1,175,800
Chase Mortgage Finance Corp., "3A1", Series 2005-A1, 5.281%*, 12/25/2035	2,325,428	2,238,650
Citicorp Mortgage Securities, Inc., "1A1", Series 2004-8, 5.5%, 10/25/2034	936,822	902,316
Citigroup Commercial Mortgage Trust, "ASB", Series 2006-C5, 5.413%, 10/15/2049	1,390,000	1,335,500
Citigroup Mortgage Loan Trust, Inc.:		
"2A1", Series 2006-AR1, 4.7%*, 3/25/2036	1,170,995	1,105,227
"1A1", Series 2006-AR1, 4.9%*, 10/25/2035	379,593	368,514
"1A2", Series 2006-AR2, 5.526%*, 3/25/2036	1,841,598	1,715,930
"1CB2", Series 2004-NCM2, 6.75%, 8/25/2034	940,286	911,490
Citigroup/Deutsche Bank Commercial Mortgage Trust:		
"A4", Series 2005-CD1, 5.4%*, 7/15/2044	900,000	867,860
"F", Series 2007-CD4, 5.555%, 12/11/2049	960,000	607,134

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Countrywide Alternative Loan Trust:		
"A2", Series 2003-6T2, 5.0%, 6/25/2033	51,169	51,097
"A2", Series 2003-21T1, 5.25%, 12/25/2033	931,440	856,386
"A6", Series 2004-14T2, 5.5%, 8/25/2034	836,382	800,191
"7A1", Series 2004-J2, 6.0%, 12/25/2033	219,575	188,560
"1A1", Series 2004-J1, 6.0%, 2/25/2034	131,796	122,405
GE Capital Commercial Mortgage Corp., "AJ", Series 2007-C1, 5.677%, 12/10/2049	2,090,000	1,653,772
Greenwich Capital Commercial Funding Corp.:		
"A4", Series 2007-GG9, 5.444%, 3/10/2039	1,800,000	1,677,227
"AM", Series 2007-GG9, 5.475%, 3/10/2039	600,000	535,720
"A4", Series 2007-GG11, 5.736%, 12/10/2049	775,000	732,589
GS Mortgage Securities Corp. II:		
"A2", Series 2006-GG8, 5.479%, 11/10/2039	1,870,000	1,854,396
"A4", Series 2007-GG10, 5.993%*, 8/10/2045	1,975,000	1,888,508
"AM", Series 2007-GG10, 5.993%*, 8/10/2045	1,375,000	1,259,445
"C", Series 1998-C1, 6.91%, 10/18/2030	1,260,000	1,258,317
GSR Mortgage Loan Trust, "2A1", Series 2007-AR1, 5.998%*, 3/25/2037	2,441,639	2,251,397
IndyMac Inda Mortgage Loan Trust, "1A1", Series 2006-AR3, 5.338%*, 12/25/2036	1,756,537	1,656,760
IndyMac Index Mortgage Loan Trust, "3A1", Series 2006-AR33, 5.768%*, 1/25/2037	1,224,780	1,153,882
JPMorgan Chase Commercial Mortgage Securities Corp.:		
"A4", Series 2007-LD12, 5.882%, 2/15/2051	650,000	620,613
"A2", Series 2007-LD11, 5.992%*, 6/15/2049	2,430,000	2,407,823
"ASB", Series 2007-LD11, 6.007%*, 6/15/2049	3,180,000	3,085,784
"H", Series 2007-LD11, 144A, 6.007%*, 6/15/2049	1,610,000	724,492
JPMorgan Mortgage Trust:		
"6A1", Series 2007-A1, 4.777%*, 7/25/2035	1,578,096	1,510,948
"2A4L", Series 2006-A6, 5.564%*, 10/25/2036	1,840,000	1,594,805
"2A4", Series 2006-A2, 5.755%*, 4/25/2036	2,565,000	2,226,136
LB-UBS Commercial Mortgage Trust, "A2", Series 2006-C6, 5.262%, 9/15/2039	1,030,000	1,017,011
Lehman Mortgage Trust, "3A3", Series 2006-1, 5.5%, 2/25/2036	1,680,339	1,595,634
Master Alternative Loans Trust:		
"5A1", Series 2005-1, 5.5%, 1/25/2020	494,626	447,946
"5A1", Series 2005-2, 6.5%, 12/25/2034	143,653	119,142
"8A1", Series 2004-3, 7.0%, 4/25/2034	34,004	31,198
Master Asset Securitization Trust, "2A7", Series 2003-9, 5.5%,10/25/2033	1,059,542	1,001,929
Merrill Lynch Mortgage Investors Trust, "A2", Series 2005-A5, 4.566%, 6/25/2035	210,000	197,828
Merrill Lynch Mortgage Trust, "ASB", Series 2007-C1, 6.023%*, 6/12/2050	900,000	871,807
Morgan Stanley Capital I:		
"A2", Series 2007-HQ11, 5.359%, 2/12/2044	1,800,000	1,758,020
"AAB", Series 2007-IQ14, 5.654%, 4/15/2049	1,845,000	1,765,535
"AM", Series 2007-HQ12, 5.811%*, 4/12/2049	675,000	609,270
Residential Accredit Loans, Inc.:		
"3A1", Series 2006-QS18, 5.75%, 12/25/2021	1,319,130	1,249,542
"CB", Series 2004-QS2, 5.75%, 2/25/2034	628,426	539,661
Residential Funding Mortgage Securities I, "2A2", Series 2007-SA1, 5.613%*, 2/25/2037	2,213,729	2,096,209
Sequoia Mortgage Trust, "2A1", Series 2007-1, 5.762%*, 2/20/2047	2,268,507	2,163,120
Structured Adjustable Rate Mortgage Loan Trust, "6A3", Series 2005-21, 5.4%, 11/25/2035	1,485,000	1,253,153
Structured Asset Securities Corp., "4A1", Series 2005-6, 5.0%, 5/25/2035	653,842	587,436
Wachovia Bank Commercial Mortgage Trust:		
"A3", Series 2007-C30, 5.246%, 12/15/2043	1,310,000	1,272,218
"AJ", Series 2007-C30, 5.413%, 12/15/2043	1,850,000	1,438,833
Wachovia Mortgage Loan Trust LLC, "3A1", Series 2005-B, 5.157%*, 10/20/2035	2,167,982	2,107,015
Washington Mutual Mortgage Pass-Through Certificates Trust:		
"A1", Series 2003-S7, 4.5%, 8/25/2018	1,511,122	1,426,122
"1A3", Series 2005-AR16, 5.099%*, 12/25/2035	1,660,000	1,564,652
"1A1", Series 2007-HY4, 5.55%*, 4/25/2037	2,308,496	2,187,616
"1A1", Series 2006-AR16, 5.606%*, 12/25/2036	2,020,773	1,852,219
"1A1", Series 2007-HY2, 5.622%*, 12/25/2036	2,364,944	2,216,969
Wells Fargo Mortgage Backed Securities Trust:		
"A4", Series 2005-AR14, 5.387%*, 8/25/2035	1,700,000	1,432,133
"A1", Series 2006-3, 5.5%, 3/25/2036	1,794,134	1,742,578

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
"2A5", Series 2006-AR1, 5.551%*, 3/25/2036	1,700,000	1,416,265
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $96,511,261)		**89,605,568**

Collateralized Mortgage Obligations 7.9%

	Principal Amount ($)	Value ($)
Fannie Mae Whole Loan, "1A1", Series 2004-W15, 6.0%, 8/25/2044	951,475	928,742
Federal Home Loan Mortgage Corp.:		
"LN", Series 3145, 4.5%, 10/15/2034	1,689,651	1,662,701
"ME", Series 2775, 5.0%, 12/15/2032	1,165,000	1,144,264
"PD", Series 2890, 5.0%, 3/15/2033	1,485,000	1,452,807
"OG", Series 2889, 5.0%, 5/15/2033	1,770,000	1,727,561
"PE", Series 2898, 5.0%, 5/15/2033	860,000	840,638
"XD", Series 2941, 5.0%, 5/15/2033	1,055,000	1,027,266
"BG", Series 2869, 5.0%, 7/15/2033	335,000	328,060
"KD", Series 2915, 5.0%, 9/15/2033	1,341,000	1,309,099
"AC", Series R007, 5.875%, 5/15/2016	1,125,516	1,138,290
"PE", Series 2165, 6.0%, 6/15/2029	1,383,390	1,410,979
Federal National Mortgage Association:		
"QD", Series 2005-29, 5.0%, 8/25/2033	435,000	423,497
"HE", Series 2005-22, 5.0%, 10/25/2033	1,540,000	1,498,405
"PG", Series 2002-3, 5.5%, 2/25/2017	476,243	480,809
"PH", Series 1999-19, 6.0%, 5/25/2029	1,358,757	1,381,439
"Z", Series 2001-14, 6.0%, 5/25/2031	868,365	883,298
Total Collateralized Mortgage Obligations (Cost $17,620,972)		**17,637,855**

Municipal Bonds and Notes 3.5%

	Principal Amount ($)	Value ($)
Glendale, AZ, Municipal Property Corp., Excise Tax Revenue, Series B, 6.157%, 7/1/2033 (b)	920,000	927,507
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	945,000	959,657
Miami-Dade County, FL, Educational Facilities Authority Revenue, University of Miami, Series B, 6.1%, 4/1/2015	1,145,000	1,146,305
Michigan, Western Michigan University Revenue, 4.41%, 11/15/2014 (b)	1,010,000	1,001,102
New Jersey, Economic Development Authority Revenue, Series B, 6.5%, 11/1/2014 (b)	1,085,000	1,145,901
New Jersey, State Educational Facilities Authority Revenue, NJ City University, Series F, 6.85%, 7/1/2036 (b)	845,000	866,142
Newark, NJ, Pension Obligation, 5.853%, 4/1/2022 (b)	865,000	883,788
Rhode Island, Convention Center Authority Revenue, Civic Center, Series A, 6.03%, 5/15/2028 (b)	880,000	883,881
Total Municipal Bonds and Notes (Cost $7,761,544)		**7,814,283**

Government & Agency Obligations 7.5%

US Treasury Obligations

	Principal Amount ($)	Value ($)
US Treasury Bonds:		
5.0%, 5/15/2037 (a)	2,253,000	2,421,272
6.0%, 2/15/2026 (a)	3,885,000	4,550,003
US Treasury Notes:		
3.375%, 6/30/2013	345,000	344,569
3.875%, 5/15/2018 (a)	6,108,000	6,056,943
4.0%, 2/15/2015 (a)	3,104,000	3,190,574
4.875%, 5/31/2011 (f)	120,000	126,638
Total Government & Agency Obligations (Cost $16,631,887)		**16,689,999**

Preferred Securities 3.1%

	Principal Amount ($)	Value ($)
Goldman Sachs Capital II, 5.793%, 6/1/2012**	1,150,000	799,664
JPMorgan Chase & Co., Series 1, 7.9%, 4/30/2018**	375,000	351,615
Mangrove Bay Pass-Through Trust, 144A, 6.102%, 7/15/2033	1,010,000	616,736
Oil Insurance Ltd., 144A, 7.558%, 6/30/2011**	890,000	757,666
PNC Financial Services Group, Inc., Series K, 8.25%, 5/21/2013**	1,040,000	1,037,780
Royal Bank of Scotland Group PLC:		
144A, 6.99%, 10/5/2017**	630,000	567,018
Series U, 7.64%, 9/29/2017**	600,000	548,597
Santander Perpetual SA, 144A, 6.671%, 10/24/2017**	700,000	676,244
Stoneheath Re, 6.868%, 10/15/2011**	250,000	165,075
Wachovia Capital Trust III, 5.8%, 3/15/2042	1,040,000	707,200
Wells Fargo Capital XIII, 7.7%, 3/26/2013**	325,000	323,065
XL Capital Ltd., Series E, 6.5%, 4/15/2017**	590,000	398,250
Total Preferred Securities (Cost $8,511,678)		**6,948,910**

Preferred Stocks 0.3%

	Shares	Value ($)
Arch Capital Group Ltd., 8.0%	7,384	172,435
Delphi Financial Group, Inc., 7.376%	22,600	430,812
Total Preferred Stocks (Cost $751,264)		**603,247**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Securities Lending Collateral 7.5%		
Daily Assets Fund Institutional, 2.74% (c) (d) (Cost $16,661,199)	16,661,199	**16,661,199**
Cash Equivalents 0.0%		
Cash Management QP Trust, 2.49% (c) (Cost $63,506)	63,506	**63,506**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $251,159,181)†	107.0	**237,630,985**
Other Assets and Liabilities, Net (a)	(7.0)	**(15,552,795)**
Net Assets	100.0	**222,078,190**

* *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, 2008.*

** *Date shown is call date; not a maturity date for the perpetual preferred securities.*

† *The cost for federal income tax purposes was $251,202,296. At June 30, 2008, net unrealized depreciation for all securities based on tax cost was $13,571,311. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $832,127 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $14,403,438.*

(a) *All or a portion of these securities were on loan amounting to $13,510,812. In addition, included in other assets and liabilities, net are pending sales, amounting to $ 2,694,215, that are also on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2008 amounted to $16,205,027 which is 7.3% of net assets.*

(b) *Bond is insured by one of these companies:*

Insurance Coverage	As a % of Total Investment Portfolio
Ambac Financial Group, Inc.	0.4
Assured Guaranty Corp.	0.9
Financial Security Assurance, Inc.	1.1

(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. Income earned by the Portfolio is net of borrower rebates.*

(e) *Non-income producing security.*

(f) *At June 30, 2008, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

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

At June 30, 2008, open future contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Appreciation ($)
5 Year US Treasury Note	9/30/2008	111	12,170,360	12,271,570	**101,210**

At June 30, 2008, open future contracts sold were as follows:

Futures	Expiration Date	Contracts	Aggregated Face Value ($)	Value ($)	Unrealized Depreciation ($)
10 Year US Treasury Note	9/19/2008	109	12,194,075	12,417,484	**(223,409)**

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 the investment portfolio.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	Investments in Securities at Value	Net Unrealized Depreciation on Other Financial Instruments††
Level 1 — Quoted Prices	$ 17,327,952	$ (122,199)
Level 2 — Other Significant Observable Inputs	220,137,958	—
Level 3 — Significant Unobservable Inputs	165,075	—
Total	**$ 237,630,985**	**$ (122,199)**

†† *Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as future contracts, which are valued at the unrealized appreciation/depreciation on the instrument.*

The accompanying notes are an integral part of the financial statements.

The following is a reconciliation of the Portfolio's assets in which significant unobservable inputs (Level 3) were used in determining fair value at June 30, 2008:

	Investments in Securities at Market Value
Balance as of January 1, 2008	$ 249,925
Total realized gains or losses	—
Change in unrealized appreciation (depreciation)	(84,850)
Net purchases (sales)	—
Net transfers in (out) of Level 3	—
Balance as of June 30, 2008	**$ 165,075**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $234,434,476) — including $13,510,812 of securities loaned	$	220,906,280
Investment in Daily Assets Fund Institutional (cost $16,661,199)*		16,661,199
Investment in Cash Management QP Trust (cost $63,506)		63,506
Total investments, at value (cost $251,159,181)		237,630,985
Cash		23,212
Receivable for investments sold		6,122,144
Receivable for Portfolio shares sold		163,752
Interest receivable		1,621,711
Foreign taxes recoverable		4,421
Receivable for daily variation margin on open futures		2,789
Other assets		6,753
Total assets		245,575,767
Liabilities		
Payable upon return of securities loaned		16,661,199
Payable for investments purchased		5,693,846
Payable for Portfolio shares redeemed		805,544
Accrued management fee		95,005
Other accrued expenses and payables		241,983
Total liabilities		23,497,577
Net assets, at value	**$**	**222,078,190**
Net Assets Consist of		
Undistributed net investment income		6,080,300
Net unrealized appreciation (depreciation) on investments		(13,528,196)
Futures		(122,199)
Accumulated net realized gain (loss)		(6,337,278)
Paid-in capital		235,985,563
Net assets, at value	**$**	**222,078,190**
Class A		
Net Asset Value, offering and redemption price per share ($174,959,908 ÷ 16,230,469 outstanding shares of beneficial interest, $.01 par value, 24,742,586 shares authorized)	**$**	**10.78**
Class B		
Net Asset Value, offering and redemption price per share ($47,118,282 ÷ 4,369,145 outstanding shares of beneficial interest, $.01 par value, 7,316,641 shares authorized)	**$**	**10.78**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends	$	28,221
Interest (net of foreign taxes withheld of $1,350)		6,840,803
Interest — Cash Management QP Trust		66,060
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		170,338
Total Income		7,105,422
Expenses:		
Management fee		701,049
Administration fee		38,082
Services to shareholders		222
Custodian fee		10,163
Distribution and service fees (Class B)		75,319
Record keeping fees (Class B)		43,035
Professional fees		36,811
Trustees' fees and expenses		28,667
Reports to shareholders and shareholder meeting		86,526
Other		12,328
Total expenses before expense reductions		1,032,202
Expense reductions		(13,689)
Total expenses after expense reductions		1,018,513
Net investment income (loss)		**6,086,909**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(1,790,534)
Futures		76,023
		(1,714,511)
Change in net unrealized appreciation (depreciation) on:		
Investments		(10,531,874)
Futures		(122,199)
		(10,654,073)
Net gain (loss)		**(12,368,584)**
Net increase (decrease) in net assets resulting from operations	**$**	**(6,281,675)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income	$ 6,086,909	$ 16,962,355
Net realized gain (loss)	(1,714,511)	(784,875)
Change in net unrealized appreciation (depreciation)	(10,654,073)	(1,784,782)
Net increase (decrease) in net assets resulting from operations	(6,281,675)	14,392,698
Distributions to shareholders from:		
Net investment income:		
Class A	(12,658,879)	(12,441,885)
Class B	(4,079,055)	(3,150,565)
Total distributions	(16,737,934)	(15,592,450)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	20,358,185	84,886,024
Reinvestment of distributions	12,658,879	12,441,885
Cost of shares redeemed	(27,103,172)	(187,114,199)
Net increase (decrease) in net assets from Class A share transactions	5,913,892	(89,786,290)
Class B		
Proceeds from shares sold	1,642,016	2,831,011
Reinvestment of distributions	4,079,055	3,150,565
Cost of shares redeemed	(21,811,792)	(19,070,128)
Net increase (decrease) in net assets from Class B share transactions	(16,090,721)	(13,088,552)
Increase (decrease) in net assets	(33,196,438)	(104,074,594)
Net assets at beginning of period	255,274,628	359,349,222
Net assets at end of period (including undistributed net investment income of $6,080,300 and $16,731,325, respectively)	**$ 222,078,190**	**$ 255,274,628**

Other Information		
Class A		
Shares outstanding at beginning of period	15,754,867	23,346,010
Shares sold	1,741,923	7,294,758
Shares issued to shareholders in reinvestment of distributions	1,171,035	1,080,025
Shares redeemed	(2,437,356)	(15,965,926)
Net increase (decrease) in Class A shares	475,602	(7,591,143)
Shares outstanding at end of period	**16,230,469**	**15,754,867**
Class B		
Shares outstanding at beginning of period	5,850,161	6,968,915
Shares sold	140,899	242,748
Shares issued to shareholders in reinvestment of distributions	376,991	273,249
Shares redeemed	(1,998,906)	(1,634,751)
Net increase (decrease) in Class B shares	(1,481,016)	(1,118,754)
Shares outstanding at end of period	**4,369,145**	**5,850,161**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Date						
Net asset value, beginning of period	**$11.82**	**$11.86**	**$11.81**	**$12.07**	**$12.16**	**$11.98**
Income (loss) from investment operations:						
Net investment income[b]	.28	.56	.53	.47	.50	.45
Net realized and unrealized gain (loss)	(.55)	(.08)	(.05)	(.21)	.05	.14
Total from investment operations	(.27)	.48	.48	.26	.55	.59
Less distributions from:						
Net investment income	(.77)	(.52)	(.43)	(.41)	(.43)	(.41)
Net realized gains	—	—	(.00)***	(.11)	(.21)	—
Total distributions	(.77)	(.52)	(.43)	(.52)	(.64)	(.41)
Net asset value, end of period	**$10.78**	**$11.82**	**$11.86**	**$11.81**	**$12.07**	**$12.16**
Total Return (%)	(2.29)[c]**	4.17	4.26	2.25	4.53	5.13
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	175	186	277	252	210	201
Ratio of expenses before expense reductions (%)	.72*	.66	.68	.67	.66	.66
Ratio of expenses after expense reductions (%)	.71*	.66	.68	.67	.66	.66
Ratio of net investment income (loss) (%)	5.05*	4.78	4.56	3.96	4.18	3.75
Portfolio turnover rate (%)	137**	197[d]	183[d]	164[d]	185[d]	229[d]

a *For the six months ended June 30, 2008 (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 209%, 198%, 241%, 176% and 204% for the years ended December 31, 2007, 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,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$11.80**	**$11.84**	**$11.78**	**$12.04**	**$12.13**	**$11.96**
Income (loss) from investment operations:						
Net investment income[b]	.26	.51	.49	.42	.45	.40
Net realized and unrealized gain (loss)	(.56)	(.08)	(.05)	(.21)	.05	.15
Total from investment operations	(.30)	.43	.44	.21	.50	.55
Less distributions from:						
Net investment income	(.72)	(.47)	(.38)	(.36)	(.38)	(.38)
Net realized gains	—	—	(.00)***	(.11)	(.21)	—
Total distributions	(.72)	(.47)	(.38)	(.47)	(.59)	(.38)
Net asset value, end of period	**$10.78**	**$11.80**	**$11.84**	**$11.78**	**$12.04**	**$12.13**
Total Return (%)	(2.53)[c]**	3.75	3.89	1.85	4.10	4.76
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	47	69	82	89	88	45
Ratio of expenses before expense reductions (%)	1.11*	1.05	1.07	1.07	1.03	1.05
Ratio of expenses after expense reductions (%)	1.10*	1.05	1.07	1.07	1.03	1.05
Ratio of net investment income (loss) (%)	4.66*	4.39	4.17	3.56	3.81	3.36
Portfolio turnover rate (%)	137**	197[d]	183[d]	164[d]	185[d]	229[d]

a *For the six months ended June 30, 2008 (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 209%, 198%, 241%, 176% and 204% for the years ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004 and December 31, 2003, respectively.*

* *Annualized* ** *Not annualized* *** *Amount is less than $.005.*

Performance Summary

June 30, 2008

DWS Davis Venture Value VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

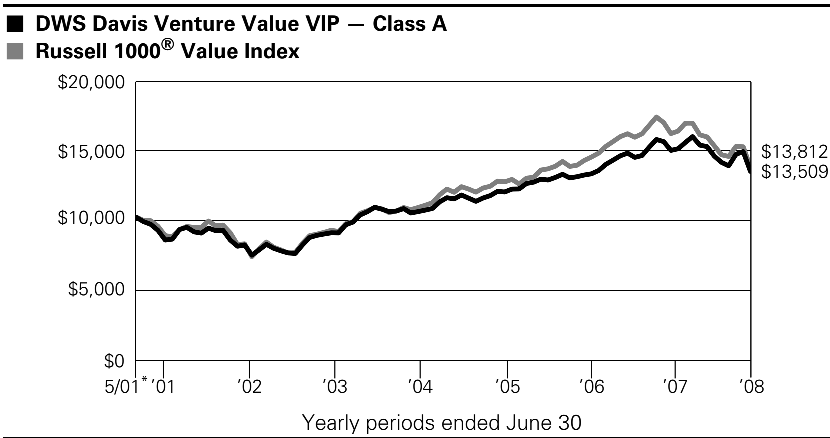
The total annual Portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 1.02% and 1.27% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

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 risks 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.

Portfolio returns shown for all periods reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Davis Venture Value VIP from 5/1/2001 to 6/30/2008



The Russell 1000® Value Index is an unmanaged 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 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

DWS Davis Venture Value VIP		**6-Month‡**	**1-Year**	**3-Year**	**5-Year**	**Life of Portfolio***
Class A	Growth of $10,000	$8,842	$8,641	$11,481	$15,134	$13,509
	Average annual total return	–11.58%	–13.59%	4.71%	8.64%	4.29%
Russell 1000 Value Index	Growth of $10,000	$8,643	$8,122	$11,096	$15,330	$13,812
	Average annual total return	–13.57%	–18.78%	3.53%	8.92%	4.61%

DWS Davis Venture Value VIP		**6-Month‡**	**1-Year**	**3-Year**	**5-Year**	**Life of Class****
Class B	Growth of $10,000	$8,780	$8,562	$11,297	$14,777	$15,422
	Average annual total return	–12.20%	–14.38%	4.15%	8.12%	7.49%
Russell 1000 Value Index	Growth of $10,000	$8,643	$8,122	$11,096	$15,330	$15,173
	Average annual total return	–13.57%	–18.78%	3.53%	8.92%	7.20%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced operations on May 1, 2001. Index returns began on April 30, 2001.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 884.20	$ 878.00
Expenses Paid per $1,000*	$ 4.17	$ 6.02

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,020.44	$1,018.45
Expenses Paid per $1,000*	$ 4.47	$ 6.47

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Davis Venture Value VIP	.89%	1.29%

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, 2008, the Class A shares of the DWS Davis Venture Value VIP returned –11.58% (unadjusted for contract charges), compared to its benchmark, the Russell 1000® Value Index which returned –13.57%.

The energy sector was the top-performing sector of the Russell 1000 Value Index. Energy companies were also the most important contributors to the Portfolio's performance over the six-month period. The Portfolio's energy companies out-performed the corresponding sector within the Russell 1000 Value Index. ConocoPhillips, Occidental Petroleum Corp., Devon Energy Corp., EOG Resources and Canadian Natural Resources Ltd. were among the top contributors to performance.

The financial sector was the worst performing sector of the Russell 1000 Value Index. The Portfolio's financial companies outperformed the corresponding sector within the Russell 1000 Value Index, but were still the largest detractors from performance. Millea Holdings, Inc. (changed name to Tokio Marine Holdings in July 2008) and Visa Corp. (purchased in March) were among the top contributors to performance. American International Group, Inc., Wachovia, American Express Co., Berkshire Hathaway, Inc. and JPMorgan Chase & Co. were among the top detractors from performance.

Individual companies among the largest contributors to performance over the six month period included H&R Block (a consumer discretionary company) and Wal-Mart Stores (a consumer staples company). Individual companies among the largest detractors from performance over the six month period included Unitedhealth Group, Inc. (a health care company) and Microsoft Corp. (an information technology company). The Portfolio no longer owns Wal-Mart Stores.

The Portfolio held 14% of assets in foreign companies at the period ended June 30, 2008. As a whole these companies outperformed the domestic companies held by the Portfolio.

Christopher C. Davis
Kenneth Charles Feinberg

Portfolio Managers
Davis Selected Advisers, L.P., Subadvisor to the Portfolio

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, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	99%	100%
Cash Equivalents	1%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/08**	**12/31/07**
Financials	30%	33%
Energy	21%	16%
Consumer Staples	15%	16%
Consumer Discretionary	10%	10%
Information Technology	10%	9%
Industrials	6%	7%
Materials	4%	4%
Health Care	3%	4%
Telecommunication 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 60. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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-investments.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 98.7%		
Consumer Discretionary 10.2%		
Automobiles 1.1%		
Harley-Davidson, Inc. (a)	75,280	**2,729,653**
Diversified Consumer Services 1.0%		
H&R Block, Inc.	118,050	**2,526,270**
Household Durables 0.4%		
Garmin Ltd. (a)	10,900	466,956
Hunter Douglas NV	8,863	535,715
		1,002,671
Internet & Catalog Retail 0.5%		
Amazon.com, Inc.* (a)	10,210	748,699
Liberty Media Corp. — Interactive "A"*	39,800	587,448
		1,336,147
Media 5.6%		
Comcast Corp. Special "A"	317,450	5,955,362
Grupo Televisa SA (ADR)	116,900	2,761,178
Liberty Media Corp. — Capital "A"*	7,960	114,624
Liberty Media Corp. — Entertainment "A"*	32,040	776,329
News Corp. "A"	214,350	3,223,824
Virgin Media, Inc.	4,632	63,042
WPP Group PLC (ADR) (a)	19,300	922,926
		13,817,285
Multiline Retail 0.1%		
Sears Holdings Corp.* (a)	2,500	**184,150**
Specialty Retail 1.5%		
Bed Bath & Beyond, Inc.* (a)	54,600	1,534,260
CarMax, Inc.* (a)	81,700	1,159,323
Lowe's Companies, Inc.	42,840	888,930
		3,582,513
Consumer Staples 14.4%		
Beverages 2.5%		
Diageo PLC (ADR)	45,770	3,381,030
Heineken Holding NV	60,200	2,750,953
		6,131,983
Food & Staples Retailing 6.8%		
Costco Wholesale Corp.	179,620	12,598,547
CVS Caremark Corp.	98,819	3,910,268
Whole Foods Market, Inc. (a)	18,200	431,158
		16,939,973
Food Products 0.2%		
The Hershey Co. (a)	11,860	**388,771**
Household Products 1.1%		
Procter & Gamble Co.	45,000	**2,736,450**
Personal Products 0.3%		
Avon Products, Inc.	20,800	**749,216**
Tobacco 3.5%		
Altria Group, Inc.	124,400	2,557,664
Philip Morris International, Inc.	124,000	6,124,360
		8,682,024
Energy 20.7%		
Energy Equipment & Services 1.2%		
Transocean, Inc.*	18,856	**2,873,466**
Oil, Gas & Consumable Fuels 19.5%		
Canadian Natural Resources Ltd.	49,600	4,972,400
China Coal Energy Co. "H"	934,200	1,630,113
ConocoPhillips	120,920	11,413,639
Devon Energy Corp.	83,500	10,033,360
EOG Resources, Inc.	71,300	9,354,560
Occidental Petroleum Corp.	114,100	10,253,026
OGX Petroleo e Gas Participacoes SA*	700	554,551
		48,211,649
Financials 29.6%		
Capital Markets 4.5%		
Ameriprise Financial, Inc.	37,420	1,521,871
Bank of New York Mellon Corp.	81,850	3,096,386
E*TRADE Financial Corp.* (a)	16,100	50,554
Merrill Lynch & Co., Inc. (a)	177,500	5,628,525
Morgan Stanley	7,800	281,346
State Street Corp.	7,400	473,526
		11,052,208
Commercial Banks 2.6%		
Toronto-Dominion Bank (a)	18,453	1,149,068
Wachovia Corp. (a)	86,657	1,345,783
Wells Fargo & Co.	166,400	3,952,000
		6,446,851
Consumer Finance 3.3%		
American Express Co.	214,800	8,091,516
Discover Financial Services (a)	12,100	159,357
		8,250,873
Diversified Financial Services 4.2%		
Citigroup, Inc.	53,300	893,308
JPMorgan Chase & Co.	224,684	7,708,908
Moody's Corp. (a)	51,300	1,766,772
		10,368,988
Insurance 14.1%		
Ambac Financial Group, Inc. (a)	40,160	53,815
American International Group, Inc.	202,550	5,359,473
Aon Corp.	38,900	1,787,066
Berkshire Hathaway, Inc. "B"*	2,520	10,110,240
Loews Corp. (a)	132,000	6,190,800
Markel Corp.*	480	176,160
MBIA, Inc. (a)	20,220	88,766
Millea Holdings, Inc.	43,300	1,685,363
NIPPONKOA Insurance Co., Ltd.	196,200	1,705,637
Principal Financial Group, Inc.	14,950	627,452
Progressive Corp.	231,400	4,331,808
Sun Life Financial, Inc.	9,200	376,740
Transatlantic Holdings, Inc. (a)	39,773	2,245,981
		34,739,301

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Real Estate Management & Development 0.9%		
Brookfield Asset Management Inc. "A"	41,200	1,340,648
Hang Lung Group Ltd.	221,000	980,682
		2,321,330
Health Care 3.4%		
Health Care Equipment & Supplies 0.9%		
Covidien Ltd.	45,730	**2,190,010**
Health Care Providers & Services 2.1%		
Cardinal Health, Inc.	36,500	1,882,670
Express Scripts, Inc.*	28,060	1,759,923
UnitedHealth Group, Inc.	59,400	1,559,250
		5,201,843
Pharmaceuticals 0.4%		
Johnson & Johnson	17,350	**1,116,299**
Industrials 6.2%		
Air Freight & Logistics 0.5%		
Toll Holdings Ltd.	42,477	245,815
United Parcel Service, Inc. "B"	16,900	1,038,843
		1,284,658
Commercial Services & Supplies 1.1%		
Dun & Bradstreet Corp.	32,000	**2,804,480**
Industrial Conglomerates 2.5%		
General Electric Co.	109,600	2,925,224
Siemens AG (Registered)	12,000	1,328,821
Tyco International Ltd. (a)	45,910	1,838,236
		6,092,281
Marine 1.0%		
China Shipping Development Co., Ltd. "H"	380,000	1,137,390
Kuehne & Nagel International AG (Registered)	13,720	1,298,013
		2,435,403
Road & Rail 0.1%		
Asciano Group	30,600	**102,052**
Transportation Infrastructure 1.0%		
China Merchants Holdings International Co., Ltd	512,065	1,975,803
Cosco Pacific Ltd.	320,600	524,829
		2,500,632
Information Technology 9.4%		
Communications Equipment 0.5%		
Cisco Systems, Inc.*	56,500	**1,314,190**
Computers & Peripherals 1.6%		
Dell, Inc.*	94,700	2,072,036
Hewlett-Packard Co.	41,900	1,852,399
		3,924,435
Electronic Equipment & Instruments 1.8%		
Agilent Technologies, Inc.*	78,630	2,794,510
Tyco Electronics Ltd.	47,380	1,697,152
		4,491,662
Internet Software & Services 0.8%		
eBay, Inc.*	22,900	625,857
Google, Inc. "A"*	2,832	1,490,821
		2,116,678
IT Services 1.5%		
Iron Mountain, Inc.* (a)	121,449	3,224,471
Visa, Inc. "A"*	6,540	531,767
		3,756,238
Semiconductors & Semiconductor Equipment 1.0%		
Texas Instruments, Inc.	84,900	**2,390,784**
Software 2.2%		
Microsoft Corp.	195,500	**5,378,205**
Materials 4.2%		
Construction Materials 1.4%		
Martin Marietta Materials, Inc. (a)	21,300	2,206,467
Vulcan Materials Co. (a)	20,800	1,243,424
		3,449,891
Containers & Packaging 1.4%		
Sealed Air Corp. (a)	177,800	**3,379,978**
Metals & Mining 1.0%		
BHP Billiton PLC	31,100	1,194,529
Rio Tinto PLC	11,100	1,360,953
		2,555,482
Paper & Forest Products 0.4%		
Sino-Forest Corp. "A"*	61,100	**1,070,164**
Telecommunication Services 0.6%		
Wireless Telecommunication Services		
Sprint Nextel Corp.	155,800	**1,480,100**
Total Common Stocks (Cost $178,034,963)		**244,107,237**

Securities Lending Collateral 12.1%

	Shares	Value ($)
Daily Assets Fund Institutional, 2.74% (b) (c) (Cost $30,070,928)	30,070,928	**30,070,928**

Cash Equivalents 1.4%

	Shares	Value ($)
Cash Management QP Trust, 2.49% (b) (Cost $3,476,363)	3,476,363	**3,476,363**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $211,582,254)†	112.2	**277,654,528**
Other Assets and Liabilities, Net	(12.2)	**(30,259,643)**
Net Assets	100.0	**247,394,885**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $211,797,548. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $65,856,980. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $86,500,078 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $20,643,098.*

(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, 2008 amounted to $28,710,772 which is 11.6% of net assets.*

The accompanying notes are an integral part of the financial statements.

(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. Income earned by the Portfolio is net of borrower rebates.*

ADR: American Depositary Receipt

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	**Investments in Securities at Value**
Level 1 — Quoted Prices	$ 259,197,859
Level 2 — Other Significant Observable Inputs	18,456,669
Level 3 — Significant Unobservable Inputs	—
Total	**$ 277,654,528**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $178,034,963) — including $28,710,772 of securities loaned	$	244,107,237
Investment in Daily Assets Fund Institutional (cost $30,070,928)*		30,070,928
Investment in Cash Management QP Trust (cost $3,476,363)		3,476,363
Total investments in securities, at value (cost $211,582,254)		277,654,528
Receivable for investments sold		423,532
Dividends receivable		298,254
Interest receivable		35,381
Foreign taxes recoverable		9,938
Other assets		5,905
Total assets		278,427,538
Liabilities		
Due to custodian		42,007
Payable upon return of securities loaned		30,070,928
Payable for investments purchased		249,927
Payable for Portfolio shares redeemed		360,781
Accrued management fee		149,619
Other accrued expenses and payables		159,391
Total liabilities		31,032,653
Net assets, at value	**$**	**247,394,885**
Net Assets Consist of		
Undistributed net investment income		1,232,845
Net unrealized appreciation (depreciation) on:		
Investments		66,072,274
Foreign currency		664
Accumulated net realized gain (loss)		14,780,776
Paid-in capital		165,308,326
Net assets, at value	**$**	**247,394,885**
Class A		
Net Asset Value, offering and redemption price per share ($247,027,082 ÷ 22,224,280 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.12**
Class B		
Net Asset Value, offering and redemption price per share ($367,803 ÷ 33,274 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.05**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $23,477)	$	2,381,830
Interest — Cash Management QP Trust		47,447
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		159,837
Total Income		2,589,114
Expenses:		
Management fee		1,312,440
Administrative fee		45,241
Custodian and accounting fees		55,513
Distribution and service fees (Class B)		16,636
Record keeping fees (Class B)		9,985
Services to shareholders		124
Professional fees		36,874
Trustees' fees and expenses		33,089
Reports to shareholders and shareholder meeting		92,249
Other		12,903
Total expenses before expense reductions		1,615,054
Expense reductions		(281,547)
Total expenses after expense reductions		1,333,507
Net investment income (loss)		**1,255,607**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		15,004,513
Foreign currency		(23,516)
		14,980,997
Change in net unrealized appreciation (depreciation) on:		
Investments		(50,896,609)
Foreign currency		993
		(50,895,616)
Net gain (loss)		**(35,914,619)**
Net increase (decrease) in net assets resulting from operations	**$**	**(34,659,012)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 1,255,607	$ 3,809,524
Net realized gain (loss)	14,980,997	36,053,016
Change in net unrealized appreciation (depreciation)	(50,895,616)	(20,326,582)
Net increase (decrease) in net assets resulting from operations	(34,659,012)	19,535,958
Distributions to shareholders from:		
Net investment income:		
Class A	(3,580,646)	(2,451,514)
Class B	(190,630)	(255,608)
Net realized gains:		
Class A	(33,139,891)	(4,403,063)
Class B	(2,425,280)	(989,328)
Total distributions	(39,336,447)	(8,099,513)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,025,866	14,075,726
Reinvestment of distributions	36,720,537	6,854,577
Cost of shares redeemed	(28,320,724)	(68,408,104)
Net increase (decrease) in net assets from Class A share transactions	10,425,679	(47,477,801)
Class B		
Proceeds from shares sold	985,969	4,124,041
Reinvestment of distributions	2,615,910	1,244,936
Cost of shares redeemed	(22,457,236)	(65,157,088)
Net increase (decrease) in net assets from Class B share transactions	(18,855,357)	(59,788,111)
Increase (decrease) in net assets	(82,425,137)	(95,829,467)
Net assets at beginning of period	329,820,022	425,649,489
Net assets at end of period (including undistributed net investment income of $1,232,845 and $3,748,514, respectively)	**$ 247,394,885**	**$ 329,820,022**

Other Information		
Class A		
Shares outstanding at beginning of period	21,062,118	24,284,177
Shares sold	161,511	967,409
Shares issued to shareholders in reinvestment of distributions	3,209,837	490,313
Shares redeemed	(2,209,186)	(4,679,781)
Net increase (decrease) in Class A shares	1,162,162	(3,222,059)
Shares outstanding at end of period	**22,224,280**	**21,062,118**
Class B		
Shares outstanding at beginning of period	1,546,251	5,597,014
Shares sold	73,025	287,676
Shares issued to shareholders in reinvestment of distributions	228,265	88,987
Shares redeemed	(1,814,267)	(4,427,426)
Net increase (decrease) in Class B shares	(1,512,977)	(4,050,763)
Shares outstanding at end of period	**33,274**	**1,546,251**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$14.59**	**$14.25**	**$12.49**	**$11.48**	**$10.31**	**$ 7.99**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.06	.15	.10	.09	.08	.06
Net realized and unrealized gain (loss)	(1.69)	.47	1.74	1.01	1.14	2.31
Total from investment operations	(1.63)	.62	1.84	1.10	1.22	2.37
Less distributions from:						
Net investment income	(.18)	(.10)	(.08)	(.09)	(.05)	(.05)
Net realized gains	(1.66)	(.18)	—	—	—	—
Total distributions	(1.84)	(.28)	(.08)	(.09)	(.05)	(.05)
Net asset value, end of period	**$11.12**	**$14.59**	**$14.25**	**$12.49**	**$11.48**	**$10.31**
Total Return (%)	(11.58)[c]**	4.46[c]	14.84[c]	9.64[c]	11.83	29.84
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	247	307	346	309	268	220
Ratio of expenses before expense reductions (%)	1.09*	1.02	1.02	1.02	1.05	1.01
Ratio of expenses after expense reductions (%)	.89*	.88	.85	.96	1.05	1.01
Ratio of net investment income (%)	.92*	1.01	.77	.78	.74	.62
Portfolio turnover rate (%)	9**	9	16	8	3	7

a *For the six months ended June 30, 2008 (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,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$14.57**	**$14.22**	**$12.47**	**$11.46**	**$10.29**	**$ 7.98**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.03	.09	.05	.04	.04	.02
Net realized and unrealized gain (loss)	(1.76)	.49	1.73	1.01	1.13	2.32
Total from investment operations	(1.73)	.58	1.78	1.05	1.17	2.34
Less distributions from:						
Net investment income	(.13)	(.05)	(.03)	(.04)	(.00)***	(.03)
Net realized gains	(1.66)	(.18)	—	—	—	—
Total distributions	(1.79)	(.23)	(.03)	(.04)	(.00)***	(.03)
Net asset value, end of period	**$11.05**	**$14.57**	**$14.22**	**$12.47**	**$11.46**	**$10.29**
Total Return (%)	(12.20)[c]**	4.14[c]	14.34[c]	9.23[c]	11.42	29.42
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.37	23	80	78	66	29
Ratio of expenses before expense reductions (%)	1.49*	1.39	1.40	1.41	1.44	1.40
Ratio of expenses after expense reductions (%)	1.29*	1.25	1.23	1.34	1.44	1.40
Ratio of net investment income (%)	.52*	.64	.39	.40	.36	.23
Portfolio turnover rate (%)	9**	9	16	8	3	7

a *For the six months ended June 30, 2008 (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*
*** *Amount is less than $.005.*

DWS Dreman High Return Equity VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

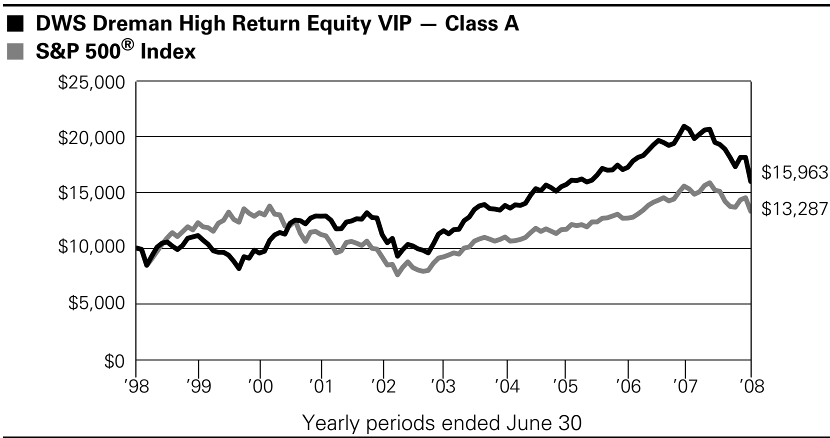
The total annual portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.78% and 1.13% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

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. In addition, 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.

Portfolio returns shown for all periods reflect a waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Dreman High Return Equity VIP



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.

Comparative Results

DWS Dreman High Return Equity VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$8,282	$7,739	$10,166	$13,812	$15,963
	Average annual total return	–17.18%	–22.61%	.55%	6.67%	4.79%
S&P 500 Index	Growth of $10,000	$8,809	$8,688	$11,381	$14,413	$13,287
	Average annual total return	–11.91%	–13.12%	4.41%	7.58%	2.88%

DWS Dreman High Return Equity VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$8,267	$7,715	$10,046	$13,554	$14,037
	Average annual total return	–17.33%	–22.85%	.15%	6.27%	5.82%
S&P 500 Index	Growth of $10,000	$8,809	$8,688	$11,381	$14,413	$14,449
	Average annual total return	–11.91%	–13.12%	4.41%	7.58%	6.33%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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; 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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 828.20	$ 826.70
Expenses Paid per $1,000*	$ 3.64	$ 5.22
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,020.89	$1,019.14
Expenses Paid per $1,000*	$ 4.02	$ 5.77

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Dreman High Return Equity VIP	.80%	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.

DWS Dreman High Return Equity VIP

The first half of 2008 was a period of considerable economic uncertainty and significant turmoil throughout the capital markets. At mid-year 2008, the US economy is experiencing a number of interrelated problems including liquidity issues in financial markets, increased concern about rising prices for energy and food, and rising unemployment.

Essentially all equity indices posted negative returns for this period. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, had a negative return of –11.05% for the six months ended June 30, 2008. Growth stocks, as measured by the Russell 1000® Growth Index, performed somewhat better than value stocks, as measured by the Russell 1000® Value Index. With a return of –17.18% (Class A shares, unadjusted for contract charges), the DWS Dreman High Return Equity VIP underperformed its benchmark, the Standard & Poor's 500® (S&P 500) Index, which posted a return of –11.91%.

The Portfolio's underperformance relative to the benchmark resulted mainly from a significant overweight and stock selection in the financial sector.[1] Large positions that performed poorly include Wachovia Corp., Washington Mutual, Inc., Fannie Mae and Freddie Mac. Severe liquidity problems throughout the industry have caused essentially all financial stocks to perform poorly, but we are confident that the large, well-capitalized industry leaders held in this Portfolio stand to emerge from this difficult period with even stronger market positions as weaker companies fail or are absorbed by stronger entities. Although holdings in the financial sector hurt performance temporarily, we believe they are significantly undervalued and can provide above-average returns over time. Another negative was a position in UnitedHealth Group, Inc., a diversified provider of health-related services that has come under pressure because of a major lawsuit.

An important positive was an overweight position in energy, a sector we find attractive because of rising world demand. Energy holdings that performed especially well were Devon Energy Corp., Apache Corp., ConocoPhillips and Anadarko Petroleum Corp. Also positive was an overweight position in Wyeth, which performed much better than most other pharmaceutical firms.

David N. Dreman — *Lead Portfolio Manager*
F. James Hutchinson, E. Clifton Hoover, Jr. — *Portfolio Managers*
Dreman Value Management L.L.C., Subadvisor to the Portfolio

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 measures the performance of those Russell 1000 companies 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 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, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	6/30/08	12/31/07
Common Stocks	100%	100%
	100%	100%

Sector Diversification (As a % of Common Stocks)	6/30/08	12/31/07
Energy	31%	26%
Financials	25%	30%
Health Care	16%	16%
Consumer Discretionary	9%	6%
Consumer Staples	8%	12%
Industrials	8%	8%
Telecommunication Services	2%	2%
Materials	1%	—
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 70. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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-investments.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, 2008 (Unaudited)

DWS Dreman High Return Equity VIP

	Shares	Value ($)
Common Stocks 99.9%		
Consumer Discretionary 9.0%		
Hotels Restaurants & Leisure 1.0%		
Carnival Corp. (Unit)	179,800	**5,926,208**
Multiline Retail 0.8%		
Macy's, Inc.	244,310	**4,744,500**
Specialty Retail 7.2%		
Borders Group, Inc. (a)	390,100	2,340,600
Lowe's Companies, Inc.	925,400	19,202,050
Staples, Inc.	883,610	20,985,738
		42,528,388
Consumer Staples 8.3%		
Tobacco		
Altria Group, Inc.	1,226,597	25,218,834
Philip Morris International, Inc.*	296,611	14,649,617
UST, Inc.	167,744	9,160,500
		49,028,951
Energy 31.0%		
Oil, Gas & Consumable Fuels		
Anadarko Petroleum Corp.	378,300	28,311,972
Apache Corp.	195,600	27,188,400
Chevron Corp.	258,900	25,664,757
ConocoPhillips	453,914	42,844,942
Devon Energy Corp.	338,600	40,686,176
Occidental Petroleum Corp.	113,600	10,208,096
Valero Energy Corp.	213,000	8,771,340
		183,675,683
Financials 24.5%		
Commercial Banks 8.8%		
KeyCorp.	1,142,018	12,539,358
PNC Financial Services Group, Inc.	312,494	17,843,407
US Bancorp.	270,000	7,530,300
Wachovia Corp. (a)	907,500	14,093,475
		52,006,540
Diversified Financial Services 5.5%		
Bank of America Corp.	792,119	18,907,881
CIT Group, Inc.	536,000	3,650,160
Citigroup, Inc.	516,000	8,648,160
JPMorgan Chase & Co.	43,300	1,485,623
		32,691,824
Insurance 2.5%		
Chubb Corp.	194,010	9,508,430
Hartford Financial Services Group, Inc.	78,388	5,061,513
		14,569,943
Thrifts & Mortgage Finance 7.7%		
Fannie Mae	845,473	16,495,178
Freddie Mac	756,791	12,411,373
Sovereign Bancorp., Inc. (a)	314,019	2,311,180
Washington Mutual, Inc. (a)	2,984,254	14,712,372
		45,930,103
Health Care 16.4%		
Biotechnology 0.7%		
Amgen, Inc.*	86,200	**4,065,192**
Health Care Providers & Services 7.0%		
Aetna, Inc.	435,400	17,646,762
UnitedHealth Group, Inc.	911,800	23,934,750
		41,581,512
Pharmaceuticals 8.7%		
Eli Lilly & Co.	84,900	3,918,984
Pfizer, Inc.	1,090,491	19,050,878
Wyeth	595,100	28,540,996
		51,510,858
Industrials 8.2%		
Aerospace & Defense 3.4%		
Northrop Grumman Corp.	114,700	7,673,430
United Technologies Corp.	198,700	12,259,790
		19,933,220
Air Freight & Logistics 1.0%		
FedEx Corp.	75,540	**5,951,797**
Industrial Conglomerates 3.8%		
3M Co.	185,316	12,896,140
General Electric Co.	369,600	9,864,624
		22,760,764
Information Technology 0.0%		
Communications Equipment		
Nortel Networks Corp.*	6,151	**50,561**
Materials 0.4%		
Chemicals 0.0%		
Tronox, Inc. "B"	490	**1,480**
Metals & Mining 0.4%		
BHP Billiton Ltd. (ADR) (a)	30,100	**2,564,218**
Telecommunication Services 2.1%		
Diversified Telecommunication Services		
FairPoint Communications, Inc.	6,566	47,341
Verizon Communications, Inc.	347,500	12,301,500
		12,348,841
Total Common Stocks (Cost $639,681,222)		**591,870,583**
Securities Lending Collateral 4.8%		
Daily Assets Fund Institutional, 2.74% (b) (c) (Cost $28,433,335)	28,433,335	**28,433,335**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $668,114,557)†	104.7	**620,303,918**
Other Assets and Liabilities, Net	(4.7)	**(27,689,207)**
Net Assets	100.0	**592,614,711**

The accompanying notes are an integral part of the financial statements.

* *Non-income producing security.*

† *The cost for federal income tax purposes was $671,125,254. At June 30, 2008, net unrealized depreciation for all securities based on tax cost was $50,821,336. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $152,453,317 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $203,274,653.*

(a) *All or a portion of these securities were on loan (see Notes to Financial Statement). The value of all securities loaned at June 30, 2008 amounted to $25,437,336 which is 4.3% 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. Income earned by the Portfolio is net of borrower rebates.*

ADR: American Depositary Receipt

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	**Investments in Securities at Value**
Level 1 — Quoted Prices	$ 620,303,918
Level 2 — Other Significant Observable Inputs	—
Level 3 — Significant Unobservable Inputs	—
Total	**$ 620,303,918**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $639,681,222) — including $25,437,336 of securities loaned	$	591,870,583
Investment in Daily Assets Fund Institutional (cost $28,433,335)*		28,433,335
Total investments at value (cost $668,114,557)		620,303,918
Cash		14,879
Dividends receivable		928,785
Receivable for investments sold		875,528
Receivable for Portfolio shares sold		110,158
Interest receivable		21,475
Due from Advisor		5,765
Other assets		2,073
Total assets		622,262,581
Liabilities		
Payable upon return of securities loaned		28,433,335
Payable for Portfolio shares redeemed		519,493
Accrued management fee		353,306
Note payable		50,000
Other accrued expenses and payables		291,736
Total liabilities		29,647,870
Net assets, at value	**$**	**592,614,711**
Net Assets Consist of		
Undistributed net investment income		7,528,824
Net unrealized appreciation (depreciation) on investments		(47,810,639)
Accumulated net realized gain (loss)		64,466,251
Paid-in capital		568,430,275
Net assets, at value	**$**	**592,614,711**
Class A		
Net Asset Value, offering and redemption price per share ($589,292,019 ÷ 61,888,668 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.52**
Class B		
Net Asset Value, offering and redemption price per share ($3,322,692 ÷ 347,843 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.55**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $186)	$	10,460,682
Interest		91
Interest — Cash Management QP Trust		30,921
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		97,678
Total Income		10,589,372
Expenses:		
Management fee		2,515,287
Administration fee		111,593
Custodian and accounting fees		55,216
Distribution and service fees (Class B)		28,207
Services to shareholders		526
Record keeping fees (Class B)		10,452
Professional fees		52,250
Trustees' fees and expenses		51,090
Reports to shareholders and shareholder meeting		186,699
Registration fees		4,011
Interest expense		3,800
Other		24,128
Total expenses before expense reductions		3,043,259
Expense reductions		(41,330)
Total expenses after expense reductions		3,001,929
Net investment income (loss)		**7,587,443**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		67,515,296
Futures		(102,946)
		67,412,350
Change in net unrealized appreciation (depreciation) on:		
Investments		(204,748,663)
Net gain (loss)		**(137,336,313)**
Net increase (decrease) in net assets resulting from operations	**$**	**(129,748,870)**

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, 2008 (Unaudited)	Year Ended December 31 2007
Operations:		
Net investment income (loss)	$ 7,587,443	$ 19,420,427
Net realized gain (loss)	67,412,350	122,846,409
Change in net unrealized appreciation (depreciation)	(204,748,663)	(150,271,931)
Net increase (decrease) in net assets resulting from operations	(129,748,870)	(8,005,095)
Distributions to shareholders from:		
Net investment income:		
Class A	(18,513,153)	(13,677,685)
Class B	(745,822)	(1,939,768)
Net realized gains:		
Class A	(116,884,417)	(7,925,978)
Class B	(5,393,183)	(1,537,591)
Total distributions	(141,536,575)	(25,081,022)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	9,297,927	30,297,612
Reinvestment of distributions	135,397,570	21,603,663
Cost of shares redeemed	(84,091,385)	(218,373,492)
Net increase (decrease) in net assets from Class A share transactions	60,604,112	(166,472,217)
Class B		
Proceeds from shares sold	869,741	4,409,581
Reinvestment of distributions	6,139,005	3,477,359
Cost of shares redeemed	(32,244,587)	(163,138,034)
Net increase (decrease) in net assets from Class B share transactions	(25,235,841)	(155,251,094)
Increase (decrease) in net assets	(235,917,174)	(354,809,428)
Net assets at beginning of period	828,531,885	1,183,341,313
Net assets at end of period (including undistributed net investment income of $7,528,824 and $19,200,356, respectively)	**$ 592,614,711**	**$ 828,531,885**

Other Information		
Class A		
Shares outstanding at beginning of period	54,976,574	66,083,197
Shares sold	761,749	2,028,711
Shares issued to shareholders in reinvestment of distributions	13,132,645	1,492,997
Shares redeemed	(6,982,300)	(14,628,331)
Net increase (decrease) in Class A shares	6,912,094	(11,106,623)
Shares outstanding at end of period	**61,888,668**	**54,976,574**
Class B		
Shares outstanding at beginning of period	2,551,709	12,713,676
Shares sold	76,736	292,792
Shares issued to shareholders in reinvestment of distributions	593,141	239,488
Shares redeemed	(2,873,743)	(10,694,247)
Net increase (decrease) in Class B shares	(2,203,866)	(10,161,967)
Shares outstanding at end of period	**347,843**	**2,551,709**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$14.40**	**$15.02**	**$13.41**	**$12.65**	**$11.29**	**$ 8.76**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.13	.29	.27	.24	.23	.20
Net realized and unrealized gain (loss)	(2.40)	(.56)	2.21	.75	1.32	2.53
Total from investment operations	(2.27)	(.27)	2.48	.99	1.55	2.73
Less distributions from:						
Net investment income	(.36)	(.22)	(.28)	(.23)	(.19)	(.20)
Net realized gains	(2.25)	(.13)	(.59)	—	—	—
Total distributions	(2.61)	(.35)	(.87)	(.23)	(.19)	(.20)
Net asset value, end of period	**$ 9.52**	**$14.40**	**$15.02**	**$13.41**	**$12.65**	**$11.29**
Total Return (%)	(17.18)[c]**	(1.86)	18.74	7.92	13.95	32.04
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	589	792	992	785	747	672
Ratio of expenses before expense reductions (%)	.81*	.78	.77	.78	.78	.79
Ratio of expenses after expense reductions(%)	.80*	.78	.77	.78	.78	.79
Ratio of net investment income (%)	2.16*	1.94	1.87	1.84	1.96	2.14
Portfolio turnover rate (%)	14**	27	20	10	9	18

a *For the six months ended June 30, 2008 (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,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$14.41**	**$15.02**	**$13.39**	**$12.63**	**$11.27**	**$ 8.75**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.10	.24	.22	.19	.18	.16
Net realized and unrealized gain (loss)	(2.40)	(.56)	2.19	.75	1.33	2.53
Total from investment operations	(2.30)	(.32)	2.41	.94	1.51	2.69
Less distributions from:						
Net investment income	(.31)	(.16)	(.19)	(.18)	(.15)	(.17)
Net realized gains	(2.25)	(.13)	(.59)	—	—	—
Total distributions	(2.56)	(.29)	(.78)	(.18)	(.15)	(.17)
Net asset value, end of period	**$ 9.55**	**$14.41**	**$15.02**	**$13.39**	**$12.63**	**$11.27**
Total Return (%)	(17.33)[c]**	(2.19)[c]	18.21[c]	7.51	13.53	31.60
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	3	37	191	135	117	66
Ratio of expenses before expense reduction (%)	1.18*	1.15	1.16	1.17	1.16	1.18
Ratio of expenses after expense reduction (%)	1.15*	1.13	1.16	1.17	1.16	1.18
Ratio of net investment income (%)	1.81*	1.59	1.48	1.45	1.58	1.75
Portfolio turnover rate (%)	14**	27	20	10	9	18

a *For the six months ended June 30, 2008 (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*

DWS Dreman Small Mid Cap Value VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

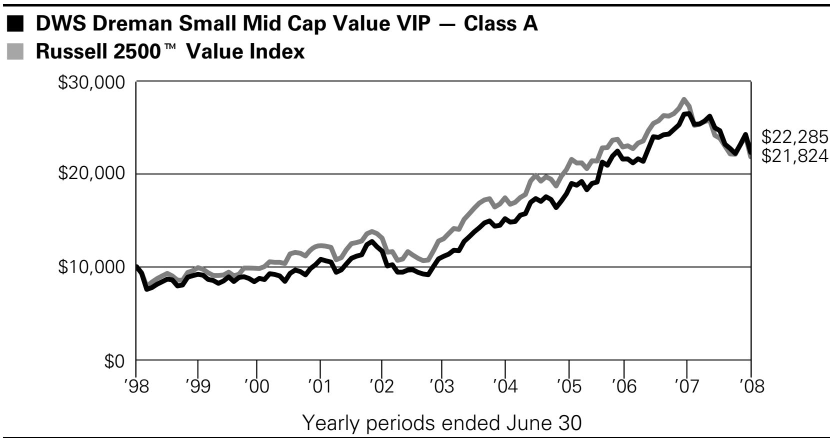
The total annual Portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.78% and 1.17% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

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.

Portfolio returns shown for all periods reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Dreman Small Mid Cap Value VIP



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.

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

DWS Dreman Small Mid Cap Value VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$9,051	$8,419	$12,491	$20,023	$22,285
	Average annual total return	–9.49%	–15.81%	7.70%	14.90%	8.34%
Russell 2500 Value Index	Growth of $10,000	$9,163	$8,009	$10,672	$16,783	$21,824
	Average annual total return	–8.37%	–19.91%	2.19%	10.91%	8.12%

DWS Dreman Small Mid Cap Value VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$9,036	$8,385	$12,352	$19,655	$18,964
	Average annual total return	–9.64%	–16.15%	7.29%	14.47%	11.26%
Russell 2500 Value Index	Growth of $10,000	$9,163	$8,009	$10,672	$16,783	$16,683
	Average annual total return	–8.37%	–19.91%	2.19%	10.91%	8.90%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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. 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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 905.10	$ 903.60
Expenses Paid per $1,000*	$ 3.88	$ 5.58
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,020.79	$1,019.00
Expenses Paid per $1,000*	$ 4.12	$ 5.92

* *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 366.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Dreman Small Mid Cap Value VIP	.82%	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

The first half of 2008 was a period of considerable economic uncertainty and significant turmoil throughout the capital markets. At mid-year 2008, the US economy is experiencing a number of interrelated problems including liquidity issues in financial markets, increased concern about rising prices for energy and food, and rising unemployment.

Essentially all equity indices posted negative returns for this period. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, had a negative return of –11.05% for the six months ended June 30, 2008. Growth stocks, as measured by the Russell 1000® Growth Index, performed somewhat better than value stocks, as measured by the Russell 1000® Value Index. The DWS Dreman Small Mid Cap Value VIP (Class A shares, unadjusted for contract charges) returned –9.49% for the first half of 2008, underperforming its benchmark, the Russell 2500® Value Index, which had a negative return of –8.37%.

Stock selection and an overweight relative to the benchmark in the industrials sector was the most significant factor in the portfolio's relative performance.[1] The greatest detractor was an overweight and stock selection in the consumer staples sector. Positions that performed particularly well include Walter Industries, Inc., a company with a diversified line of products and services, including coal and natural gas, furnace and foundry coke and slag fiber, mortgage financing, and home construction; and Superior Energy Services, Inc., a provider of specialized oilfield services and equipment. Positions that detracted from performance include Boston Private Financial Holdings, Inc., a bank holding company that is experiencing the liquidity problems pervasive in the financial services industry, and Pilgrim's Pride Corp., a poultry producer that reported losses in recent quarters because of soaring feed costs.

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

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 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.

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, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	98%	97%
Cash Equivalents	2%	3%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/08**	**12/31/07**
Industrials	22%	20%
Financials	20%	25%
Energy	12%	12%
Consumer Staples	11%	12%
Information Technology	9%	7%
Health Care	6%	8%
Consumer Discretionary	6%	7%
Materials	6%	4%
Utilities	6%	4%
Telecommunications Services	2%	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 79. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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-investments.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, 2008 (Unaudited)

DWS Dreman Small Mid Cap Value VIP

	Shares	Value ($)
Common Stocks 97.5%		
Consumer Discretionary 5.9%		
Auto Components 1.9%		
Autoliv, Inc.	103,300	4,815,846
Tenneco, Inc.*	235,600	3,187,668
		8,003,514
Diversified Consumer Services 1.3%		
Regis Corp.	205,550	**5,416,243**
Specialty Retail 1.7%		
Penske Automotive Group, Inc. (a)	286,200	4,218,588
The Men's Wearhouse, Inc.	177,350	2,889,031
		7,107,619
Textiles, Apparel & Luxury Goods 1.0%		
Hanesbrands, Inc.*	153,400	**4,163,276**
Consumer Staples 11.1%		
Food & Staples Retailing 1.8%		
Ruddick Corp.	172,050	5,903,035
Weis Markets, Inc.	43,450	1,410,822
		7,313,857
Food Products 7.4%		
Del Monte Foods Co.	856,950	6,084,345
Hormel Foods Corp.	180,900	6,260,949
Pilgrim's Pride Corp. (a)	281,000	3,650,190
Ralcorp Holdings, Inc.* (a)	156,350	7,729,944
The J.M. Smucker Co.	180,300	7,327,392
		31,052,820
Tobacco 1.9%		
Vector Group Ltd. (a)	503,386	**8,119,616**
Energy 11.2%		
Energy Equipment & Services 6.2%		
Atwood Oceanics, Inc.* (a)	64,400	8,007,496
Key Energy Services, Inc.*	479,450	9,310,919
Superior Energy Services, Inc.* (a)	150,250	8,284,785
		25,603,200
Oil, Gas & Consumable Fuels 5.0%		
Cimarex Energy Co.	112,500	7,837,875
Pinnacle Gas Resources, Inc. 144A*	241,000	867,600
St. Mary Land & Exploration Co.	164,150	10,610,656
Uranium Resources, Inc.* (a)	431,983	1,594,017
		20,910,148
Financials 19.4%		
Capital Markets 1.8%		
FBR Capital Markets Corp. 144A*	95,600	480,868
Waddell & Reed Financial, Inc. "A"	195,250	6,835,703
		7,316,571
Commercial Banks 0.4%		
Boston Private Financial Holdings, Inc. (a)	261,800	**1,484,406**
Diversified Financial Services 0.3%		
CIT Group, Inc. (a)	182,300	1,241,463
CMET Finance Holdings, Inc. 144A*	7,200	86,400
		1,327,863
Insurance 13.7%		
Arch Capital Group Ltd.*	89,700	5,948,904
Argo Group International Holdings Ltd.*	176,188	5,912,869
Endurance Specialty Holdings Ltd.	251,650	7,748,303
Hanover Insurance Group, Inc.	140,100	5,954,250
HCC Insurance Holdings, Inc.	260,850	5,514,369
Hilb Rogal & Hobbs Co.	171,000	7,431,660
IPC Holdings Ltd. (a)	230,400	6,117,120
Platinum Underwriters Holdings Ltd.	178,950	5,835,560
Protective Life Corp.	175,500	6,677,775
		57,140,810
Real Estate Investment Trusts 3.2%		
Gramercy Capital Corp. (REIT) (a)	86,494	1,002,465
Hospitality Properties Trust (REIT)	187,600	4,588,696
Ventas, Inc. (REIT)	184,800	7,866,936
		13,458,097
Health Care 6.3%		
Health Care Equipment & Supplies 3.0%		
Beckman Coulter, Inc.	73,500	4,963,455
Kinetic Concepts, Inc.*	190,900	7,618,819
		12,582,274
Health Care Providers & Services 3.3%		
Healthspring, Inc.*	441,800	7,457,584
Lincare Holdings, Inc.*	218,400	6,202,560
		13,660,144
Industrials 21.9%		
Aerospace & Defense 6.4%		
Alliant Techsystems, Inc.*	106,200	10,798,416
Curtiss-Wright Corp. (a)	224,400	10,039,656
DRS Technologies, Inc.	76,150	5,994,528
		26,832,600
Commercial Services & Supplies 2.0%		
Allied Waste Industries, Inc.*	237,600	2,998,512
Kelly Services, Inc. "A" (a)	277,150	5,357,310
		8,355,822
Construction & Engineering 1.2%		
URS Corp.*	124,700	**5,233,659**
Electrical Equipment 4.5%		
General Cable Corp.*	90,100	5,482,585
Hubbell, Inc. "B" (a)	143,700	5,729,319
Regal-Beloit Corp. (a)	175,200	7,402,200
		18,614,104
Industrial Conglomerates 1.6%		
Walter Industries, Inc.	59,900	**6,515,323**
Machinery 4.8%		
Barnes Group, Inc.	401,150	9,262,553
Kennametal, Inc.	221,800	7,219,590
Mueller Water Products, Inc. "A"	437,150	3,527,801
		20,009,944
Trading Companies & Distributors 1.4%		
WESCO International, Inc.* (a)	141,500	**5,665,660**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Information Technology 8.8%		
Communications Equipment 3.1%		
CommScope, Inc.*	248,200	**13,097,514**
Electronic Equipment & Instruments 2.3%		
Anixter International, Inc.* (a)	158,900	**9,452,961**
IT Services 1.3%		
Affiliated Computer Services, Inc. "A"*	100,000	**5,349,000**
Software 2.1%		
Jack Henry & Associates, Inc.	400,950	**8,676,558**
Materials 5.6%		
Chemicals 3.7%		
CF Industries Holdings, Inc.	54,300	8,297,040
Hercules, Inc.	407,550	6,899,822
		15,196,862
Metals & Mining 1.9%		
IAMGOLD Corp.	739,800	4,475,790
RTI International Metals, Inc.* (a)	100,150	3,567,343
		8,043,133
Telecommunication Services 1.8%		
Diversified Telecommunication Services		
Windstream Corp. (a)	595,600	**7,349,704**
Utilities 5.5%		
Electric Utilities 3.4%		
ALLETE, Inc.	182,450	7,662,900
IDACORP, Inc. (a)	234,650	6,779,038
		14,441,938
Independent Power Producers & Energy Traders 0.1%		
Dynegy, Inc. "A"*	13,029	111,398
Mirant Corp.*	9,069	355,051
		466,449
Multi-Utilities 2.0%		
Integrys Energy Group, Inc.	161,700	**8,219,211**
Total Common Stocks (Cost $423,069,463)		**406,180,900**

	Shares	Value ($)
Securities Lending Collateral 10.1%		
Daily Assets Fund Institutional, 2.74% (b) (c) (Cost $41,881,493)	41,881,493	**41,881,493**
Cash Equivalents 2.4%		
Cash Management QP Trust, 2.49% (b) (Cost $10,187,714)	10,187,714	**10,187,714**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $475,138,670)†	110.0	**458,250,107**
Other Assets and Liabilities, Net	(10.0)	**(41,735,900)**
Net Assets	100.0	**416,514,207**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $475,138,670. At June 30, 2008, net unrealized depreciation for all securities based on tax cost was $16,888,563. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $58,590,103 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $75,478,666.*

(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, 2008 amounted to $39,945,478 which is 9.6% 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. Income earned by the Portfolio is net of borrower rebates.*

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 following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	**Investments in Securities at Value**
Level 1 — Quoted Prices	$ 458,163,707
Level 2 — Other Significant Observable Inputs	—
Level 3 — Significant Unobservable Inputs	86,400
Total	**$ 458,250,107**

The following is a reconciliation of the Portfolio's assets in which significant unobservable inputs (Level 3) were used in determining fair value at June 30, 2008:

	Investments in Securities at Market Value
Balance as of January 1, 2008	$ 86,400
Total realized gains or losses	—
Change in unrealized appreciation (depreciation)	—
Net purchases (sales)	—
Net transfers in (out) of Level 3	—
Balance as of June 30, 2008	**$ 86,400**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $423,069,463 — including $39,945,478 of securities loaned)	$	406,180,900
Investment in Daily Assets Fund Institutional (cost $41,881,493)*		41,881,493
Investment in Cash Management QP Trust (cost $10,187,714)		10,187,714
Total investments, at value (cost $475,138,670)		458,250,107
Cash		10,000
Receivable for investments sold		617,794
Dividends receivable		361,418
Interest receivable		72,955
Receivable for Portfolio shares sold		618,817
Other assets		9,881
Total assets		459,940,972
Liabilities		
Payable upon return of securities loaned		41,881,493
Payable for Portfolio shares redeemed		1,082,230
Accrued management fee		249,305
Other accrued expenses and payables		213,737
Total liabilities		43,426,765
Net assets, at value	**$**	**416,514,207**
Net Assets Consist of:		
Undistributed net investment income		2,336,544
Net unrealized appreciation (depreciation) on:		
Investments		(16,888,563)
Accumulated net realized gain (loss)		(18,737,275)
Paid-in capital		449,803,501
Net assets, at value	**$**	**416,514,207**
Class A		
Net Asset Value, offering and redemption price per share ($378,544,489 ÷ 35,109,541 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.78**
Class B		
Net Asset Value, offering and redemption price per share ($37,969,718 ÷ 3,517,661 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.79**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends	$	3,746,053
Interest — Cash Management QP Trust		304,521
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		215,358
Total Income		4,265,932
Expenses:		
Management fee		1,568,753
Administration fee		76,095
Custodian fee		9,950
Distribution and service fees (Class B)		44,389
Record keeping fees (Class B)		19,544
Services to shareholders		799
Professional fees		44,202
Trustees' fees and expenses		30,156
Reports to shareholders and shareholder meeting		171,524
Other		6,116
Total expenses before expense reductions		1,971,528
Expense reductions		(22,959)
Total expenses after expense reductions		1,948,569
Net investment income (loss)		**2,317,363**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from investments		(18,747,178)
Change in net unrealized appreciation (depreciation) on:		
Investments		(30,310,603)
Foreign currency		(452)
		(30,311,055)
Net gain (loss)		**(49,058,233)**
Net increase (decrease) in net assets resulting from operations	**$**	**(46,740,870)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 2,317,363	$ 4,898,627
Net realized gain (loss)	(18,747,178)	173,994,914
Change in net unrealized appreciation (depreciation)	(30,311,055)	(153,503,878)
Net increase (decrease) in net assets resulting from operations	(46,740,870)	25,389,663
Distributions to shareholders from:		
Net investment income:		
Class A	(6,363,604)	(5,615,367)
Class B	(427,114)	(521,975)
Distributions to shareholders from:		
Net realized gains:		
Class A	(155,713,279)	(79,369,510)
Class B	(13,714,537)	(12,524,743)
Total distributions	(176,218,534)	(98,031,595)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	20,540,957	42,602,597
Reinvestment of distributions	162,076,883	84,984,877
Cost of shares redeemed	(67,242,531)	(156,265,470)
Net increase (decrease) in net assets from Class A share transactions	115,375,309	(28,677,996)
Class B		
Proceeds from shares sold	12,897,950	12,637,109
Reinvestment of distributions	14,141,651	13,046,718
Cost of shares redeemed	(4,840,214)	(74,159,545)
Net increase (decrease) in net assets from Class B share transactions	22,199,387	(48,475,718)
Increase (decrease) in net assets	(85,384,708)	(149,795,646)
Net assets at beginning of period	501,898,915	651,694,561
Net assets at end of period (including undistributed net investment income of $2,336,544 and $6,809,899, respectively)	**$ 416,514,207**	**$ 501,898,915**

Other Information		
Class A		
Shares outstanding at beginning of period	23,283,418	24,500,577
Shares sold	1,559,938	1,968,230
Shares issued to shareholders in reinvestment of distributions	15,105,022	4,200,933
Shares redeemed	(4,838,837)	(7,386,322)
Net increase (decrease) in Class A shares	11,826,123	(1,217,159)
Shares outstanding at end of period	**35,109,541**	**23,283,418**
Class B		
Shares outstanding at beginning of period	1,669,556	3,927,983
Shares sold	899,745	603,769
Shares issued to shareholders in reinvestment of distributions	1,315,502	644,282
Shares redeemed	(367,142)	(3,506,478)
Net increase (decrease) in Class B shares	1,848,105	(2,258,427)
Shares outstanding at end of period	**3,517,661**	**1,669,556**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$20.12**	**$22.93**	**$19.98**	**$20.05**	**$16.06**	**$11.66**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.07	.18	.15	.19	.17	.19
Net realized and unrealized gain (loss)	(2.01)	.54	4.69	1.67	3.98	4.55
Total from investment operations	(1.94)	.72	4.84	1.86	4.15	4.74
Less distributions from:						
Net investment income	(.29)	(.23)	(.18)	(.15)	(.16)	(.15)
Net realized gains	(7.11)	(3.30)	(1.71)	(1.78)	—	(.19)
Total distributions	(7.40)	(3.53)	(1.89)	(1.93)	(.16)	(.34)
Net asset value, end of period	**$10.78**	**$20.12**	**$22.93**	**$19.98**	**$20.05**	**$16.06**
Total Return (%)	(9.49)[c]**	3.06	25.06	10.25	26.03	42.15
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	379	468	562	493	467	354
Ratio of expenses before expense reductions (%)	.82*	.78	.79	.79	.79	.80
Ratio of expenses after expense reductions (%)	.82*	.78	.79	.79	.79	.80
Ratio of net investment income (%)	1.09*	.85	.71	.96	.96	1.46
Portfolio turnover rate (%)	21**	110	52	61	73	71

a *For the six months ended June 30, 2008 (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,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$20.08**	**$22.88**	**$19.93**	**$20.01**	**$16.03**	**$11.65**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.05	.10	.07	.11	.10	.13
Net realized and unrealized gain (loss)	(2.01)	.54	4.67	1.66	3.97	4.56
Total from investment operations	(1.96)	.64	4.74	1.77	4.07	4.69
Less distributions from:						
Net investment income	(.22)	(.14)	(.08)	(.07)	(.09)	(.12)
Net realized gains	(7.11)	(3.30)	(1.71)	(1.78)	—	(.19)
Total distributions	(7.33)	(3.44)	(1.79)	(1.85)	(.09)	(.31)
Net asset value, end of period	**$10.79**	**$20.08**	**$22.88**	**$19.93**	**$20.01**	**$16.03**
Total Return (%)	(9.64)[c]**	2.67	24.59	9.78	25.52	41.65
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	38	34	90	83	71	32
Ratio of expenses before expense reductions (%)	1.18*	1.16	1.17	1.19	1.16	1.19
Ratio of expenses after expense reductions (%)	1.18*	1.16	1.17	1.19	1.16	1.19
Ratio of net investment income (%)	.73*	.47	.33	.56	.59	1.07
Portfolio turnover rate (%)	21**	110	52	61	73	71

a *For the six months ended June 30, 2008 (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*

DWS Global Thematic VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

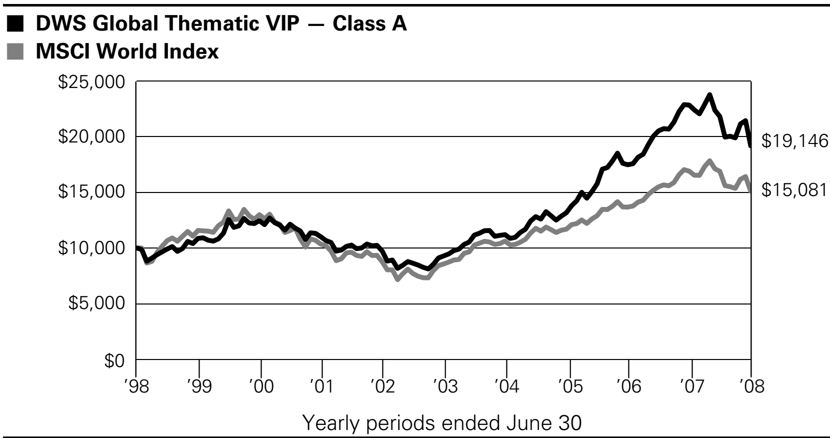
The total annual Portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 1.33% and 1.68% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

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 risks, 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.

Portfolio returns shown for all periods reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Global Thematic VIP



The Morgan Stanley Capital International (MSCI) World Index is an unmanaged, capitalization weighted measure of global stock markets including the US, Canada, 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.

Comparative Results

DWS Global Thematic VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$8,795	$8,398	$14,555	$20,618	$19,146
	Average annual total return	–12.05%	–16.02%	13.33%	15.57%	6.71%
MSCI World Index	Growth of $10,000	$8,943	$8,932	$12,908	$17,616	$15,081
	Average annual total return	–10.57%	–10.68%	8.88%	11.99%	4.19%

DWS Global Thematic VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$8,786	$8,369	$14,390	$20,239	$19,545
	Average annual total return	–12.14%	–16.31%	12.90%	15.14%	11.82%
MSCI World Index	Growth of $10,000	$8,943	$8,932	$12,908	$17,616	$17,198
	Average annual total return	–10.57%	–10.68%	8.88%	11.99%	9.46%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 879.50	$ 878.60
Expenses Paid per $1,000*	$ 5.09	$ 6.73

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,019.44	$1,017.70
Expenses Paid per $1,000*	$ 5.47	$ 7.22

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Global Thematic VIP	1.09%	1.44%

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

The continued expansion of the global credit crisis caused the Portfolio's benchmark, the MSCI World Index, to decline –10.57% during the first half of 2008. Class A shares of the Portfolio (unadjusted for contract charges) returned –12.05%, underperforming its benchmark.

We look for long-term themes in the global economy, and then we use a combination of quantitative analysis and intensive fundamental research to identify companies that may benefit as these themes unfold. The top-performing theme in the Portfolio was Global Agribusiness, which made a strong contribution as food prices continued to skyrocket worldwide. SLC Agricola SA, a Brazilian producer of cotton, soybeans, corn, coffee and wheat, was a standout holding in this theme. On the negative side, a below-benchmark weighting in the strong-performing energy sector hurt relative performance. The Portfolio's top two individual contributors were Apple, Inc. and Petroleo Brasileiro SA ("Petrobras")*, while its most notable detractors were ICICI Bank Ltd. and Air Berlin PLC.

The longer one's investment horizon, the more interesting are the opportunities created by the market's recent weakness. Believing many fundamentally sound companies have been punished excessively amid the sell-off in the broader markets, we have used the past few months to add opportunistically to those positions that we believe have fallen to very inexpensive levels. Overall, we continue to believe that at a time of continued uncertainty in the markets, our emphasis on longer-term trends and extensive Portfolio diversification should hold the Portfolio in good stead relative to its peers.

Oliver Kratz

Portfolio Manager
Deutsche Investment Management Americas Inc.

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.

* *As of June 30, 2008, the position was sold.*

Portfolio management market commentary is as of June 30, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	95%	92%
Preferred Stocks	2%	2%
Exchange Traded Funds	1%	2%
Participatory Notes	1%	—
Cash Equivalents	1%	4%
	100%	100%

Sector Diversification (As a % of Common, Preferred Stocks and Participatory Notes)	**6/30/08**	**12/31/07**
Industrials	24%	21%
Financials	20%	24%
Consumer Staples	11%	8%
Health Care	10%	11%
Consumer Discretionary	9%	13%
Materials	8%	5%
Energy	8%	4%
Information Technology	5%	11%
Telecommunication Services	5%	3%
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**6/30/08**	**12/31/07**
Continental Europe	35%	39%
United States	23%	28%
Asia (excluding Japan)	16%	12%
Latin America	9%	7%
Japan	6%	6%
United Kingdom	5%	3%
Africa	2%	2%
Canada	1%	1%
Bermuda	1%	—
Middle East	1%	2%
Other	1%	—
	100%	100%

Asset allocation, sector and geographical diversifications 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-investments.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-investments.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 94.2%		
Australia 0.6%		
Australian Wealth Management Ltd. (Cost $1,204,980)	642,955	**797,050**
Austria 2.2%		
Flughafen Wien AG	17,800	1,693,682
Wienerberger AG	30,300	1,270,095
(Cost $3,407,215)		**2,963,777**
Bermuda 1.3%		
Lazard Ltd. "A" (Cost $1,997,046)	53,900	**1,840,685**
Brazil 5.4%		
All America Latina Logistica SA (Unit)	108,300	1,393,693
Diagnosticos da America SA	35,100	904,267
Gol-Linhas Aereas Inteligentes SA (ADR) (Preferred) (a)	35,200	397,056
Marfrig Frigorificos e Comercio de Alimentos SA	67,800	877,581
Santos Brasil Participacoes SA (Unit)	149,800	2,158,555
SLC Agricola SA	55,500	1,107,853
Tam SA (ADR) (Preferred) (a)	25,100	479,912
(Cost $5,834,376)		**7,318,917**
Canada 1.3%		
Coalcorp Mining, Inc.*	42,435	74,075
Nexen, Inc.	42,869	1,709,379
Viterra, Inc.*	4,500	61,783
(Cost $1,500,705)		**1,845,237**
Cayman Islands 0.7%		
Fresh Del Monte Produce, Inc.* (Cost $1,270,701)	38,500	**907,445**
China 2.6%		
AgFeed Industries, Inc.* (a)	16,200	242,514
Focus Media Holding Ltd. (ADR)*	44,000	1,219,680
Shanghai Electric Group Co., Ltd. "H"	3,408,200	1,659,494
Sunshine Holdings Ltd.*	2,908,000	235,686
Want Want China Holdings Ltd.	320,000	122,978
(Cost $4,778,251)		**3,480,352**
Cyprus 0.5%		
Globaltrans Investment PLC (GDR) 144A* (Cost $539,478)	39,500	**643,850**
Denmark 1.3%		
A P Moller-Maersk AS "B" (Cost $1,636,815)	145	**1,765,926**
Egypt 0.0%		
Palm Hills Developments SAE (GDR) 144A* (Cost $14,217)	700	**11,151**
France 0.4%		
Sanofi-Aventis (Cost $680,126)	8,434	**561,076**
Germany 10.0%		
Air Berlin PLC* (a)	43,990	261,471
Allianz SE (Registered)	7,200	1,265,122
Axel Springer AG	10,845	1,171,072
BASF SE	14,100	971,035
Commerzbank AG (a)	20,700	611,619
Deutsche Boerse AG	9,900	1,110,773
Deutsche Post AG (Registered)	25,300	660,013
Deutsche Postbank AG	17,000	1,487,473
Fraport AG	14,900	1,009,653
Hamburger Hafen-und Logistik AG	21,900	1,701,154
Siemens AG (Registered)	9,912	1,097,606
Symrise AG	101,799	2,209,895
(Cost $15,647,022)		**13,556,886**
Hong Kong 6.1%		
China Water Affairs Group Ltd.*	1,083,700	320,210
China Yurun Food Group Ltd.	866,000	1,420,176
CNOOC Ltd.	176,000	305,276
CNOOC Ltd. (ADR)	6,000	1,041,240
GOME Electrical Appliances Holdings Ltd.	3,799,000	1,796,788
Hongkong & Shanghai Hotels Ltd.	631,242	956,395
Hutchison Whampoa Ltd.	186,000	1,880,909
Swire Pacific Ltd. "A"	62,500	642,207
(Cost $9,058,041)		**8,363,201**
Hungary 0.5%		
OTP Bank Nyrt. (Cost $730,940)	17,500	**728,963**
India 3.2%		
Bharti Airtel Ltd.*	47,297	791,621
ICICI Bank Ltd. (ADR)	126,000	3,623,760
(Cost $6,059,611)		**4,415,381**
Indonesia 0.9%		
PT Telekomunikasi Indonesia (ADR) (Cost $1,713,702)	39,200	**1,264,200**
Italy 0.9%		
Gemina SpA* (Cost $1,907,818)	1,048,864	**1,274,158**
Japan 5.8%		
FANUC Ltd.	15,000	1,461,562
Mitsubishi Heavy Industries Ltd.	412,000	1,972,920
Mitsui Fudosan Co., Ltd.	64,000	1,364,312
Mizuho Financial Group, Inc.	339	1,569,830
Toyota Motor Corp.	32,300	1,519,323
(Cost $7,232,853)		**7,887,947**
Kazakhstan 1.1%		
Kazakhstan Kagazy PLC (GDR) 144A*	181,200	630,576
Steppe Cement Ltd.*	127,088	811,903
(Cost $1,597,277)		**1,442,479**
Korea 0.6%		
CDNetworks Co., Ltd.*	30,937	341,298
Daesang Corp.	33,306	300,634
Kangwon Land, Inc.	7,310	159,929
(Cost $1,426,169)		**801,861**
Luxembourg 0.4%		
Ternium SA (ADR) (Cost $540,347)	14,800	**621,600**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Malaysia 0.7%		
AMMB Holdings Bhd. (Cost $811,785)	955,700	**932,665**
Mexico 3.1%		
America Movil SAB de CV "L" (ADR)	32,000	1,688,000
Grupo Aeroportuario del Pacifico SA de CV "B" (ADR)	86,100	2,528,757
(Cost $5,193,571)		**4,216,757**
Netherlands 2.0%		
European Aeronautic Defence & Space Co. (a)	35,389	664,207
QIAGEN NV* (a)	100,000	2,020,672
(Cost $2,588,947)		**2,684,879**
Norway 0.5%		
Cermaq ASA (Cost $943,407)	52,700	**627,228**
Portugal 0.5%		
Banco BPI SA (Registered) (Cost $1,012,401)	152,725	**629,101**
Russia 6.0%		
Gazprom (ADR) (b)	7,350	426,300
Gazprom (ADR) (b)	63,432	3,671,860
LUKOIL (ADR)	22,700	2,232,848
Novorossiysk Sea Trade Port (GDR) 144A*	36,200	541,914
Vimpel-Communications (ADR)	42,900	1,273,272
(Cost $7,645,571)		**8,146,194**
Singapore 1.3%		
Food Empire Holdings Ltd.	831,000	366,748
Singapore Airlines Ltd.	133,300	1,442,666
(Cost $1,999,184)		**1,809,414**
South Africa 2.2%		
AngloGold Ashanti Ltd. (ADR)	7,200	244,368
Gold Fields Ltd.	45,900	581,408
Gold Fields Ltd. (ADR) (a)	66,600	842,490
Lewis Group Ltd.	156,500	660,554
Standard Bank Group Ltd.	74,400	722,058
(Cost $3,781,200)		**3,050,878**
Sweden 1.0%		
Tele2 AB "B" (Cost $1,294,765)	73,800	**1,434,884**
Switzerland 4.5%		
Petroplus Holdings AG*	19,928	1,068,734
Roche Holding AG (Genusschein)	15,357	2,755,673
SGS SA (Registered)	782	1,115,608
UBS AG (Registered)* (b)	42,608	880,884
UBS AG (Registered)* (b)	11,900	245,854
(Cost $7,036,380)		**6,066,753**
Thailand 0.4%		
Seamico Securities PCL (Foreign Registered)*	2,354,200	176,028
Siam City Bank PCL (Foreign Registered)*	664,600	322,014
(Cost $590,716)		**498,042**
Turkey 0.7%		
Turkiye Is Bankasi (Isbank) "C" (Cost $1,224,168)	298,739	**978,287**
United Kingdom 4.5%		
BHP Billiton PLC	31,796	1,221,262
G4S PLC	354,270	1,427,153
GlaxoSmithKline PLC	111,373	2,461,462
Lonmin PLC	15,821	997,421
(Cost $6,320,386)		**6,107,298**
United States 21.0%		
Apple, Inc.*	13,300	2,226,952
Archer-Daniels-Midland Co.	88,400	2,983,501
Bunge Ltd.	24,300	2,616,867
Chiquita Brands International, Inc.*	35,200	533,984
Cisco Systems, Inc.*	37,950	882,717
Cogent, Inc.*	93,800	1,066,506
CVS Caremark Corp.	22,800	902,196
eBay, Inc.*	75,500	2,063,415
General Mills, Inc.	17,700	1,075,629
Johnson & Johnson	32,450	2,087,833
JPMorgan Chase & Co.	46,200	1,585,122
Mattel, Inc.	73,300	1,254,896
Monster Worldwide, Inc.*	40,100	826,461
Mylan, Inc. (a)	92,200	1,112,854
New York Times Co. "A" (a)	35,000	538,650
Newmont Mining Corp.	29,000	1,512,640
Pfizer, Inc.	53,475	934,208
Sotheby's (a)	44,200	1,165,554
Stryker Corp.	14,700	924,336
The Blackstone Group LP (Limited Partnership)	53,500	974,235
The Goldman Sachs Group, Inc.	7,200	1,259,280
Wachovia Corp.	1,800	27,954
(Cost $29,741,446)		**28,555,790**
Total Common Stocks (Cost $138,961,617)		**128,230,312**

Preferred Stocks 2.1%

	Shares	Value ($)
Germany 1.0%		
Porsche Automobil Holding SE (Cost $1,505,019)	8,583	**1,319,367**
Russia 1.1%		
Sberbank (Cost $1,943,673)	794,923	**1,558,049**
Total Preferred Stocks (Cost $3,448,692)		**2,877,416**

Participatory Note 0.7%

	Shares	Value ($)
United States		
Merrill Lynch Pioneers Index (issuer Merrill Lynch International & Co.), Expiration Date 2/1/2010* (Cost $1,023,048)	10,000	**919,300**

Exchange Traded Fund 1.3%

	Shares	Value ($)
iShares Nasdaq Biotechnology Index Fund (a) (Cost $1,668,775)	23,825	**1,830,713**

Call Options Purchased 0.1%

	Shares	Value ($)
General Electric Co., Expiration Date 1/16/2010, Strike Price $30.0 (Cost $212,772)	510	**109,650**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Securities Lending Collateral 5.6%		
Daily Assets Fund Institutional, 2.74% (c) (d) (Cost $7,584,885)	7,584,885	**7,584,885**
Cash Equivalents 0.4%		
Cash Management QP Trust, 2.49% (c) (Cost $579,305)	579,305	**579,305**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $153,479,094)†	104.4	**142,131,581**
Other Assets and Liabilities, Net	(4.4)	**(6,025,234)**
Net Assets	100.0	**136,106,347**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $155,593,218. At June 30, 2008, net unrealized depreciation for all securities based on tax cost was $13,461,637. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $7,234,211 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $20,695,848.*

(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, 2008 amounted to $7,292,737 which is 5.4% 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. Income earned by the Portfolio is net of borrower rebates.*

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

The Portfolio had the following open forward foreign currency exchange contracts at June 30, 2008:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)
EUR	1,956,000	USD	3,072,641	8/27/2008	**2,121**

Currency Abbreviations			
EUR	Euro	USD	United States Dollar

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	Investments in Securities at Value	Net Unrealized Appreciation on Other Financial Instruments††
Level 1 — Quoted Prices	$ 70,261,236	$ —
Level 2 — Other Significant Observable Inputs	71,870,345	2,121
Level 3 — Significant Unobservable Inputs	—	—
Total	**$ 142,131,581**	**$ 2,121**

†† *Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as forward foreign currency exchange contracts, which are valued at the unrealized appreciation/depreciation on the instrument.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $145,314,904) — including $7,292,737 of securities loaned	$	133,967,391
Investment in Daily Assets Fund Institutional (cost $7,584,885)*		7,584,885
Investment in Cash Management QP Trust (cost $579,305)		579,305
Total investments, at value (cost $153,479,094)		142,131,581
Cash		79,304
Foreign currency, at value (cost $721,286)		721,208
Receivable for investments sold		4,763,786
Receivable for Portfolio shares sold		130,558
Dividends receivable		109,052
Interest receivable		28,584
Foreign taxes recoverable		81,915
Unrealized appreciation on forward currency exchange contracts		2,121
Due from Advisor		1,611
Other assets		3,263
Total assets		148,052,983
Liabilities		
Payable for investments purchased		3,658,928
Payable upon return of securities loaned		7,584,885
Payable for Portfolio shares redeemed		402,396
Accrued management fee		65,047
Other accrued expenses and payables		235,380
Total liabilities		11,946,636
Net assets, at value	**$**	**136,106,347**
Net Assets Consist of		
Undistributed net investment income		645,061
Net unrealized appreciation (depreciation) on:		
Investments		(11,347,513)
Foreign currency		8,490
Accumulated net realized gain (loss)		(12,545,302)
Paid-in capital		159,345,611
Net assets, at value	**$**	**136,106,347**
Class A		
Net Asset Value, offering and redemption price per share ($128,062,359 ÷ 13,022,954 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.83**
Class B		
Net Asset Value, offering and redemption price per share ($8,043,988 ÷ 815,793 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.86**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $142,883)	$	1,490,942
Interest		1,997
Interest — Cash Management QP Trust		56,685
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		134,343
Total Income		1,683,967
Expenses:		
Management fee		706,967
Administration fee		24,879
Services to shareholders		248
Custodian and accounting fees		191,390
Distribution and service fees (Class B)		10,825
Record keeping fees (Class B)		4,321
Professional fees		34,218
Trustees' fees and expenses		19,167
Reports to shareholders and shareholder meeting		79,796
Other		26,910
Total expenses before expense reductions		1,098,721
Expense reductions		(268,320)
Total expenses after expense reductions		830,401
Net investment income (loss)		**853,566**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments (including foreign taxes of $924)		(10,194,623)
Foreign currency		(348,391)
		(10,543,014)
Change in net unrealized appreciation (depreciation) on:		
Investments		(9,377,998)
Foreign currency		5,236
		(9,372,762)
Net gain (loss)		**(19,915,776)**
Net increase (decrease) in net assets resulting from operations	**$**	**(19,062,210)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 853,566	$ 1,371,727
Net realized gain (loss)	(10,543,014)	38,322,515
Change in net unrealized appreciation (depreciation)	(9,372,762)	(28,184,790)
Net increase (decrease) in net assets resulting from operations	(19,062,210)	11,509,452
Distributions to shareholders from:		
Net investment income:		
Class A	(1,766,760)	(976,630)
Class B	(79,972)	(67,864)
Net realized gains:		
Class A	(36,684,662)	(22,498,351)
Class B	(2,286,851)	(3,879,598)
Total distributions	(40,818,245)	(27,422,443)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	7,568,985	32,962,118
Reinvestment of distributions	38,451,422	23,474,981
Cost of shares redeemed	(12,933,179)	(33,544,797)
Net increase (decrease) in net assets from Class A share transactions	33,087,228	22,892,302
Class B		
Proceeds from shares sold	550,108	5,026,580
Reinvestment of distributions	2,366,823	3,947,462
Cost of shares redeemed	(1,244,723)	(22,340,318)
Net increase (decrease) in net assets from Class B share transactions	1,672,208	(13,366,276)
Increase (decrease) in net assets	(25,121,019)	(6,386,965)
Net assets at beginning of period	161,227,366	167,614,331
Net assets at end of period (including undistributed net investment income of $645,061 and $1,638,227, respectively)	**$ 136,106,347**	**$ 161,227,366**

Other Information		
Class A		
Shares outstanding at beginning of period	9,660,413	8,197,243
Shares sold	627,396	1,983,290
Shares issued to shareholders in reinvestment of distributions	3,769,747	1,533,310
Shares redeemed	(1,034,602)	(2,053,430)
Net increase (decrease) in Class A shares	3,362,541	1,463,170
Shares outstanding at end of period	**13,022,954**	**9,660,413**
Class B		
Shares outstanding at beginning of period	632,933	1,443,479
Shares sold	44,766	302,846
Shares issued to shareholders in reinvestment of distributions	231,135	257,164
Shares redeemed	(93,041)	(1,370,556)
Net increase (decrease) in Class B shares	182,860	(810,546)
Shares outstanding at end of period	**815,793**	**632,933**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$15.66**	**$17.39**	**$14.44**	**$11.78**	**$10.39**	**$ 8.08**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.07	.14	.15[d]	.12	.04	.09
Net realized and unrealized gain (loss)	(1.80)	.88	4.02	2.58	1.48	2.25
Total from investment operations	(1.73)	1.02	4.17	2.70	1.52	2.34
Less distributions from:						
Net investment income	(.19)	(.11)	(.09)	(.04)	(.13)	(.03)
Net realized gains	(3.91)	(2.64)	(1.13)	—	—	—
Total distributions	(4.10)	(2.75)	(1.22)	(.04)	(.13)	(.03)
Net asset value, end of period	**$ 9.83**	**$15.66**	**$17.39**	**$14.44**	**$11.78**	**$10.39**
Total Return (%)[c]	(12.05)**	6.29	30.14[d]	22.94	14.76	29.13
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	128	151	143	85	63	55
Ratio of expenses before expense reductions (%)	1.45*	1.44	1.38	1.41	1.44	1.48
Ratio of expenses after expense reductions (%)	1.09*	1.11	1.04	1.28	1.43	1.17
Ratio of net investment income (%)	1.23*	.82	.92[d]	.98	.38	1.02
Portfolio turnover rate (%)	96**	191	136	95	81	65

a *For the six months ended June 30, 2008 (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 Funds. 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.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$15.66**	**$17.38**	**$14.43**	**$11.78**	**$10.38**	**$ 8.06**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.05	.07	.09[d]	.07	.00[e]	.04
Net realized and unrealized gain (loss)	(1.80)	.90	4.02	2.58	1.48	2.29
Total from investment operations	(1.75)	.97	4.11	2.65	1.48	2.33
Less distributions from:						
Net investment income	(.14)	(.05)	(.03)	—	(.08)	(.01)
Net realized gains	(3.91)	(2.64)	(1.13)	—	—	—
Total distributions	(4.05)	(2.69)	(1.16)	—	(.08)	(.01)
Net asset value, end of period	**$ 9.86**	**$15.66**	**$17.38**	**$14.43**	**$11.78**	**$10.38**
Total Return (%)[c]	(12.14)**	5.84	29.65[d]	22.50	14.33	28.96
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	8	10	25	20	13	6
Ratio of expenses before expense reductions (%)	1.80*	1.81	1.76	1.79	1.84	1.87
Ratio of expenses after expense reductions (%)	1.44*	1.47	1.43	1.65	1.83	1.64
Ratio of net investment income (%)	.88*	.46	.53[d]	.61	.02	.55
Portfolio turnover rate (%)	96**	191	136	95	81	65

a *For the six months ended June 30, 2008 (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 Funds. 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 *Amount is less than $.005 per share.*
* *Annualized* ** *Not annualized*

DWS Government & Agency Securities VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

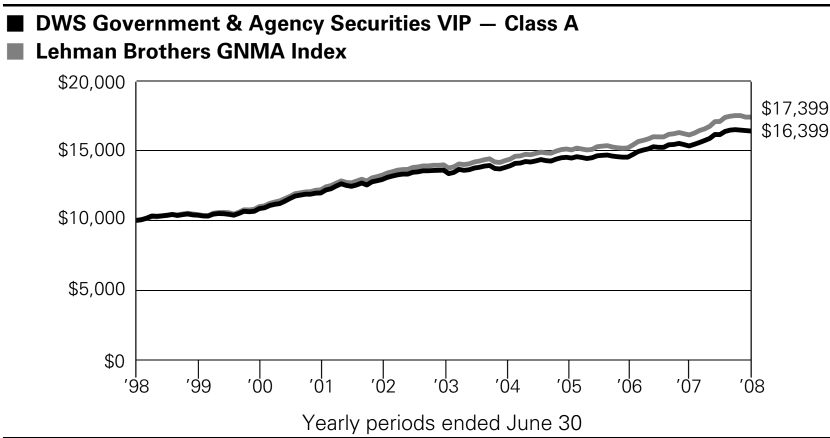
The total annual portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.66% and 1.04% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

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. In the current market environment, mortgage-backed securities are experiencing increased volatility. Please read this Portfolio's prospectus for specific details regarding its investments and risk profile.

Portfolio returns shown for all periods reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Government & Agency Securities VIP



The Lehman Brothers GNMA 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, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Government & Agency Securities VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$10,163	$10,699	$11,300	$12,062	$16,399
	Average annual total return	1.63%	6.99%	4.16%	3.82%	5.07%
Lehman Brothers GNMA Index	Growth of $10,000	$10,184	$10,800	$11,519	$12,451	$17,399
	Average annual total return	1.84%	8.00%	4.83%	4.48%	5.69%

DWS Government & Agency Securities VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$10,147	$10,648	$11,163	$11,823	$12,388
	Average annual total return	1.47%	6.48%	3.74%	3.41%	3.63%
Lehman Brothers GNMA Index	Growth of $10,000	$10,184	$10,800	$11,519	$12,451	$13,149
	Average annual total return	1.84%	8.00%	4.83%	4.48%	4.67%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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 (Janaury 1, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,016.30	$1,014.70
Expenses Paid per $1,000*	$ 3.31	$ 5.01
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,021.58	$1,019.89
Expenses Paid per $1,000*	$ 3.32	$ 5.02

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Government & Agency Securities VIP	.66%	1.00%

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

Entering 2008, the fixed-income markets continued to deal with the fallout from the crisis in subprime mortgages. All non-Treasury markets experienced weakness during most of the first quarter. As financial institutions were forced to recognize mortgage-related damage to their balance sheets, funding was removed from the system and leveraged participants were forced to seek buyers for their holdings. As a result, the market was flooded with bonds that trade at a yield spread versus Treasuries, causing prices of even AAA-rated issues to suffer.[1] This was especially the case in mid-March as the collapse of Bear Stearns, a leading investment bank, caused already high levels of concern over counterparty risk to skyrocket and liquidity to deteriorate further. In response to the Bear Stearns crisis, the US Federal Reserve Board (the Fed) moved aggressively in providing additional funding mechanisms to market participants. The Fed's actions would prove to be something of a turning point, as trading of high-quality issues stabilized in the second quarter. Over the six-month period, the Fed cut the benchmark fed funds rate (the overnight rate banks charge when they borrow money from each other) from 4.25% to 2.0% as it sought to provide market participants with liquidity. Treasury yields rose late in the period on renewed inflation concerns, following an extended decline.

During the six-month period ended June 30, 2008, the Portfolio provided a total return of 1.63% (Class A shares, unadjusted for contract charges) compared with the 1.84% return of its benchmark, the Lehman Brothers GNMA Index.

The Portfolio's concentration on lower coupon mortgage backed securities hurt performance early in the period. We purchased these coupons because we expected lower rates with the weakening economy. As the period progressed, the Portfolio's exposure to mortgage-backed securities backed by seasoned loans began to help performance, as the market valued more highly the superior protection against prepayments offered by these issues. Performance also benefited from the Portfolio's position in structured mortgage-backed securities, in which principal payments on underlying mortgages are allocated to varying classes of investors. With the recent market turmoil the pricing on structured securities lagged that of pass-through securities. We had purchased some of these bonds at very attractive levels, and they outperformed dramatically as liquidity returned to the markets. Finally, the Portfolio's exposure to adjustable rate mortgages also helped performance. We have begun to reduce that position, as we now view other sectors as more attractive. We will continue to monitor the credit and interest rate environment closely as we seek to maintain an attractive dividend for investors.

William Chepolis, CFA and Matthew F. MacDonald

Co-Managers

Deutsche Investment Management Americas Inc.

The Lehman Brothers GNMA 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, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *The yield spread is the difference between the yield of a security and the yield of a comparable-duration Treasury. A large spread indicates that investors require yields substantially above those of Treasuries in order to invest in lower-quality bonds. This is generally indicative of a higher-risk environment. A smaller spread generally indicates a more positive environment, since investors are less concerned about risk and therefore willing to accept lower yields. A drop in the yield spread is a positive.*

Credit quality is a measure of a bond issuer's ability to repay interest and principal in a timely manner. Rating agencies assign letter designations such as AAA, AA, and so forth. The lower the rating, the higher the probability of default.

Portfolio management market commentary is as of June 30, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Agencies Backed by the Full Faith and Credit of the US Government (GNMA)	66%	61%
Agencies Not Backed by the Full Faith and Credit of the US Government (FNMA, FHLMC)	34%	36%
Cash Equivalents	—	2%
US Treasury Obligations	—	1%
	100%	100%

Quality	**6/30/08**	**12/31/07**
AAA*	100%	100%

* *Includes cash equivalents*

Interest Rate Sensitivity	**6/30/08**	**12/31/07**
Effective Maturity	8.1 years	5.9 years
Average Duration	4.1 years	3.5 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 98. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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 63.0%		
Government National Mortgage Association:		
5.0%, with various maturities from 5/20/2023 until 12/20/2036 (e)	14,168,227	13,846,874
5.5%, with various maturities from 10/15/2032 until 3/15/2038 (e)	44,024,675	43,986,545
6.0%, with various maturities from 4/15/2013 until 6/15/2038 (e)	52,164,417	53,113,097
6.5%, with various maturities from 3/15/2014 until 6/15/2038	12,306,885	12,767,742
7.0%, with various maturities from 10/15/2026 until 5/20/2038	4,743,595	5,007,393
7.5%, with various maturities from 4/15/2026 until 1/15/2037	1,965,031	2,090,916
9.5%, with various maturities from 6/15/2013 until 12/15/2022	52,129	57,251
10.0%, with various maturities from 2/15/2016 until 3/15/2016	15,962	17,813
Total Agencies Backed by the Full Faith and Credit of the US Government (Cost $132,590,204)		**130,887,631**
Agencies Not Backed by the Full Faith and Credit of the US Government 32.4%		
Federal Home Loan Bank, 3.625%, 5/29/2013	24,000,000	23,429,189
Federal Home Loan Mortgage Corp.:		
3.75%, 6/28/2013	20,000,000	19,593,744
4.5%, 5/1/2019	50,204	49,313
5.5%, 2/1/2017	42,854	43,572
5.865%*, 11/1/2036	1,191,516	1,219,292
5.874%*, 9/1/2036	997,391	1,019,211
6.5%, 9/1/2032	144,320	150,042
7.0%, with various maturities from 6/1/2032 until 8/1/2035	507,526	529,068
8.0%, 11/1/2030	725	771
8.5%, 7/1/2030	2,499	2,696
Federal National Mortgage Association:		
5.0%, 10/1/2033	609,386	587,629
5.375%, 6/12/2017	16,000,000	16,722,696
6.5%, 1/1/2038	1,878,352	1,934,996
7.0%, 9/1/2013	515	533
8.0%, 12/1/2024	11,863	12,688
8.45%*, 2/27/2023	2,000,000	2,000,000
Total Agencies Not Backed by the Full Faith and Credit of the US Government (Cost $66,955,637)		**67,295,440**
Collateralized Mortgage Obligations 17.3%		
Agencies Backed by the Full Faith and Credit of the US Government 11.7%		
Government National Mortgage Association:		
"JO", Series 2006-22, Principal Only, Zero Coupon, 4/20/2036	1,030,469	765,640
"OD", Series 2006-36, Principal Only, Zero Coupon, 7/16/2036	506,235	416,148
"FH", Series 1999-18, 2.721%*, 5/16/2029	2,422,481	2,354,823
"FE", Series 2003-57, 2.771%*, 3/16/2033	160,116	155,843
"FB", Series 2001-28, 2.971%*, 6/16/2031	719,069	712,152
"SA", Series 2002-65, Interest Only, 3.768%*, 9/20/2032	4,623,611	302,289
"SB", Series 2008-36, Interest Only, 3.788%*, 4/20/2038	2,927,670	233,921
"SP", Series 2005-61, Interest Only, 3.809%*, 8/16/2035	1,445,102	107,839
"NS", Series 2007-72, Interest Only, 4.048%*, 11/20/2037	823,068	52,427
"GS", Series 2006-16, Interest Only, 4.508%*, 4/20/2036	1,500,306	140,326
"KS", Series 2004-96, Interest Only, 4.518%*, 7/20/2034	777,038	72,565
"GD", Series 2004-26, 5.0%, 11/16/2032	2,184,000	2,140,081
"LG", Series 2003- 70, 5.0%, 8/20/2033	4,000,000	3,767,274
"KE", Series 2004-19, 5.0%, 3/16/2034	500,000	453,173
"ZM", Series 2004-24, 5.0%, 4/20/2034	1,846,636	1,664,593
"LE", Series 2004-87, 5.0%, 10/20/2034	1,000,000	917,531
"ZB", Series 2005-15, 5.0%, 2/16/2035	1,299,047	1,143,882
"CK", Series 2007-31, 5.0%, 5/16/2037	1,000,000	969,069
"SJ", Series 1999-43, Interest Only, 5.288%*, 11/16/2029	369,790	37,472
"ZB", Series 2003-85, 5.5%, 10/20/2033	2,468,737	2,265,383
"B", Series 2005-88, 5.5%, 11/20/2035	1,804,000	1,736,463
"ZA", Series 2006-7, 5.5%, 2/20/2036	1,932,218	1,770,899
"PH", Series 2002- 84, 6.0%, 11/16/2032	500,000	500,740
"PB", Series 2001-53, 6.5%, 11/20/2031	1,500,000	1,582,937
		24,263,470
Agencies Not Backed by the Full Faith and Credit of the US Government 5.6%		
Federal Home Loan Mortgage Corp.:		
"MO", Series 3171, Principal Only, Zero Coupon, 6/15/2036	866,401	643,825
"AO", Series 3236, Principal Only, Zero Coupon, 11/15/2036	806,225	588,242

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
"FT", Series 3346, 2.821%*, 10/15/2033	2,706,400	2,644,958
"SL", Series 2882, Interest Only, 4.729%*, 10/15/2034	1,305,348	132,795
"GZ", Series 2906, 5.0%, 9/15/2034	1,488,516	1,269,354
"ST", Series 2411, Interest Only, 6.279%*, 6/15/2021	4,799,046	407,557
"1A1", Series T-59, 6.5%, 10/25/2043	1,971,929	1,993,697
Federal National Mortgage Association:		
"LO", Series 2005-50, Principal Only, Zero Coupon, 6/25/2035	1,077,541	565,538
"ZA", Series 2008-24, 5.0%, 4/25/2038	529,389	433,995
"AN", Series 2007-108, 8.942%*, 11/25/2037	2,627,730	2,883,342
		11,563,303
Total Collateralized Mortgage Obligations (Cost $36,158,352)		**35,826,773**

	Principal Amount ($)	Value ($)
US Treasury Obligations 0.4%		
US Treasury Bill, 1.08%**, 7/17/2008 (a) (Cost $886,574)	887,000	**886,443**

	Shares	Value ($)
Securities Lending Collateral 1.5%		
Daily Assets Fund Institutional, 2.74% (b) (c) (Cost $3,052,500)	3,052,500	**3,052,500**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $239,643,267)†	114.6	**237,948,787**
Other Assets and Liabilities, Net (d)	(14.6)	**(30,269,265)**
Net Assets	100.0	**207,679,522**

* *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, 2008.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $239,674,210. At June 30, 2008, net unrealized depreciation for all securities based on tax cost was $1,725,423. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $1,082,722 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,808,145.*

(a) *At June 30, 2008, 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) *Represents collateral held in connection with securities lending. Income earned by the Portfolio is net of borrower rebates.*

(d) *Included in other assets and liabilities net is a pending sale, amounting to $3,008,700 that is on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2008 amounted to $3,008,700 which is 1.4% of net assets.*

(e) *Mortgage dollar rolls included.*

Interest Only: Interest Only (IO) bonds represent the "interest only" portion of payments on a pool of underlying mortgages or mortgage-backed securities. IO securities are subject to prepayment risk of the pool of underlying mortgages.

Principal Only: Principal Only (PO) bonds represent the "principal only" portion of payments on a pool of underlying mortgages or mortgage-backed securities.

At June 30, 2008, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation ($)
10 Year Interest Rate Swap	9/15/2008	19	2,052,741	2,089,110	**36,369**

At June 30, 2008, open futures contracts sold were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Depreciation ($)
10 Year US Treasury Note	9/19/2008	448	50,551,769	51,037,002	**(485,233)**

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 following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	Investments in Securities at Value	Net Unrealized Depreciation on Other Financial Instruments††
Level 1 — Quoted Prices	$ 3,052,500	$ (448,864)
Level 2 — Other Significant Observable Inputs	234,896,287	—
Level 3 — Significant Unobservable Inputs	—	—
Total	**$ 237,948,787**	**$ (448,864)**

†† *Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as future contracts, which are valued at the unrealized appreciation/depreciation on the instrument.*

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments		
Investments in securities, at value (cost $236,590,767) — including $3,008,700 of securities loaned	$	234,896,287
Investments in Daily Assets Fund Institutional (cost $3,052,500)*		3,052,500
Total investments, at value (cost $239,643,267)		237,948,787
Cash		8,937
Receivable for investments sold		83,310,105
Receivable for Portfolio shares sold		9,745
Interest receivable		1,144,194
Other assets		3,508
Total assets		322,425,276

Liabilities		
Payable upon return of securities loaned		3,052,500
Payable for investments purchased		59,625,275
Payable for investments purchased — mortgage dollar rolls		50,462,846
Payable for Portfolio shares redeemed		837,194
Notes payable		450,000
Payable for daily variation margin on open futures contracts		34,839
Accrued management fee		80,632
Other accrued expenses and payables		202,468
Total liabilities		114,745,754
Net assets, at value	**$**	**207,679,522**

Net Assets Consist of		
Undistributed net investment income		4,875,255
Net unrealized appreciation (depreciation) on:		
Investments		(1,694,480)
Futures		(448,864)
Accumulated net realized gain (loss)		(1,590,664)
Paid-in capital		206,538,275
Net assets, at value	**$**	**207,679,522**
Class A		
Net Asset Value, offering and redemption price per share ($200,416,837 ÷ 16,692,425 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.01**
Class B		
Net Asset Value, offering and redemption price per share ($7,262,685 ÷ 605,122 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.00**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Interest	$	5,492,407
Interest — Cash Management QP Trust		149,016
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		10,348
Total Income		5,651,771
Expenses:		
Management fee		561,015
Administration fee		35,710
Custodian fee		8,486
Distribution and service fees (Class B)		8,790
Services to shareholders		701
Record keeping fees (Class B)		3,359
Professional fees		40,699
Trustees' fees and expenses		22,936
Reports to shareholders and shareholder meeting		74,965
Interest expense		1,531
Other		6,839
Total expenses before expense reductions		765,031
Expense reductions		(18,359)
Total expenses after expense reductions		746,672
Net investment income		**4,905,099**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		714,163
Futures		376,223
		1,090,386
Change in net unrealized appreciation (depreciation) on:		
Investments		(2,361,157)
Futures		(239,689)
		(2,600,846)
Net gain (loss)		**(1,510,460)**
Net increase (decrease) in net assets resulting from operations	**$**	**3,394,639**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income	$ 4,905,099	$ 10,439,394
Net realized gain (loss)	1,090,386	(1,286,321)
Change in net unrealized appreciation (depreciation)	(2,600,846)	3,273,665
Net increase (decrease) in net assets resulting from operations	3,394,639	12,426,738
Distributions to shareholders from:		
Net investment income:		
Class A	(9,943,580)	(10,212,645)
Class B	(313,588)	(1,469,899)
Total distributions	(10,257,168)	(11,682,544)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	33,658,259	30,397,968
Reinvestment of distributions	9,943,580	10,212,645
Cost of shares redeemed	(35,607,015)	(53,955,468)
Net increase (decrease) in net assets from Class A share transactions	7,994,824	(13,344,855)
Class B		
Proceeds from shares sold	3,452,185	9,440,856
Reinvestment of distributions	313,588	1,469,899
Cost of shares redeemed	(1,248,717)	(38,336,134)
Net increase (decrease) in net assets from Class B share transactions	2,517,056	(27,425,379)
Increase (decrease) in net assets	3,649,351	**(40,026,040)**
Net assets at beginning of period	204,030,171	244,056,211
Net assets at end of period (including undistributed net investment income of $4,875,255 and $10,227,324, respectively)	**$ 207,679,522**	**$ 204,030,171**

Other Information		
Class A		
Shares outstanding at beginning of period	16,080,508	17,174,275
Shares sold	2,709,292	2,509,518
Shares issued to shareholders in reinvestment of distributions	823,144	862,554
Shares redeemed	(2,920,520)	(4,465,839)
Net increase (decrease) in Class A shares	611,916	(1,093,767)
Shares outstanding at end of period	**16,692,424**	**16,080,508**
Class B		
Shares outstanding at beginning of period	403,813	2,706,547
Shares sold	277,543	788,569
Shares issued to shareholders in reinvestment of distributions	25,938	124,042
Shares redeemed	(102,171)	(3,215,345)
Net increase (decrease) in Class B shares	201,310	(2,302,734)
Shares outstanding at end of period	**605,123**	**403,813**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$12.38**	**$12.28**	**$12.26**	**$12.55**	**$12.54**	**$12.84**
Income (loss) from investment operations:						
Net investment income[b]	.28	.58	.55	.51	.44	.31
Net realized and unrealized gain (loss)	(.07)	.12	(.06)	(.20)	.03	(.04)
Total from investment operations	(.21)	.70	.49	.31	.47	.27
Less distributions from:						
Net investment income	(.58)	(.60)	(.47)	(.50)	(.35)	(.35)
Net realized gains	—	—	—	(.10)	(.11)	(.22)
Total distributions	(.58)	(.60)	(.47)	(.60)	(.46)	(.57)
Net asset value, end of period	**$12.01**	**$12.38**	**$12.28**	**$12.26**	**$12.55**	**$12.54**
Total Return (%)	1.63[c]**	5.95[c]	4.16	2.57	3.75	2.26
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	200	199	211	243	280	347
Ratio of expenses before expense reductions(%)	.67*	.66	.67	.63	.61	.61
Ratio of expenses after expense reductions (%)	.66*	.63	.67	.63	.61	.61
Ratio of net investment income (loss) (%)	4.55*	4.77	4.56	4.17	3.59	2.50
Portfolio turnover rate (%)[d]	230**	465	241	191	226	511

[a] *For the six months ended June 30, 2008 (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 397%** for the period ended June 30, 2008 and 629%, 403%, 325%, 391% and 536% for the years ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004 and December 31, 2003, respectively.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$12.35**	**$12.25**	**$12.23**	**$12.52**	**$12.51**	**$12.82**
Income (loss) from investment operations:						
Net investment income[b]	.26	.53	.50	.47	.40	.27
Net realized and unrealized gain (loss)	(.08)	.12	(.06)	(.21)	.02	(.04)
Total from investment operations	.18	.65	.44	.26	.42	.23
Less distributions from:						
Net investment income	(.53)	(.55)	(.42)	(.45)	(.30)	(.32)
Net realized gains	—	—	—	(.10)	(.11)	(.22)
Total distributions	(.53)	(.55)	(.42)	(.55)	(.41)	(.54)
Net asset value, end of period	**$12.00**	**$12.35**	**$12.25**	**$12.23**	**$12.52**	**$12.51**
Total Return (%)	1.47[c]**	5.43[c]	3.74	2.24	3.36	1.83
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	7	5	33	47	49	38
Ratio of expenses before expense reductions(%)	1.01*	1.04	1.07	1.02	1.00	.98
Ratio of expenses after expense reductions (%)	1.00*	1.01	1.07	1.02	1.00	.98
Ratio of net investment income (%)	4.21*	4.39	4.16	3.78	3.21	2.13
Portfolio turnover rate (%)[d]	230**	465	241	191	226	511

[a] *For the six months ended June 30, 2008 (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 397%** for the period ended June 30, 2008 and 629%, 403%, 325%, 391% and 536% for the years ended December 31, 2007, December 31, 2006, December 31, 2005, December 31, 2004 and December 31, 2003, respectively.*

* *Annualized* ** *Not annualized*

DWS High Income VIP

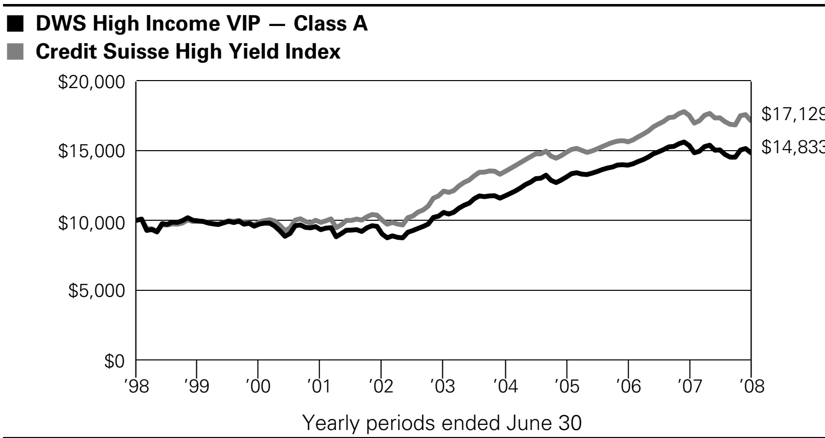
All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original 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 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. While all share classes have the same underlying portfolio, their performance will differ.

The total annual portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.69% and 0.94% for Class A and Class B 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, 2008.

Risk Considerations

Investing in foreign securities presents certain risks, 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.

Growth of an Assumed $10,000 Investment in DWS High Income VIP



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, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS High Income VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$9,865	$9,667	$11,333	$14,049	$14,833
	Average annual total return	–1.35%	–3.33%	4.26%	7.04%	4.02%
Credit Suisse High Yield Index	Growth of $10,000	$9,886	$9,788	$11,525	$14,179	$17,129
	Average annual total return	–1.14%	–2.12%	4.84%	7.23%	5.53%

DWS High Income VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$9,837	$9,627	$11,175	$13,767	$16,060
	Average annual total return	–1.63%	–3.73%	3.77%	6.60%	8.22%
Credit Suisse High Yield Index	Growth of $10,000	$9,886	$9,788	$11,525	$14,179	$17,123
	Average annual total return	–1.14%	–2.12%	4.84%	7.23%	9.37%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 986.50	$ 983.70
Expenses Paid per $1,000*	$ 3.95	$ 5.67
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,020.89	$1,019.14
Expenses Paid per $1,000*	$ 4.02	$ 5.77

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS High Income VIP	.80%	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.

DWS High Income VIP

Concerns that problems in the housing and credit markets were beginning to spread to the broader economy pressured the performance of high-yield bonds during the first half of the year. The market was highly volatile, reflecting the rapid shifts in investor sentiment.

The total return of the Portfolio's Class A shares was –1.35% (unadjusted for contract charges) during the semiannual period. In comparison, the Credit Suisse High Yield Index returned –1.14%. The Portfolio's performance was helped by a position in DRS Technologies, a defense-related firm that was bid for by the investment-grade-rated company Finmeccanica. Also helping performance were bonds issued by Kansas City Southern Railway Co., K. Hovnanian Enterprises, Inc., French Lick Resort Casino Inc. (which were tendered at a premium) and Vanguard Health Holding Co. LLC. Notable detractors included Lyondell Chemical, Young Broadcasting Inc. and the Portfolio's lack of a position in two benchmark components that outperformed: Alltel and Dollar General.

While the past six months were characterized by an unstable environment for the high-yield market, we believe investors are being adequately compensated for the elevated level of risk given that yield spreads are above the historical average.[1] However, given the ongoing uncertainty in the global financial markets, we continue to believe that the key to outperformance throughout 2008 will be the avoidance of individual credit defaults. We are confident that our bottom-up, research-driven strategy is well positioned to navigate this challenging environment.

Gary Sullivan, CFA
Portfolio Manager
Deutsche Investment Management Americas Inc.

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, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

1 *The yield spread is the difference between the yield of a security and the yield of a comparable duration Treasury. A large spread indicates that investors require yields substantially above those of Treasuries in order to invest in lower quality bonds. This is generally indicative of a higher-risk environment. A smaller spread generally indicates a more positive environment, since investors are less concerned about risk and therefore willing to accept lower yields. A drop in the yield spread is a positive.*

Portfolio management market commentary is as of June 30, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Corporate Bonds	93%	89%
Senior Loans	7%	7%
Cash Equivalents	—	3%
Other Investments	—	1%
	100%	100%

Bond Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/08**	**12/31/07**
Consumer Discretionary	18%	22%
Energy	15%	11%
Materials	13%	11%
Industrials	12%	13%
Financials	11%	14%
Telecommunication Services	9%	8%
Utilities	8%	7%
Health Care	7%	6%
Information Technology	4%	4%
Consumer Staples	3%	4%
	100%	100%

Quality	**6/30/08**	**12/31/07**
Cash Equivalents	1%	3%
BBB	8%	4%
BB	33%	29%
B	51%	51%
CCC	6%	13%
D	1%	—
	100%	100%

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/08**	**12/31/07**
Under 1 year	4%	6%
1–4.99 years	39%	32%
5–9.99 years	51%	56%
10–14.99 years	2%	2%
15 years or greater	4%	4%
	100%	100%

Asset allocation, bond diversification and foreign bonds diversification, quality and effective maturity are subject to change.

Weighted average effective maturity: 6.0 years and 6.2 years, respectively.

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 107. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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 90.2%			
Consumer Discretionary 16.4%			
AMC Entertainment, Inc., 8.0%, 3/1/2014		1,305,000	1,158,187
American Achievement Corp., 8.25%, 4/1/2012		255,000	249,900
American Achievement Group Holding Corp., 14.75%, 10/1/2012 (PIK) (b)		524,410	482,457
Asbury Automotive Group, Inc.:			
7.625%, 3/15/2017		590,000	474,950
8.0%, 3/15/2014		250,000	216,250
Ashtead Holdings PLC, 144A, 8.625%, 8/1/2015 (b)		420,000	365,400
Burlington Coat Factory Warehouse Corp., 11.125%, 4/15/2014		230,000	186,300
Cablevision Systems Corp., Series B, 7.133%***, 4/1/2009		335,000	335,000
CanWest MediaWorks LP, 144A, 9.25%, 8/1/2015		380,000	309,700
Carrols Corp., 9.0%, 1/15/2013 (b)		250,000	217,500
Charter Communications Holdings LLC, 11.0%, 10/1/2015 (b)		312,000	231,270
Charter Communications Operating LLC, 144A, 10.875%, 9/15/2014		930,000	955,575
Cirsa Capital Luxembourg, 144A, 7.875%, 7/15/2012	EUR	220,000	287,495
Cooper-Standard Automotive, Inc., 7.0%, 12/15/2012		270,000	225,450
CSC Holdings, Inc.:			
Series B, 7.625%, 4/1/2011		355,000	347,900
Series B, 8.125%, 7/15/2009		450,000	453,375
Series B, 8.125%, 8/15/2009		765,000	770,737
Denny's Holdings, Inc., 10.0%, 10/1/2012		165,000	160,050
DIRECTV Holdings LLC, 144A, 7.625%, 5/15/2016		1,170,000	1,152,450
Dollarama Group LP, 8.883%***, 8/15/2012		387,000	361,845
EchoStar DBS Corp.:			
6.375%, 10/1/2011		555,000	535,575
6.625%, 10/1/2014		665,000	615,125
7.125%, 2/1/2016		465,000	428,962
Fontainebleau Las Vegas Holdings LLC, 144A, 10.25%, 6/15/2015		490,000	318,500
General Motors Corp.:			
7.2%, 1/15/2011 (b)		1,480,000	1,139,600
7.4%, 9/1/2025		270,000	139,050
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015		505,000	489,850
Group 1 Automotive, Inc., 8.25%, 8/15/2013		250,000	233,750
Hanesbrands, Inc., Series B, 6.508%***, 12/15/2014		755,000	702,150
Hertz Corp.:			
8.875%, 1/1/2014		1,180,000	1,079,700
10.5%, 1/1/2016 (b)		310,000	282,100
Idearc, Inc., 8.0%, 11/15/2016		1,765,000	1,109,744
Indianapolis Downs LLC, 144A, 11.0%, 11/1/2012		330,000	300,300
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014		475,000	334,875
Jarden Corp., 7.5%, 5/1/2017 (b)		420,000	365,400
Kabel Deutschland GmbH, 10.625%, 7/1/2014		115,000	117,588
Lamar Media Corp., Series C, 6.625%, 8/15/2015		330,000	300,300
Liberty Media LLC:			
5.7%, 5/15/2013		95,000	85,137
8.25%, 2/1/2030 (b)		765,000	666,404
8.5%, 7/15/2029 (b)		735,000	657,445
Mediacom Broadband LLC, 8.5%, 10/15/2015 (b)		40,000	35,750
MediMedia USA, Inc., 144A, 11.375%, 11/15/2014		255,000	255,000
MGM MIRAGE:			
6.75%, 9/1/2012		215,000	192,963
8.375%, 2/1/2011 (b)		475,000	458,375
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010		880,000	880,000
Norcraft Holdings LP, Step-up Coupon, 0% to 9/1/2008, 9.75% to 9/1/2012 (b)		1,385,000	1,289,781
Penske Automotive Group, Inc., 7.75%, 12/15/2016		905,000	791,875
Pinnacle Entertainment, Inc., 8.75%, 10/1/2013 (b)		525,000	525,000
Quebecor Media, Inc., 7.75%, 3/15/2016		325,000	302,250
Quebecor World, Inc., 144A, 9.75%, 1/15/2015**		420,000	203,700
Quiksilver, Inc., 6.875%, 4/15/2015		560,000	476,000
Reader's Digest Association, Inc., 144A, 9.0%, 2/15/2017		350,000	255,500
Sabre Holdings Corp., 8.35%, 3/15/2016		460,000	348,450
Seminole Hard Rock Entertainment, Inc., 144A, 5.276%***, 3/15/2014		590,000	495,600
Shaw Communications, Inc., 8.25%, 4/11/2010		770,000	791,175
Shingle Springs Tribal Gaming Authority, 144A, 9.375%, 6/15/2015		410,000	333,125
Simmons Co.:			
Step-up Coupon, 0% to 12/15/2009, 10.0% to 12/15/2014		1,655,000	1,216,425
7.875%, 1/15/2014		155,000	133,300
Sinclair Television Group, Inc., 8.0%, 3/15/2012 (b)		302,000	304,265
Sirius Satellite Radio, Inc., 9.625%, 8/1/2013		755,000	611,550
Sonic Automotive, Inc., Series B, 8.625%, 8/15/2013 (b)		490,000	453,250

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		Principal Amount ($)(a)	Value ($)
Station Casinos, Inc., 6.5%, 2/1/2014		805,000	462,875
Travelport LLC:			
7.307%***, 9/1/2014		390,000	312,000
9.875%, 9/1/2014		395,000	350,563
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015 (b)		855,000	532,237
United Components, Inc., 9.375%, 6/15/2013		80,000	74,800
Unity Media GmbH, 144A: 8.75%, 2/15/2015	EUR	705,000	996,214
10.375%, 3/15/2015		255,000	250,856
Univision Communications, Inc., 144A, 9.75%, 3/15/2015 (PIK)		345,000	253,575
UPC Holding BV:			
144A, 7.75%, 1/15/2014	EUR	430,000	600,850
144A, 8.0%, 11/1/2016	EUR	190,000	261,005
Vitro SAB de CV:			
9.125%, 2/1/2017		1,470,000	1,164,975
11.75%, 11/1/2013		215,000	213,925
Young Broadcasting, Inc., 8.75%, 1/15/2014		2,040,000	1,101,600
			35,772,155

Consumer Staples 3.2%

	Principal Amount ($)(a)	Value ($)
Alliance One International, Inc., 8.5%, 5/15/2012	250,000	235,000
Delhaize America, Inc.:		
8.05%, 4/15/2027	190,000	205,021
9.0%, 4/15/2031	1,017,000	1,197,215
General Nutrition Centers, Inc., 7.199%***, 3/15/2014 (PIK)	280,000	236,600
Harry & David Holdings, Inc., 7.682%***, 3/1/2012	360,000	316,800
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012	2,081,750	1,748,670
Smithfield Foods, Inc., 7.75%, 7/1/2017	285,000	236,550
Viskase Companies, Inc., 11.5%, 6/15/2011	3,100,000	2,697,000
		6,872,856

Energy 12.9%

	Principal Amount ($)(a)	Value ($)
Atlas Energy Resources LLC, 10.75%, 2/1/2018	845,000	878,800
Belden & Blake Corp., 8.75%, 7/15/2012	2,280,000	2,331,300
Bristow Group, Inc., 7.5%, 9/15/2017	500,000	501,250
Chaparral Energy, Inc., 8.5%, 12/1/2015	600,000	520,500
Chesapeake Energy Corp.:		
6.25%, 1/15/2018	325,000	299,000
6.875%, 1/15/2016	1,166,000	1,125,190
7.25%, 12/15/2018	800,000	778,000
7.75%, 1/15/2015	220,000	228,250
Cimarex Energy Co., 7.125%, 5/1/2017	410,000	402,825
Delta Petroleum Corp., 7.0%, 4/1/2015	1,115,000	953,325
Dynegy Holdings, Inc.:		
6.875%, 4/1/2011 (b)	195,000	192,806
8.375%, 5/1/2016	830,000	805,100
El Paso Corp.:		
7.25%, 6/1/2018	535,000	526,975
9.625%, 5/15/2012	320,000	347,013
EXCO Resources, Inc., 7.25%, 1/15/2011	645,000	633,712
Forest Oil Corp., 144A, 7.25%, 6/15/2019	235,000	225,600
Frontier Oil Corp., 6.625%, 10/1/2011	365,000	359,525
KCS Energy, Inc., 7.125%, 4/1/2012	1,760,000	1,689,600
Mariner Energy, Inc.:		
7.5%, 4/15/2013 (b)	390,000	378,300
8.0%, 5/15/2017	470,000	454,725
Newfield Exploration Co., 7.125%, 5/15/2018	710,000	672,725
OPTI Canada, Inc., 8.25%, 12/15/2014	955,000	950,225
Petrohawk Energy Corp.:		
144A, 7.875%, 6/1/2015	470,000	458,837
9.125%, 7/15/2013	450,000	461,250
Plains Exploration & Production Co.:		
7.0%, 3/15/2017 (b)	245,000	235,200
7.625%, 6/1/2018 (b)	800,000	800,000
Quicksilver Resources, Inc., 7.125%, 4/1/2016	1,040,000	968,500
Range Resources Corp., 7.25%, 5/1/2018	75,000	74,438
Sabine Pass LNG LP, 7.5%, 11/30/2016	1,370,000	1,233,000
SandRidge Energy, Inc., 144A, 8.0%, 6/1/2018	315,000	316,575
Southwestern Energy Co., 144A, 7.5%, 2/1/2018	585,000	601,912
Stone Energy Corp.:		
6.75%, 12/15/2014	800,000	702,000
8.25%, 12/15/2011	1,285,000	1,252,875
Tennessee Gas Pipeline Co., 7.625%, 4/1/2037	420,000	437,128
Whiting Petroleum Corp.:		
7.0%, 2/1/2014	500,000	490,625
7.25%, 5/1/2012	680,000	674,900
7.25%, 5/1/2013	165,000	163,763
Williams Companies, Inc.:		
8.125%, 3/15/2012	1,365,000	1,433,250
8.75%, 3/15/2032	1,885,000	2,139,475
Williams Partners LP, 7.25%, 2/1/2017	420,000	420,000
		28,118,474

Financials 10.9%

	Principal Amount ($)(a)	Value ($)
Algoma Acquisition Corp., 144A, 9.875%, 6/15/2015	1,125,000	1,068,750
Ashton Woods USA LLC, 9.5%, 10/1/2015	1,370,000	794,600
Buffalo Thunder Development Authority, 144A, 9.375%, 12/15/2014	250,000	167,500
Conproca SA de CV, Series REG S, 12.0%, 6/16/2010	2,122,650	2,377,368
Ford Motor Credit Co., LLC:		
7.25%, 10/25/2011	2,960,000	2,293,885
7.375%, 10/28/2009	3,240,000	2,950,924
7.875%, 6/15/2010	1,790,000	1,545,051
GMAC LLC, 6.875%, 9/15/2011	6,160,000	4,426,404
Hawker Beechcraft Acquisition Co., LLC:		
8.5%, 4/1/2015	610,000	614,575
8.875%, 4/1/2015 (PIK)	895,000	899,475
9.75%, 4/1/2017 (b)	830,000	830,000

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	Principal Amount ($)(a)	Value ($)
Hexion US Finance Corp., 9.75%, 11/15/2014	230,000	208,150
Inmarsat Finance PLC, Step-up Coupon, 0% to 11/15/2008, 10.375% to 11/15/2012	910,000	919,100
iPayment, Inc., 9.75%, 5/15/2014	475,000	401,375
Local TV Finance LLC, 144A, 9.25%, 6/15/2015 (PIK)	430,000	335,400
New ASAT (Finance) Ltd., 9.25%, 2/1/2011	575,000	368,000
Residential Capital LLC, 144A, 8.5%, 5/15/2010	345,000	289,800
Tropicana Entertainment LLC, 9.625%, 12/15/2014**	1,220,000	579,500
UCI Holdco, Inc., 10.3%***, 12/15/2013 (PIK)	608,065	516,855
Universal City Development Partners, 11.75%, 4/1/2010	2,125,000	2,183,437
		23,770,149
Health Care 5.5%		
Advanced Medical Optics, Inc., 7.5%, 5/1/2017 (b)	620,000	570,400
Bausch & Lomb, Inc., 144A, 9.875%, 11/1/2015 (b)	665,000	668,325
Boston Scientific Corp., 6.0%, 6/15/2011	580,000	566,950
Community Health Systems, Inc., 8.875%, 7/15/2015	2,710,000	2,726,938
HCA, Inc.:		
9.125%, 11/15/2014	760,000	777,100
9.25%, 11/15/2016	1,785,000	1,838,550
9.625%, 11/15/2016 (PIK)	670,000	690,100
HEALTHSOUTH Corp., 10.75%, 6/15/2016 (b)	325,000	349,375
IASIS Healthcare LLC, 8.75%, 6/15/2014	490,000	494,900
Psychiatric Solutions, Inc., 7.75%, 7/15/2015	420,000	415,800
Surgical Care Affiliates, Inc., 144A, 8.875%, 7/15/2015 (PIK)	515,000	450,625
The Cooper Companies, Inc., 7.125%, 2/15/2015	840,000	806,400
Vanguard Health Holding Co. I LLC, Step-up Coupon, 0% to 10/1/2009, 11.25% to 10/1/2015	505,000	444,400
Vanguard Health Holding Co. II, LLC, 9.0%, 10/1/2014	1,215,000	1,202,850
		12,002,713
Industrials 11.0%		
Actuant Corp., 6.875%, 6/15/2017	335,000	329,138
Allied Security Escrow Corp., 11.375%, 7/15/2011	769,000	661,340
Allied Waste North America, Inc., 6.5%, 11/15/2010	280,000	280,000
American Color Graphics, Inc., 10.0%, 6/15/2010*	850,000	280,500
American Color Graphics, Inc., 144A, Promissory Note due 9/15/2008 (e)	51,000	0
American Railcar Industries, Inc., 7.5%, 3/1/2014	420,000	390,600
ARAMARK Corp., 6.373%***, 2/1/2015	585,000	546,975
Baldor Electric Co., 8.625%, 2/15/2017 (b)	420,000	422,100
BE Aerospace, Inc., 8.5%, 7/1/2018	300,000	300,750
Belden, Inc., 7.0%, 3/15/2017	420,000	403,200
Browning-Ferris Industries, Inc., 7.4%, 9/15/2035	1,560,000	1,482,000
Building Materials Corp. of America, 7.75%, 8/1/2014	585,000	479,700
Congoleum Corp., 8.625%, 8/1/2008**	1,200,000	900,000
DRS Technologies, Inc.:		
6.625%, 2/1/2016	45,000	45,675
6.875%, 11/1/2013	590,000	590,000
7.625%, 2/1/2018	1,450,000	1,533,375
Education Management LLC, 8.75%, 6/1/2014	430,000	399,900
Esco Corp.:		
144A, 6.651%***, 12/15/2013	430,000	404,200
144A, 8.625%, 12/15/2013	730,000	737,300
General Cable Corp.:		
5.073%***, 4/1/2015	505,000	448,187
7.125%, 4/1/2017 (b)	500,000	476,250
Gibraltar Industries, Inc., Series B, 8.0%, 12/1/2015	435,000	363,225
Great Lakes Dredge & Dock Co., 7.75%, 12/15/2013	335,000	317,413
Harland Clarke Holdings Corp., 9.5%, 5/15/2015	420,000	344,400
K. Hovnanian Enterprises, Inc.:		
8.875%, 4/1/2012	1,495,000	1,091,350
144A, 11.5%, 5/1/2013	75,000	77,813
Kansas City Southern de Mexico SA de CV:		
7.375%, 6/1/2014	500,000	485,000
7.625%, 12/1/2013	1,085,000	1,052,450
9.375%, 5/1/2012	1,195,000	1,242,800
Kansas City Southern Railway Co., 8.0%, 6/1/2015	655,000	661,550
Mobile Services Group, Inc., 9.75%, 8/1/2014	465,000	446,400
Moog, Inc., 144A, 7.25%, 6/15/2018	155,000	153,450
Navios Maritime Holdings, Inc., 9.5%, 12/15/2014	675,000	690,187
Ply Gem Industries, Inc., 144A, 11.75%, 6/15/2013	280,000	256,900
R.H. Donnelley Corp., 144A, 8.875%, 10/15/2017	1,560,000	928,200
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014	112,000	119,000
RBS Global, Inc. & Rexnord Corp., 9.5%, 8/1/2014	370,000	357,050
Seitel, Inc., 9.75%, 2/15/2014	235,000	210,031
Titan International, Inc., 8.0%, 1/15/2012	1,325,000	1,298,500
TransDigm, Inc., 7.75%, 7/15/2014	260,000	256,750
U.S. Concrete, Inc., 8.375%, 4/1/2014	470,000	417,125
United Rentals North America, Inc.:		
6.5%, 2/15/2012 (b)	815,000	733,500
7.0%, 2/15/2014	1,095,000	848,625
Vought Aircraft Industries, Inc., 8.0%, 7/15/2011	250,000	232,500
Xerox Capital Trust I, 8.0%, 2/1/2027	315,000	307,459
		24,002,868
Information Technology 4.1%		
Alion Science & Technology Corp., 10.25%, 2/1/2015	390,000	273,000
Freescale Semiconductor, Inc., 8.875%, 12/15/2014 (b)	1,205,000	979,062

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		Principal Amount ($)(a)	Value ($)
L-3 Communications Corp.:			
5.875%, 1/15/2015		1,280,000	1,180,800
Series B, 6.375%, 10/15/2015		705,000	659,175
7.625%, 6/15/2012		1,055,000	1,065,550
Lucent Technologies, Inc., 6.45%, 3/15/2029 (b)		1,410,000	1,078,650
MasTec, Inc., 7.625%, 2/1/2017		610,000	518,500
NXP BV / NXP Funding LLC, 7.497%***, 10/15/2013	EUR	560,000	740,622
Sanmina-SCI Corp., 144A, 5.526%***, 6/15/2010		196,000	194,040
Seagate Technology HDD Holdings, 6.8%, 10/1/2016		800,000	730,000
SunGard Data Systems, Inc., 10.25%, 8/15/2015		1,090,000	1,095,450
Vangent, Inc., 9.625%,2/15/2015		350,000	304,500
			8,819,349

Materials 11.5%

		Principal Amount ($)(a)	Value ($)
AMH Holdings, Inc., Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014		850,000	561,000
Appleton Papers, Inc., Series B, 8.125%, 6/15/2011		235,000	222,075
ARCO Chemical Co., 9.8%, 2/1/2020		3,270,000	2,599,650
Cascades, Inc., 7.25%, 2/15/2013		1,246,000	1,084,020
Chemtura Corp., 6.875%, 6/1/2016		825,000	713,625
Clondalkin Acquisition BV, 144A, 4.776%***, 12/15/2013		540,000	467,100
CPG International I, Inc., 10.5%, 7/1/2013		880,000	734,800
Exopack Holding Corp., 11.25%, 2/1/2014		1,415,000	1,312,413
Freeport-McMoRan Copper & Gold, Inc.:			
8.25%, 4/1/2015		780,000	819,975
8.375%, 4/1/2017		1,225,000	1,292,375
GEO Specialty Chemicals, Inc.:			
144A, 10.698%***, 12/31/2009		1,996,000	1,494,505
144A, 10.698%***, 3/31/2015		1,193,602	893,709
Georgia-Pacific LLC:			
144A, 7.125%, 1/15/2017		295,000	277,300
9.5%, 12/1/2011		330,000	335,363
Hexcel Corp., 6.75%, 2/1/2015		1,735,000	1,687,287
Huntsman LLC, 11.625%, 10/15/2010		1,277,000	1,318,502
Innophos, Inc., 8.875%, 8/15/2014		190,000	190,000
Jefferson Smurfit Corp., 8.25%, 10/1/2012		620,000	540,950
Koppers Holdings, Inc., Step-up Coupon, 0% to 11/15/2009, 9.875% to 11/15/2014		1,145,000	1,036,225
Metals USA Holdings Corp., 8.698%***, 7/1/2012 (PIK)		255,000	234,600
Millar Western Forest Products Ltd., 7.75%, 11/15/2013		200,000	130,000
Momentive Performance Materials, Inc., 9.75%, 12/1/2014 (b)		795,000	679,725
NewMarket Corp., 7.125%, 12/15/2016		1,005,000	997,463
OI European Group BV, 144A, 6.875%, 3/31/2017	EUR	475,000	702,992
Pliant Corp., 11.625%, 6/15/2009 (PIK)		11	11
Radnor Holdings Corp., 11.0%, 3/15/2010**		265,000	331
Rhodia SA, 144A, 7.497%***, 10/15/2013	EUR	475,000	662,795
Smurfit-Stone Container Enterprises, Inc.:			
8.0%, 3/15/2017 (b)		395,000	316,000
8.375%, 7/1/2012		420,000	368,550
Steel Dynamics, Inc.:			
6.75%, 4/1/2015		675,000	646,313
144A, 7.375%, 11/1/2012		155,000	155,000
Terra Capital, Inc., Series B, 7.0%, 2/1/2017		905,000	886,900
The Mosaic Co., 144A, 7.375%, 12/1/2014		755,000	788,975
Witco Corp., 6.875%, 2/1/2026		360,000	230,400
Wolverine Tube, Inc., 10.5%, 4/1/2009		770,000	716,100
			25,097,029

Telecommunication Services 6.9%

		Principal Amount ($)(a)	Value ($)
BCM Ireland Preferred Equity Ltd., 144A, 11.856%***, 2/15/2017 (PIK)	EUR	508,182	475,681
Centennial Communications Corp.:			
10.0%, 1/1/2013		290,000	294,350
10.125%, 6/15/2013		625,000	643,750
Cincinnati Bell, Inc.:			
7.25%, 7/15/2013		715,000	697,125
8.375%, 1/15/2014 (b)		450,000	435,375
Cricket Communications, Inc.:			
9.375%, 11/1/2014		900,000	866,250
144A, 10.0%, 7/15/2015		780,000	764,400
Grupo Iusacell Celular SA de CV, 10.0%, 3/31/2012		274,071	265,849
Hellas Telecom III, 144A, 8.5%, 10/15/2013	EUR	100,000	133,041
Hellas Telecom V, 144A, 8.247%***, 10/15/2012	EUR	130,000	187,281
Intelsat Subsidiary Holding Co., Ltd., 144A, 8.875%, 1/15/2015		960,000	933,600
iPCS, Inc., 4.998%***, 5/1/2013		200,000	180,000
MetroPCS Wireless, Inc., 9.25%, 11/1/2014		875,000	842,187
Millicom International Cellular SA, 10.0%, 12/1/2013		645,000	683,700
Nortel Networks Ltd.:			
6.963%***, 7/15/2011		780,000	737,100
144A, 10.75%, 7/15/2016		550,000	544,500
Orascom Telecom Finance, 144A, 7.875%, 2/8/2014		170,000	157,675
Qwest Corp.:			
7.25%, 9/15/2025		145,000	128,325
7.875%, 9/1/2011		735,000	735,000
Sprint Nextel Corp., 6.0%, 12/1/2016		390,000	335,400
Stratos Global Corp., 9.875%, 2/15/2013		330,000	348,975
Telesat Canada, 144A, 11.0%, 11/1/2015		1,285,000	1,285,000

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		Principal Amount ($)(a)	Value ($)
US Unwired, Inc., Series B, 10.0%, 6/15/2012		980,000	1,002,050
Virgin Media Finance PLC:			
8.75%, 4/15/2014		990,000	930,600
8.75%, 4/15/2014	EUR	700,000	1,008,436
West Corp., 9.5%, 10/15/2014		500,000	450,000
			15,065,650
Utilities 7.8%			
AES Corp.:			
8.0%, 10/15/2017		415,000	406,700
144A, 8.0%, 6/1/2020		790,000	762,350
144A, 8.75%, 5/15/2013		2,519,000	2,613,462
Allegheny Energy Supply Co., LLC, 144A, 8.25%, 4/15/2012		3,080,000	3,210,900
CMS Energy Corp., 8.5%, 4/15/2011		925,000	965,632
Edison Mission Energy, 7.0%, 5/15/2017		760,000	710,600
Energy Future Holdings Corp., 144A, 10.875%, 11/1/2017		1,115,000	1,126,150
Knight, Inc., 6.5%, 9/1/2012		215,000	209,625
Mirant Americas Generation LLC, 8.3%, 5/1/2011		610,000	629,825
Mirant North America LLC, 7.375%, 12/31/2013		300,000	297,375
NRG Energy, Inc.:			
7.25%, 2/1/2014		915,000	873,825
7.375%, 2/1/2016		665,000	625,931
Oncor Electric Delivery Co., 7.0%, 9/1/2022		320,000	312,037
Regency Energy Partners LP, 8.375%, 12/15/2013		575,000	587,937
Reliant Energy, Inc., 7.875%, 6/15/2017 (b)		830,000	811,325
Sierra Pacific Resources:			
6.75%, 8/15/2017		975,000	947,325
8.625%, 3/15/2014		200,000	209,663
Texas Competitive Electric Holdings Co., LLC, 144A, 10.25%, 11/1/2015		1,820,000	1,783,600
			17,084,262
Total Corporate Bonds (Cost $216,784,113)			**196,605,505**

Senior Loans*** 7.6%

	Principal Amount ($)(a)	Value ($)
Advanced Medical Optics, Inc., Term Loan B, LIBOR plus 1.75%, 5.061%, 4/2/2014	246,826	227,696
Alliance Mortgage Cycle Loan, Term Loan, LIBOR plus 7.25%, 10.561%, 6/4/2010**	700,000	35,000
Bausch & Lomb, Inc.:		
Term Delay Draw, LIBOR plus 3.25%, 6.561%, 4/11/2015	98,400	96,562
Term Loan B, LIBOR plus 3.25%, 6.561%, 4/11/2015	659,348	647,028
Buffets, Inc.:		
Letter of Credit, 9.735%, 5/1/2013	471,811	278,759
Term Loan B, 7.74%, 11/1/2013	783,962	463,189
Charter Communications Operations:		
Term Loan, LIBOR plus 2.0%, 5.311%, 3/6/2014	755,000	751,931
Term Loan B, LIBOR plus 3.25%, 6.561%, 4/27/2011	708,225	623,992
Energy Future Holdings Corp.:		
Term Loan B1, LIBOR plus 3.5%, 6.811%, 10/10/2014	3,785,975	3,514,350
Term Loan B3, LIBOR plus 3.5%, 6.811%, 10/10/2014	2,467,600	2,287,996
General Nutrition Centers, Inc., Term Loan B, LIBOR plus 2.25%, 5.561%, 9/16/2013	250,025	231,273
Golden Nugget, Term Loan, 5.74%, 6/16/2014	460,000	326,600
Hawker Beechcraft, Inc.:		
Letter of Credit, LIBOR plus 2.0%, 5.311%, 3/26/2014	12,291	11,574
Term Loan B, LIBOR plus 2.0%, 5.311%, 3/26/2014	210,908	198,617
HCA, Inc., Term Loan A1, 4.301%, 11/18/2012	1,268,456	1,190,288
Hexion Specialty Chemicals:		
Term Loan C1, LIBOR plus 2.25%, 5.561%, 5/5/2013	1,437,015	1,312,555
Term Loan C2, LIBOR plus 2.25%, 5.561%, 5/5/2013	389,248	355,535
IASIS Healthcare LLC, 8.131%, 6/15/2014	491,444	436,771
Intelstat Corp., Term Loan, LIBOR plus 9.25%, 12.561%, 8/15/2014	160,000	160,434
Longview Power LLC:		
Demand Draw, 5.063%, 4/1/2014	105,000	97,388
Letter of Credit, 5.063%, 4/1/2014	30,000	27,825
Term Loan B, 5.063%, 4/1/2014	90,000	83,475
Rail America, Inc., Term Loan, 5.32%, 10/2/2008	720,000	720,000
Sabre, Inc., Term Loan B, LIBOR plus 2.25%, 5.561%, 9/30/2014	412,595	340,049
Symbion, Inc.:		
Term Loan A, 6.149%, 8/23/2013	192,600	172,858
Term Loan B, 6.149%, 8/23/2014	192,600	172,858
Telesat Canada, Inc.:		
Term Loan, 5.9%, 9/1/2014	292,913	283,107
Term Loan B, LIBOR plus 3.0%, 6.311%, 10/31/2014	915,843	885,181
Tribune Co., Term Loan B, 5.482%, 5/24/2014	833,625	636,681
Total Senior Loans (Cost $18,676,013)		**16,569,572**

Warrants 0.0%

	Shares	Value ($)
Dayton Superior Corp., 144A, Expiration Date 6/15/2009*	95	0
DeCrane Aircraft Holdings, Inc., 144A, Expiration Date 9/30/2008*	1,350	0
New ASAT (Finance) Ltd., Expiration Date 2/1/2011*	149,500	29,540
Total Warrants (Cost $1)		**29,540**

Other Investments 0.4%

	Units	Value ($)
Hercules, Inc., (Bond Unit), 6.5%, 6/30/2029 (Cost $945,507)	1,100,000	**902,000**

The accompanying notes are an integral part of the financial statements.

Common Stocks 0.0%

	Shares	Value ($)
GEO Specialty Chemicals, Inc.*	24,225	20,591
GEO Specialty Chemicals, Inc. 144A*	2,206	1,875
Total Common Stocks (Cost $290,952)		**22,466**

Preferred Stocks 0.0%

	Shares	Value ($)
ION Media Networks, Inc.:		
Series AI, 144A, 12.0%*	30,000	195
Series B, 12.0%*	5,000	33
144A, 12.0%*	3	1,950
Total Preferred Stocks (Cost $46,019)		**2,178**

Securities Lending Collateral 7.1%

	Shares	Value ($)
Daily Assets Fund Institutional, 2.74% (c) (d) (Cost $15,381,160)	15,381,160	**15,381,160**

Cash Equivalents 0.0%

	Shares	Value ($)
Cash Management QP Trust, 2.49% (c) (Cost $3,384)	3,384	**3,384**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $252,127,149)†	105.3	**229,515,805**
Other Assets and Liabilities, Net	(5.3)	**(11,597,211)**
Net Assets	100.0	**217,918,594**

* *Non-income producing security.*

** *Non-income producing security. Issuer has defaulted on the payment of principal or interest or has filed for bankruptcy. The following table represents bonds that are in default:*

Securities	Coupon	Maturity Date	Principal Amount		Acquisition Cost ($)	Value ($)
Alliance Mortgage Cycle Loan	10.561%	6/4/2010	700,000	USD	700,000	35,000
Congoleum Corp.	8.625%	8/1/2008	1,200,000	USD	1,021,050	900,000
Quebecor World, Inc.	9.75%	1/15/2015	420,000	USD	420,000	203,700
Radnor Holdings Corp.	11.0%	3/15/2010	265,000	USD	234,313	331
Tropicana Entertainment LLC	9.625%	12/15/2014	1,220,000	USD	959,601	579,500
					3,334,964	**1,718,531**

*** *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, 2008.*

† *The cost for federal income tax purposes was $252,194,193. At June 30, 2008, net unrealized depreciation for all securities based on tax cost was $22,678,388. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $870,210 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $23,548,598.*

(a) *Principal amount stated in US dollars unless otherwise noted.*

(b) *All or a portion of these securities were on loan amounting to $14,707,070. In addition, included in other assets and liabilities, net is a pending sale, amounting to $2,000, that is also on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2008 amounted to $14,709,070 which is 6.7% 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. Income earned by the Portfolio is net of borrower rebates.*

(e) *Security issued in lieu of interest payment due 12/15/2007, which has been deferred until 9/15/2008. This security is deemed to be non-income producing.*

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.

At June 30, 2008, the Portfolio had unfunded loan commitments of $96,206 which could be extended at the option of the borrower, pursuant to the following loan agreement:

Borrower	Unfunded Loan Commitment ($)	Value ($)	Unrealized Depreciation ($)
Bausch & Lomb, Inc., Term Delay Draw, 4/11/2015	65,436	64,374	(1,062)
Telesat Canada, Inc., Term Loan B, 10/31/2014	30,770	30,198	(572)
Total net unrealized depreciation	**96,206**	**94,572**	**(1,634)**

At June 30, 2008, open credit default swap contracts sold, as follows:

Effective/ Expiration Date	Notional Amount ($)	Cash Flows Received by the Portfolio	Underlying Debt Obligation	Unrealized Appreciation/ (Depreciation) ($)
10/3/2007–12/20/2008	430,000[1]	Fixed — 3.2%	General Motors Corp., 7.125%, 7/15/2013	(11,098)
10/4/2007–12/20/2008	450,000[2]	Fixed — 2.6%	General Motors Corp., 7.125%, 7/15/2013	(14,110)
10/22/2007–12/20/2008	845,000[3]	Fixed — 3.06%	General Motors Corp., 7.125%, 7/15/2013	(22,640)
10/4/2007–12/20/2008	430,000[4]	Fixed — 3.1%	Ford Motor Co., 6.5%, 8/1/2018	(7,537)
10/5/2007–12/20/2008	255,000[1]	Fixed — 3.15%	Ford Motor Co., 6.5%, 8/1/2018	(4,454)
10/20/2007–12/20/2008	845,000[3]	Fixed — 3.05%	Ford Motor Co., 6.5%, 8/1/2018	(14,504)

The accompanying notes are an integral part of the financial statements.

Effective/ Expiration Date	Notional Amount ($)	Cash Flows Received by the Portfolio	Underlying Debt Obligation	Unrealized Appreciation/ (Depreciation) ($)
11/21/2007–12/20/2008	430,000[5]	Fixed — 4.02%	Tenet Healthcare Corp., 7.375%, 2/1/2013	16,437
12/5/2007–12/20/2008	535,000[3]	Fixed — 2.9%	Tenet Healthcare Corp., 7.375%, 2/1/2013	10,136
1/28/2008–3/20/2009	550,000[3]	Fixed — 2.65%	HCA, Inc., 7.7%, 3/20/2009	3,272
2/19/2008–3/20/2009	405,000[5]	Fixed — 3.8%	HCA, Inc., 7.7%, 3/20/2009	11,386
2/26/2008–3/20/2009	430,000[5]	Fixed — 5.0%	Tenet Healthcare Corp., 7.375%, 2/1/2013	12,718
10/23/2007–12/20/2009	485,000[6]	Fixed — 4.65%	Ford Motor Co., 6.5%, 8/1/2018	(48,763)
12/13/2007–12/20/2009	400,000[5]	Fixed — 5.05%	Ford Motor Co., 6.5%, 8/1/2018	(23,514)
1/29/2008–3/20/2013	330,000[3]	Fixed — 3.0%	HCA, Inc., 7.7%, 3/20/2009	6,960
Total net unrealized depreciation on credit default swaps				**(85,711)**

At June 30, 2008, open credit default swap contracts purchased were as follows:

Effective/Expiration Date	Notional Amount ($)	Cash Flows Paid by the Portfolio	Underlying Debt Obligation	Unrealized Appreciation ($)
5/6/2008–6/20/2013	400,000[5]	Fixed — 7.25%	Arco Chemical Co., 9.8%, 2/1/2020	**13,481**

Counterparties:

1 *JPMorgan Chase*

2 *Citigroup Global Markets, Inc.*

3 *Lehman Brothers, Inc.*

4 *Goldman Sachs & Co.*

5 *Merrill Lynch, Pierce, Fenner & Smith, Inc.*

6 *Morgan Stanley Co., Inc.*

At June 30, 2008, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation US ($)
USD	287,797	EUR	182,900	7/11/2008	**2,365**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation US ($)
EUR	3,297,000	USD	5,079,523	7/11/2008	(108,368)
EUR	900,500	USD	1,382,844	7/11/2008	(34,110)
Total unrealized depreciation					**(142,478)**

Currency Abbreviations			
EUR	Euro	USD	United States Dollar

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	Investments in Securities at Value	Net Unrealized Depreciation on Other Financial Instruments††
Level 1 — Quoted Prices	$ 15,384,739	$ —
Level 2 — Other Significant Observable Inputs	213,177,060	(213,977)
Level 3 — Significant Unobservable Inputs	954,006	—
Total	**$ 229,515,805**	**$ (213,977)**

†† *Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, forward foreign currency exchange contracts, unfunded loan commitments and credit default swap contracts, which are valued at the unrealized appreciation/depreciation on the instrument.*

The following is a reconciliation of the Portfolio's assets in which significant unobservable inputs (Level 3) were used in determining fair value at June 30, 2008:

	Investments in Securities at Market Value
Balance as of January 1, 2008	$ 979,506
Total realized gains (losses)	—
Change in unrealized appreciation (depreciation)	(26,940)
Amortization Premium/Discount	1,440
Net purchases (sales)	—
Net transfers in (out) of Level 3	—
Balance as of June 30, 2008	**$ 954,006**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $236,742,605) — including $14,707,070 of securities loaned	$ 214,131,261
Investment in Daily Assets Fund Institutional (cost $15,381,160)*	15,381,160
Investment in Cash Management QP Trust (cost $3,384)	3,384
Total investments, at value (cost $252,127,149)	229,515,805
Foreign currency, at value (cost $80)	81
Receivable for investments sold	5,172,515
Receivable for Portfolio shares sold	4,746
Interest receivable	4,340,434
Unrealized appreciation on forward foreign currency exchange contracts	2,365
Foreign taxes recoverable	3,658
Other assets	5,568
Total assets	239,045,172
Liabilities	
Cash overdraft	47,314
Note payable	2,850,000
Payable for investments purchased	1,402,114
Payable for Portfolio shares redeemed	853,395
Payable upon return of securities loaned	15,381,160
Unrealized depreciation on credit default swap contracts	72,230
Unrealized depreciation on forward foreign currency exchange contracts	142,478
Unrealized depreciation on unfunded loan commitments	1,634
Accrued management fee	95,903
Other accrued expenses and payables	280,350
Total liabilities	21,126,578
Net assets, at value	**$ 217,918,594**
Net Assets Consist of	
Undistributed net investment income	9,588,929
Net unrealized appreciation (depreciation) on:	
Investments	(22,611,344)
Credit default swap contracts	(72,230)
Unfunded loan commitments	(1,634)
Foreign currency	(137,065)
Accumulated net realized gain (loss)	(121,784,595)
Paid-in capital	352,936,533
Net assets, at value	**$ 217,918,594**
Class A	
Net Asset Value, offering and redemption price per share ($217,674,086 ÷ 31,565,217 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 6.90**
Class B	
Net Asset Value, offering and redemption price per share ($244,508 ÷ 35,377 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 6.91**

* *Represents collateral on securities loaned*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income	
Interest (net of foreign taxes withheld of $288)	$ 10,487,452
Dividends	1,283
Interest — Cash Management QP Trust	207,573
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	39,711
Total Income	10,736,019
Expenses:	
Management fee	682,533
Administration fee	39,956
Custodian fee	13,323
Distribution and service fees (Class B)	7,739
Services to shareholders	359
Record keeping fees (Class B)	2,935
Professional fees	42,954
Trustees' fees and expenses	26,472
Reports to shareholders and shareholder meeting	217,547
Interest expense	2,010
Other	21,144
Total expenses before expense reductions	1,056,972
Expense reductions	(13,404)
Total expenses after expense reductions	1,043,568
Net investment income (loss)	**9,692,451**
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments	(7,566,516)
Foreign currency	(88,096)
	(7,654,612)
Change in net unrealized appreciation (depreciation) on:	
Investments	(5,061,934)
Credit default swap contracts	(38,759)
Unfunded loan commitments	(1,139)
Foreign currency	(232,469)
	(5,334,301)
Net gain (loss)	**(12,988,913)**
Net increase (decrease) in net assets resulting from operations	**$ (3,296,462)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income	$ 9,692,451	$ 25,179,014
Net realized gain (loss)	(7,654,612)	(2,365,006)
Change in net unrealized appreciation (depreciation)	(5,334,301)	(17,331,415)
Net increase (decrease) in net assets resulting from operations	(3,296,462)	5,482,593
Distributions to shareholders from:		
Net investment income:		
Class A	(23,705,164)	(24,698,902)
Class B	(925,651)	(3,765,571)
Total distributions	(24,630,815)	(28,464,473)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	17,630,035	39,622,315
Reinvestment of distributions	23,705,164	24,698,902
Cost of shares redeemed	(44,350,567)	(117,470,499)
Net increase (decrease) in net assets from Class A share transactions	(3,015,368)	(53,149,282)
Class B		
Proceeds from shares sold	76,589	3,273,156
Reinvestment of distributions	925,651	3,765,571
Cost of shares redeemed	(9,618,265)	(48,245,391)
Net increase (decrease) in net assets from Class B share transactions	(8,616,025)	(41,206,664)
Increase (decrease) in net assets	(39,558,670)	(117,337,826)
Net assets at beginning of period	257,477,264	374,815,090
Net assets at end of period (including undistributed net investment income of $9,588,929 and $24,527,293 respectively)	**$ 217,918,594**	**$ 257,477,264**

Other Information		
Class A		
Shares outstanding at beginning of period	31,702,335	38,357,993
Shares sold	2,510,062	4,945,319
Shares issued to shareholders in reinvestment of distributions	3,511,876	3,110,693
Shares redeemed	(6,159,056)	(14,711,670)
Net increase (decrease) in Class A shares	(137,118)	(6,655,658)
Shares outstanding at end of period	**31,565,217**	**31,702,335**
Class B		
Shares outstanding at beginning of period	1,262,331	6,354,214
Shares sold	10,249	397,938
Shares issued to shareholders in reinvestment of distributions	136,729	473,062
Shares redeemed	(1,373,932)	(5,962,883)
Net increase (decrease) in Class B shares	(1,226,954)	(5,091,883)
Shares outstanding at end of period	**35,377**	**1,262,331**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$ 7.81**	**$ 8.38**	**$ 8.23**	**$ 8.78**	**$ 8.43**	**$ 7.40**
Income (loss) from investment operations:						
Net investment income[b]	.29	.63	.62	.68	.67	.67
Net realized and unrealized gain (loss)	(.41)	(.54)	.19	(.38)	.31	1.03
Total from investment operations	(.12)	.09	.81	.30	.98	1.70
Less distributions from:						
Net investment income	(.79)	(.66)	(.66)	(.85)	(.63)	(.67)
Net asset value, end of period	**$ 6.90**	**$ 7.81**	**$ 8.38**	**$ 8.23**	**$ 8.78**	**$ 8.43**
Total Return (%)	(1.35)	.96	10.47	3.89	12.42	24.62
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	218	248	322	344	393	413
Ratio of expenses (%)	.80*	.69	.71	.70	.66	.67
Ratio of net investment income (%)	8.11*	7.84	7.73	8.27	8.11	8.62
Portfolio turnover rate (%)	28**	61	93	100	162	165

a For the six months ended June 30, 2008 (Unaudited).

b Based on average shares outstanding during the period.

* Annualized

** Not annualized

Class B

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$ 7.81**	**$ 8.38**	**$ 8.22**	**$ 8.77**	**$ 8.41**	**$ 7.39**
Income (loss) from investment operations:						
Net investment income[b]	.28	.60	.59	.65	.64	.64
Net realized and unrealized gain (loss)	(.42)	(.54)	.20	(.39)	.32	1.03
Total from investment operations	(.14)	.06	.79	.26	.96	1.67
Less distributions from:						
Net investment income	(.76)	(.63)	(.63)	(.81)	(.60)	(.65)
Net asset value, end of period	**$ 6.91**	**$ 7.81**	**$ 8.38**	**$ 8.22**	**$ 8.77**	**$ 8.41**
Total Return (%)	(1.63)	.54	10.11	3.41	12.08	24.14
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.24	10	53	56	57	37
Ratio of expenses (%)	1.15*	1.08	1.10	1.10	1.06	1.06
Ratio of net investment income (%)	7.76*	7.45	7.34	7.87	7.71	8.23
Portfolio turnover rate (%)	28**	61	93	100	162	165

a For the six months ended June 30, 2008 (Unaudited).

b Based on average shares outstanding during the period.

* Annualized

** Not annualized

DWS International Select Equity VIP

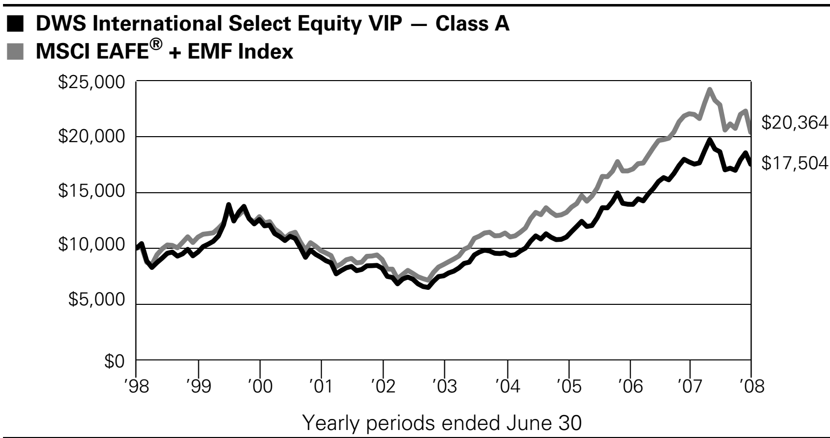
All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original 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 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. While all share classes have the same underlying portfolio, their performance will differ.

The total annual Portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.93% and 1.18% for Class A and Class B 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, 2008.

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 risks, 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.

Growth of an Assumed $10,000 Investment in DWS International Select Equity VIP



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 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

DWS International Select Equity VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$9,398	$9,888	$15,924	$23,266	$17,504
	Average annual total return	–6.02%	–1.12%	16.78%	18.40%	5.76%
MSCI EAFE + EMF Index	Growth of $10,000	$8,919	$9,246	$15,433	$23,839	$20,364
	Average annual total return	–10.81%	–7.54%	15.56%	18.98%	7.37%

DWS International Select Equity VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$9,364	$9,829	$15,699	$22,737	$20,917
	Average annual total return	–6.36%	–1.71%	16.22%	17.85%	13.09%
MSCI EAFE + EMF Index	Growth of $10,000	$8,919	$9,246	$15,433	$23,839	$22,657
	Average annual total return	–10.81%	–7.54%	15.56%	18.98%	14.60%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 939.80	$ 936.40
Expenses Paid per $1,000*	$ 4.73	$ 6.50
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,019.19	$1,018.15
Expenses Paid per $1,000*	$ 4.92	$ 6.77

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS International Select Equity VIP	.98%	1.35%

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

The MSCI EAFE® + EMF Index (the Portfolio's benchmark) returned –10.81% during the first six months of 2008, a time in which rising oil prices and slower economic growth resulted in pressure on corporate profit margins and persistent downward revisions to analysts' earnings estimates. While Class A shares of the Portfolio produced a return of –6.02% (unadjusted for contract charges), this represented solid outperformance relative to the benchmark. We believe an important factor in the Portfolio's outperformance was its focus on companies that have the potential to perform well independent of broader economic cycles. We look for companies with competitive advantages, superior pricing power, and strong long-term earnings growth. At a time of slowing economic activity and declining profit margins, companies with favorable independent growth prospects and the ability to raise prices have been rewarded.

The Portfolio generated the best performance in the materials sector, where Potash Corp. of Saskatchewan, Inc. (Canada), Uralkali (Russia) and Xstrata PLC (Switzerland) all performed exceptionally well. The energy and industrials sectors were also sources of outperformance. On the negative side, an underweight in Japan weighed on performance relative to the benchmark.[1] Additionally, the Portfolio's holdings in the communications services sector lagged due in part to the poor returns of China Mobile* and Bharti Airtel Ltd. (India).

While our overall outlook remains cautious, we believe the international markets offer a wealth of opportunities for those, such as DWS International Select Equity VIP, who focus on individual stock selection. We believe broader market turbulence provides an excellent environment in which to find the type of undervalued, fundamentally sound companies in which we seek to invest.

Matthias Knerr, CFA
Chris LaJaunie, CFA

Portfolio Managers
Deutsche Investment Management Americas Inc.

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, 2008, the position was sold.*

Portfolio management market commentary is as of June 30, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	93%	94%
Cash Equivalents	4%	3%
Exchange Traded Fund	1%	—
Preferred Stocks	1%	3%
Participatory Notes	1%	—
	100%	100%

Sector Diversification (As a % of Common, Preferred Stocks and Participatory Notes)	**6/30/08**	**12/31/07**
Financials	19%	23%
Energy	17%	5%
Health Care	12%	5%
Materials	12%	9%
Industrials	11%	18%
Consumer Discretionary	8%	16%
Information Technology	6%	5%
Telecommunications Services	6%	6%
Consumer Staples	5%	7%
Utilities	4%	6%
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**6/30/08**	**12/31/07**
Continental Europe	38%	52%
United Kingdom	18%	12%
Japan	13%	15%
Asia (excluding Japan)	9%	9%
Russia	7%	4%
Latin America	5%	2%
Canada	3%	—
Middle East	3%	2%
Australia	2%	2%
United States	2%	—
Africa	—	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 121. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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-investments.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 94.7%		
Australia 2.2%		
Leighton Holdings Ltd. (a) (Cost $3,462,548)	95,100	**4,583,342**
Austria 0.8%		
Erste Bank der oesterreichischen Sparkassen AG (Cost $1,532,690)	25,644	**1,586,310**
Belgium 0.5%		
KBC Groep NV (Cost $1,245,445)	10,200	**1,124,851**
Brazil 3.8%		
Banco Bradesco SA (ADR) (Preferred) (a)	167,350	3,423,981
Companhia Vale do Rio Doce (ADR) (a)	24,700	884,754
Petroleo Brasileiro SA (ADR)	51,200	3,626,496
(Cost $7,152,730)		**7,935,231**
Canada 2.9%		
Potash Corp. of Saskatchewan, Inc. (Cost $3,361,315)	26,014	**6,035,257**
China 0.8%		
China Infrastructure Machinery Holdings Ltd. (Cost $2,297,961)	1,888,000	**1,743,446**
Denmark 3.6%		
Carlsberg AS "B" (a)	47,775	4,609,465
Novo Nordisk AS "B"	45,000	2,964,845
(Cost $8,147,910)		**7,574,310**
Finland 4.0%		
Nokia Oyj	70,200	1,719,631
Nokian Renkaat Oyj (a)	139,500	6,656,907
(Cost $4,392,606)		**8,376,538**
France 1.0%		
BNP Paribas (Cost $2,176,891)	22,727	**2,036,164**
Germany 7.9%		
Bayer AG	67,511	5,670,501
E.ON AG	24,238	4,880,988
Gerresheimer AG*	69,213	3,521,959
Linde AG	18,200	2,551,592
(Cost $10,381,721)		**16,625,040**
Greece 0.7%		
National Bank of Greece SA (Cost $1,313,323)	34,656	**1,561,019**
Hong Kong 4.6%		
Chaoda Modern Agriculture (Holdings) Ltd.	1,332,000	1,675,472
CNOOC Ltd.	2,260,800	3,921,407
Esprit Holdings Ltd.	343,700	3,577,406
Wharf Holdings Ltd.	135,375	565,671
(Cost $10,109,778)		**9,739,956**
India 2.3%		
Bharti Airtel Ltd.*	175,347	2,934,824
ICICI Bank Ltd.	127,200	1,878,234
(Cost $6,638,575)		**4,813,058**
Indonesia 1.2%		
PT Bumi Resources Tbk (Cost $2,357,451)	2,846,400	**2,543,958**
Italy 1.7%		
Intesa Sanpaolo	626,200	3,562,860
Intesa Sanpaolo (RNC)	20,400	105,014
(Cost $4,526,262)		**3,667,874**
Japan 12.7%		
Canon, Inc.	127,700	6,545,906
Komatsu Ltd.	162,700	4,524,135
Mitsubishi Corp.	131,900	4,340,036
Nintendo Co., Ltd.	8,700	4,896,379
Suzuki Motor Corp.	130,700	3,083,851
Terumo Corp.	62,100	3,164,254
(Cost $22,938,095)		**26,554,561**
Kazakhstan 1.3%		
KazMunaiGas Exploration Production (GDR) 144A (Cost $1,514,687)	86,100	**2,686,320**
Mexico 1.6%		
America Movil SAB de CV "L" (ADR) (Cost $3,523,415)	61,800	**3,259,950**
Norway 1.7%		
StatoilHydro ASA (Cost $2,673,607)	98,400	**3,673,666**
Qatar 2.4%		
Commercial Bank of Qatar (GDR) 144A*	526,900	4,478,650
Qatar National Bank*	7,861	492,325
(Cost $4,480,830)		**4,970,975**
Russia 6.7%		
Gazprom (ADR) (b)	72,250	4,182,303
Gazprom (ADR) (b)	17,250	1,000,500
Sberbank*	838,388	2,650,819
Uralkali (GDR) 144A*	84,500	6,143,150
(Cost $10,136,092)		**13,976,772**
Spain 4.8%		
Iberdrola SA	301,949	4,036,337
Telefonica SA	228,085	6,028,045
(Cost $9,042,109)		**10,064,382**
Switzerland 8.0%		
Lonza Group AG (Registered)	37,419	5,165,505
Nestle SA (Registered)	86,650	3,915,387
Roche Holding AG (Genusschein)	18,432	3,307,454
Xstrata PLC	54,561	4,336,199
(Cost $11,900,006)		**16,724,545**
United Arab Emirates 0.3%		
Arabtec Holding Co.*	1,865	8,226
First Gulf Bank PJSC*	87,936	648,797
(Cost $601,553)		**657,023**
United Kingdom 17.2%		
3i Group PLC	324,083	5,295,024
AMEC PLC	476,726	8,433,630
Babcock International Group PLC	314,251	3,823,244
BG Group PLC	152,479	3,971,995

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
HSBC Holdings PLC (Registered)	68,017	1,048,733
Intertek Group PLC	118,719	2,332,323
Man Group PLC	121,393	1,496,369
Prudential PLC	280,950	2,975,768
Standard Chartered PLC	102,894	2,909,741
Vedanta Resources PLC	85,040	3,708,461
(Cost $34,683,364)		**35,995,288**
Total Common Stocks (Cost $170,590,964)		**198,509,836**

Preferred Stocks 1.3%

Germany

	Shares	Value ($)
Porsche Automobil Holding SE (Cost $1,600,290)	17,130	**2,633,199**

Participatory Notes 0.5%

United States

	Shares	Value ($)
Arabtec Holding Co. (issuer Merrill Lynch International & Co.), Expiration Date 1/12/2010*	17,700	77,665
Merrill Lynch Pioneers Index (issuer Merrill Lynch International & Co.), Expiration Date 2/1/2010*	10,200	937,686
Total Participatory Notes (Cost $1,091,250)		**1,015,351**

Exchange Traded Fund 1.5%

United States

	Shares	Value ($)
iShares MSCI Japan Index Fund (Cost $3,285,155)	251,674	**3,140,892**

Securities Lending Collateral 8.3%

	Shares	Value ($)
Daily Assets Fund Institutional, 2.74% (c) (d) (Cost $17,463,226)	17,463,226	**17,463,226**

Cash Equivalents 4.0%

	Shares	Value ($)
Cash Management QP Trust, 2.49% (c) (Cost $8,339,608)	8,339,608	**8,339,608**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $202,370,493)†	110.3	**231,102,112**
Other Assets and Liabilities, Net	(10.3)	**(21,627,563)**
Net Assets	100.0	**209,474,549**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $203,216,908. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $27,885,204. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $39,934,089 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $12,048,885.*

(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, 2008 amounted to $16,606,425 which is 7.9% 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. Income earned by the Portfolio is net of borrower rebates.*

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

MSCI: Morgan Stanley Capital International

RNC: Riparmio Non-Convertible (Non-Convertible Savings Shares)

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	**Investments in Securities at Value**
Level 1 — Quoted Prices	$ 48,190,014
Level 2 — Other Significant Observable Inputs	182,912,098
Level 3 — Significant Unobservable Inputs	—
Total	**$ 231,102,112**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $176,567,659) — including $16,606,425 of securities loaned	$	205,299,278
Investment in Daily Assets Fund Institutional (cost $17,463,226)*		17,463,226
Investment in Cash Management QP Trust (cost $8,339,608)		8,339,608
Total investments, at value (cost $202,370,493)		231,102,112
Cash		67,994
Foreign currency, at value (cost $66,889)		67,004
Receivable for investments sold		120,213
Dividends receivable		493,646
Interest receivable		25,232
Foreign taxes recoverable		201,664
Other assets		4,292
Total assets		232,082,157
Liabilities		
Payable for investments purchased		4,288,828
Payable for Portfolio shares redeemed		488,279
Payable upon return of securities loaned		17,463,226
Accrued management fee		125,739
Other accrued expenses and payables		241,536
Total liabilities		22,607,608
Net assets, at value	**$**	**209,474,549**
Net Assets Consist of		
Undistributed net investment income		4,947,209
Net unrealized appreciation (depreciation) on:		
Investments		28,731,619
Foreign currency		50,598
Accumulated net realized gain (loss)		(9,721,591)
Paid-in capital		185,466,714
Net assets, at value	**$**	**209,474,549**
Class A		
Net Asset Value, offering and redemption price per share ($209,290,390 ÷ 18,322,117 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.42**
Class B		
Net Asset Value, offering and redemption price per share ($184,159 ÷ 16,093 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**11.44**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $361,026)	$	5,759,737
Interest		21,579
Interest — Cash Management QP Trust		92,428
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		200,860
Total Income		6,074,604
Expenses:		
Management fee		794,872
Administration fee		36,420
Custodian fee		116,620
Distribution and service fees (Class B)		11,439
Services to shareholders		254
Record keeping fees (Class B)		5,887
Professional fees		41,137
Trustees' fees and expenses		23,550
Reports to shareholders and shareholder meeting		86,152
Other		17,659
Total expenses before expense reductions		1,133,990
Expense reductions		(11,048)
Total expenses after expense reductions		1,122,942
Net investment income (loss)		**4,931,662**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		(9,057,303)
Foreign currency		(174,328)
Payments by affiliates (see Note I)		354,782
		(8,876,849)
Change in net unrealized appreciation (depreciation) on:		
Investments (including deferred foreign tax credit of $15,499)		(10,838,263)
Foreign currency		34,456
		(10,803,807)
Net gain (loss) on investment transactions		**(19,680.656)**
Net increase (decrease) in net assets resulting from operations	**$**	**(14,728,994)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 4,951,662	$ 3,970,300
Net realized gain (loss)	(8,876,849)	62,491,196
Change in net unrealized appreciation (depreciation)	(10,803,807)	(23,087,118)
Net increase (decrease) in net assets resulting from operations	(14,728,994)	43,374,378
Distributions to shareholders from:		
Net investment income:		
Class A	(1,777,801)	(6,153,181)
Class B	(65,124)	(1,706,211)
Net realized gains:		
Class A	(55,032,003)	(21,172,091)
Class B	(3,550,840)	(6,853,490)
Total distributions	(60,425,768)	(35,884,973)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	8,595,857	26,016,717
Reinvestment of distributions	56,809,804	27,325,272
Cost of shares redeemed	(20,799,672)	(48,603,167)
Net increase (decrease) in net assets from Class A share transactions	44,605,989	4,738,822
Class B		
Proceeds from shares sold	830,161	3,741,916
Reinvestment of distributions	3,615,964	8,559,701
Cost of shares redeemed	(15,392,606)	(69,011,239)
Net increase (decrease) in net assets from Class B share transactions	(10,946,481)	(56,709,622)
Increase (decrease) in net assets	(41,495,254)	(44,481,395)
Net assets at beginning of period	250,969,803	295,451,198
Net assets at end of period (including undistributed net investment income of $4,947,209 and $1,838,472, respectively)	**$ 209,474,549**	**$ 250,969,803**

Other Information		
Class A		
Shares outstanding at beginning of period	14,064,172	13,653,834
Shares sold	668,113	1,594,102
Shares issued to shareholders in reinvestment of distributions	5,131,870	1,820,471
Shares redeemed	(1,542,038)	(3,004,235)
Net increase (decrease) in Class A shares	4,257,945	410,338
Shares outstanding at end of period	**18,322,117**	**14,064,172**
Class B		
Shares outstanding at beginning of period	912,661	4,475,081
Shares sold	60,348	229,248
Shares issued to shareholders in reinvestment of distributions	326,645	570,267
Shares redeemed	(1,283,561)	(4,361,935)
Net increase (decrease) in Class B shares	(896,568)	(3,562,420)
Shares outstanding at end of period	**16,093**	**912,661**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$16.76**	**$16.31**	**$13.25**	**$11.91**	**$10.18**	**$ 7.96**
Income (loss) from investment operations:						
Net investment income[b]	.30[d]	.25	.24[c]	.20	.17	.10
Net realized and unrealized gain (loss)	(1.44)	2.24	3.11	1.48	1.67	2.23
Total from investment operations	(1.14)	2.49	3.35	1.68	1.84	2.33
Less distributions from:						
Net investment income	(.13)	(.46)	(.29)	(.34)	(.11)	(.11)
Net realized gains	(4.07)	(1.58)	—	—	—	—
Total distributions	(4.20)	(2.04)	(.29)	(.34)	(.11)	(.11)
Net asset value, end of period	**$11.42**	**$16.76**	**$16.31**	**$13.25**	**$11.91**	**$10.18**
Total Return (%)	(6.02)[e**]	16.71	25.56	14.51	18.25	29.83
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	209	236	223	196	184	147
Ratio of expenses (%)	.98*	.93	.88	.87	.89	.94
Ratio of net investment income (%)	1.75[d**]	1.53	1.65[c]	1.59	1.58	1.17
Portfolio turnover rate (%)	64**	117	122	93	88	139

a *For the six months ended June 30, 2008 (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 *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.15 per share and 1.20% of average daily net assets, respectively.*

e *Includes a reimbursement from the Advisor to reimburse the effect of losses incurred as the result of certain operation errors during the period. Excluding this reimbursement, total return would have been 0.16% lower.*

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$16.70**	**$16.26**	**$13.21**	**$11.88**	**$10.15**	**$ 7.94**
Income (loss) from investment operations:						
Net investment income[b]	.26[d]	.19	.19[c]	.15	.13	.06
Net realized and unrealized gain (loss)	(1.38)	2.22	3.09	1.47	1.67	2.24
Total from investment operations	(1.12)	2.41	3.28	1.62	1.80	2.30
Less distributions from:						
Net investment income	(.07)	(.39)	(.23)	(.29)	(.07)	(.09)
Net realized gains	(4.07)	(1.58)	—	—	—	—
Total distributions	(4.14)	(1.97)	(.23)	(.29)	(.07)	(.09)
Net asset value, end of period	**$11.44**	**$16.70**	**$16.26**	**$13.21**	**$11.88**	**$10.15**
Total Return (%)	(6.36)[e**]	16.20	25.06	14.00	17.84	29.42
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.2	15	73	62	47	18
Ratio of expenses (%)	1.35*	1.30	1.26	1.26	1.28	1.33
Ratio of net investment income (%)	1.38[d**]	1.16	1.27[c]	1.20	1.19	.78
Portfolio turnover rate (%)	64**	117	122	93	88	139

a *For the six months ended June 30, 2008 (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 $0.15 per share and 1.01% of average daily net assets, respectively.*

d *Net investment income per share and the ratio of net investment income include non-recurring dividend income amounting to $0.15 per share and 1.20% of average daily net assets, respectively.*

e *Includes a reimbursement from the Advisor to reimburse the effect of losses incurred as the result of certain operation errors during the period. Excluding this reimbursement, total return would have been 0.16% lower.*

* *Annualized*

** *Not annualized*

Performance Summary

DWS Janus Growth & Income VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

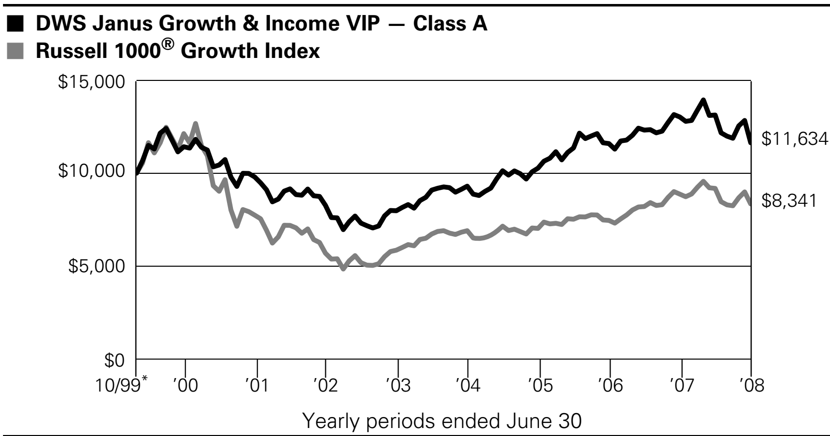
The total annual Portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.90% and 1.15% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

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.

Portfolio returns shown for all periods reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Janus Growth & Income VIP from 10/29/1999 to 6/30/2008



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 dividends and, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Janus Growth & Income VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$8,862	$8,933	$11,330	$14,583	$11,634
	Average annual total return	–11.38%	–10.67%	4.25%	7.84%	1.76%
Russell 1000 Growth Index	Growth of $10,000	$9,094	$9,404	$11,880	$14,239	$8,341
	Average annual total return	–9.06%	–5.96%	5.91%	7.32%	–2.07%

DWS Janus Growth & Income VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class**
Class B	Growth of $10,000	$8,391	$8,438	$10,633	$13,571	$13,334
	Average annual total return	–16.09%	–15.62%	2.07%	6.30%	4.91%
Russell 1000 Growth Index	Growth of $10,000	$9,094	$9,404	$11,880	$14,239	$14,658
	Average annual total return	–9.06%	–5.96%	5.91%	7.32%	6.58%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced operations October 29, 1999. Index returns began on October 31, 1999. Total returns would have been lower for the Life of Portfolio period for Class A shares if the Portfolio's expenses were not maintained.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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. 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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 886.20	$ 839.10
Expenses Paid per $1,000*	$ 4.36	$ 5.94

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,020.24	$1,018.40
Expenses Paid per $1,000*	$ 4.67	$ 6.52

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Janus Growth & Income 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 Janus Growth & Income VIP

Continued turmoil in the credit markets, recession fears and concerns that inflation may be accelerating set the tone for equity markets. For the six months ended June 30, 2008, the Portfolio (Class A shares, unadjusted for contract charges) returned –11.38%, while its benchmark, the Russell 1000® Growth Index, returned –9.06%.

Our selections within the financials and industrials sectors were the primary detractors from relative returns during the period. Home-mortgage company Fannie Mae traded lower due to continued weakness in housing and credit markets. The mortgage portfolio for the government-sponsored enterprise has grown substantially, giving rise to the idea that the company may outgrow available capital. Internet company Google, Inc. traded lower during the period on concern over its valuation and the potential for a slowdown in advertising given the weakening US economy.

Valero Energy Corp. declined after preannouncing weaker-than-expected results due to refining outages caused by equipment issues, which will likely impact refining margins.

An overweight position in energy aided comparable results, as did stock selection within materials. Canada-based EnCana Corp. gained ground in the period, aided by an increase in natural gas prices and news of interesting projects in Canada and the US, including the Bakken Oil Shale and the Barnett Oil Shale fields, which may provide an upside to EnCana's oil reserves.[1] Late in the period, the company announced plans to split itself into two entities, a natural-gas-focused company and an oil company. EOG Resources, Inc. posted solid gains during the period, benefiting from the improved outlook for natural gas production as prices moved higher.

Potash Corp. of Saskatchewan, Inc. was among the top individual contributors. A large global need to improve crop yields has led to strong industry pricing trends for key ingredients used in fertilizer.

As always, we will continue to emphasize bottom-up company analysis as our primary tool in our quest to add value for shareholders. Thank you for your continued investment.

Marc Pinto, CFA
Portfolio Manager

Janus Capital Management LLC, Subadvisor to the Portfolio

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.

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, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	95%	95%
Preferred Stocks	2%	1%
Government & Agency Obligations	2%	—
Corporate Bonds	1%	—
Participatory Notes	—	2%
Cash Equivalents	—	1%
Equity Linked Structured Notes	—	1%
	100%	100%

Sector Diversification (As a % of Common and Preferred Stocks and Corporate Bonds)	**6/30/08**	**12/31/07**
Information Technology	30%	25%
Energy	15%	16%
Consumer Staples	15%	14%
Consumer Discretionary	12%	14%
Financials	10%	10%
Health Care	9%	11%
Industrials	6%	8%
Materials	3%	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 130. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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-investments.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 94.5%		
Consumer Discretionary 12.0%		
Automobiles 0.7%		
Bayerische Motoren Werke (BMW) AG	21,970	**1,054,332**
Hotels Restaurants & Leisure 4.4%		
Crown Ltd.	40,635	361,322
McDonald's Corp.	19,345	1,087,576
MGM MIRAGE* (a)	24,960	845,894
Starwood Hotels & Resorts Worldwide, Inc.	29,005	1,162,230
Wynn Resorts Ltd. (a)	32,505	2,644,282
		6,101,304
Internet & Catalog Retail 0.4%		
Liberty Media Corp. — Interactive "A"* (a)	36,485	**538,519**
Media 1.9%		
British Sky Broadcasting Group PLC	108,740	1,021,096
Lamar Advertising Co. "A"* (a)	20,915	753,567
News Corp. "B" (a)	52,695	808,868
		2,583,531
Multiline Retail 1.6%		
Nordstrom, Inc. (a)	71,555	**2,168,117**
Specialty Retail 2.5%		
Esprit Holdings Ltd.	151,415	1,576,005
Tiffany & Co. (a)	45,820	1,867,165
		3,443,170
Textiles, Apparel & Luxury Goods 0.5%		
NIKE, Inc. "B"	12,090	**720,685**
Consumer Staples 14.1%		
Beverages 2.3%		
InBev NV	46,605	**3,221,391**
Food & Staples Retailing 3.2%		
CVS Caremark Corp.	110,665	**4,379,014**
Food Products 4.3%		
Archer- Daniels- Midland Co.	14,095	475,706
Nestle SA (ADR) (Registered)	19,325	2,183,725
Nestle SA (Registered)	73,500	3,321,188
		5,980,619
Household Products 1.1%		
Reckitt Benckiser Group PLC	30,573	**1,548,082**
Personal Products 0.9%		
Avon Products, Inc.	36,335	**1,308,787**
Tobacco 2.3%		
Altria Group, Inc.	44,705	919,135
Philip Morris International, Inc.*	44,705	2,207,980
		3,127,115
Energy 14.4%		
Oil, Gas & Consumable Fuels		
ConocoPhillips	12,100	1,142,119
EnCana Corp.	55,453	5,042,341
EOG Resources, Inc.	18,470	2,423,264
ExxonMobil Corp.	19,275	1,698,706
Hess Corp.	51,989	6,560,492
Suncor Energy, Inc.	23,914	1,388,358
Valero Energy Corp.	41,155	1,694,763
		19,950,043
Financials 7.8%		
Capital Markets 2.6%		
Goldman Sachs Group, Inc.	20,550	**3,594,195**
Consumer Finance 2.5%		
American Express Co.	90,685	**3,416,104**
Diversified Financial Services 1.2%		
JPMorgan Chase & Co.	46,440	**1,593,356**
Real Estate Management & Development 0.4%		
Hang Lung Properties Ltd.	178,725	**571,654**
Thrifts & Mortgage Finance 1.1%		
Fannie Mae (a)	81,655	**1,593,089**
Health Care 9.3%		
Biotechnology 2.2%		
Celgene Corp.*	12,135	775,062
Genentech, Inc.*	30,615	2,323,679
		3,098,741
Health Care Equipment & Supplies 2.9%		
Alcon, Inc.	14,505	2,361,269
Medtronic, Inc.	22,970	1,188,697
Nobel Biocare Holding AG (Bearer)	12,065	392,095
		3,942,061
Health Care Providers & Services 1.7%		
Coventry Health Care, Inc.*	37,255	1,133,297
Pediatrix Medical Group, Inc.* (a)	23,340	1,149,028
		2,282,325
Pharmaceuticals 2.5%		
Merck & Co., Inc.	48,860	1,841,534
Roche Holding AG (Genusschein)	9,387	1,684,411
		3,525,945
Industrials 4.7%		
Aerospace & Defense 2.3%		
BAE Systems PLC (ADR) (a)	29,125	1,028,112
Boeing Co.	20,120	1,322,286
Empresa Brasiliera de Aeronautica SA (ADR)	34,943	925,990
		3,276,388
Air Freight & Logistics 0.4%		
United Parcel Service, Inc. "B"	8,900	**547,083**
Electrical Equipment 0.8%		
JA Solar Holdings Co., Ltd. (ADR)* (a)	13,685	230,592
Suntech Power Holdings Co., Ltd. (ADR)* (a)	23,947	897,055
		1,127,647
Industrial Conglomerates 0.5%		
Siemens AG (Registered)	6,045	**669,394**
Machinery 0.7%		
Danaher Corp.	12,330	**953,109**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Information Technology 28.9%		
Communications Equipment 7.3%		
Cisco Systems, Inc.*	128,820	2,996,353
Corning, Inc.	122,312	2,819,291
Nokia Oyj (ADR)	76,118	1,864,891
QUALCOMM, Inc.	38,045	1,688,057
Research In Motion Ltd.*	6,060	708,414
		10,077,006
Computers & Peripherals 3.9%		
Apple, Inc.*	15,364	2,572,548
EMC Corp.*	188,125	2,763,556
		5,336,104
Internet Software & Services 4.2%		
eBay, Inc.*	67,890	1,855,434
Google, Inc. "A"*	7,654	4,029,218
		5,884,652
IT Services 3.3%		
Infosys Technologies Ltd. (ADR) (a)	26,624	1,157,079
Satyam Computer Services, Ltd. (ADR) (a)	26,624	652,821
Visa, Inc. "A"*	14,345	1,166,392
Western Union Co.	65,800	1,626,576
		4,602,868
Semiconductors & Semiconductor Equipment 5.5%		
ASML Holding NV (NY Registered Shares)	55,607	1,356,811
KLA — Tencor Corp. (a)	31,270	1,273,002
Samsung Electronics Co., Ltd. (GDR) 144A	9,549	2,814,568
Texas Instruments, Inc.	76,210	2,146,073
		7,590,454
Software 4.7%		
Electronic Arts, Inc.*	24,235	1,076,761
Microsoft Corp.	86,315	2,374,526
Oracle Corp.*	143,395	3,011,295
		6,462,582
Materials 2.8%		
Chemicals		
Potash Corp. of Saskatchewan, Inc.	6,070	1,387,420
Syngenta AG (ADR)	39,455	2,552,738
		3,940,158
Telecommunication Services 0.5%		
Diversified Telecommunication Services		
AT&T, Inc.	19,345	**651,733**
Total Common Stocks (Cost $121,859,444)		**130,861,357**

	Shares	Value ($)
Preferred Stocks 1.7%		
Citigroup, Inc. Series AA, 8.125%	18,550	415,520
Fannie Mae:		
Series S, 8.25% (a)	25,055	575,012
Series 08-I, 8.75%*	24,550	940,265
Freddie Mac, Series Z, 8.375%	19,750	479,925
Total Preferred Stocks (Cost $2,744,585)		**2,410,722**

	Principal Amount ($)	Value ($)
Corporate Bonds 1.0%		
Consumer Discretionary 0.4%		
Harrah's Operating Co., Inc., 144A, 10.75%, 2/1/2016	365,000	302,950
Station Casinos, Inc., 6.5%, 2/1/2014	369,000	212,175
		515,125
Energy 0.5%		
Suntech Power Holdings Co., Ltd., 144A, 3.0%, 3/15/2013	623,000	**711,778**
Financials 0.1%		
Ford Motor Credit Co., LLC, 9.875%, 8/10/2011	247,000	**208,114**
Total Corporate Bonds (Cost $1,412,062)		**1,435,017**
Government & Agency Obligation 1.7%		
US Treasury Obligation		
US Treasury Note, 2.125%, 1/31/2010 (a) (Cost $2,328,397)	2,326,000	**2,314,007**

	Shares	Value ($)
Securities Lending Collateral 11.9%		
Daily Assets Fund Institutional, 2.47% (b) (c) (Cost $16,435,649)	16,435,649	**16,435,649**
Cash Equivalents 0.3%		
Cash Management QP Trust, 2.49% (b) (Cost $432,519)	432,519	**432,519**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $145,212,656)†	111.1	**153,889,271**
Other Assets and Liabilities, Net	(11.1)	**(15,419,759)**
Net Assets	100.0	**138,469,512**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $145,709,837. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $8,179,434. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $24,418,223 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $16,238,789.*

(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, 2008 amounted to $15,949,456 which is 11.5% 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. Income earned by the Portfolio is net of borrower rebates.*

The accompanying notes are an integral part of the financial statements.

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

At June 30, 2008, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)
CHF	925,000	USD	841,123	8/14/2008	(64,810)
CHF	1,355,000	USD	1,303,386	10/23/2008	(24,329)
EUR	915,000	USD	1,412,211	10/23/2008	(19,992)
CHF	1,500,000	USD	1,447,611	11/12/2008	(22,460)
EUR	675,000	USD	1,041,233	11/12/2008	(14,213)
Total unrealized depreciation					**(145,804)**

Currency Abbreviations

CHF	Swiss Franc	USD	United States Dollar
EUR	Euro		

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	Investments in Securities at Value	Net Unrealized Depreciation on Other Financial Instruments††
Level 1 — Quoted Prices	$ 134,719,279	$ —
Level 2 — Other Significant Observable Inputs	19,169,993	(145,804)
Level 3 — Significant Unobservable Inputs	—	—
Total	**$ 153,889,271**	**$ (145,804)**

†† *Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as forward foreign currency exchange contracts, which are valued at the unrealized appreciation/depreciation on the instrument.*

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $128,344,488) — including $15,949,456 of securities loaned	$	137,021,103
Investments in Daily Asset Fund Institutional, (cost $16,435,649)*		16,435,649
Investment in Cash Management QP Trust (cost $432,519)		432,519
Total investments, at value (cost $145,212,656)		153,889,271
Cash		27,134
Foreign currency, at value (cost $671,121)		678,058
Receivable for investments sold		1,044,529
Dividends receivable		60,067
Interest receivable		58,268
Foreign taxes recoverable		15,488
Other assets		3,605
Total assets		155,776,420
Liabilities		
Payable upon return of securities loaned		16,435,649
Payable for investments purchased		407,000
Payable for Portfolio shares redeemed		113,208
Unrealized depreciation on forward foreign currency exchange contracts		145,804
Accrued management fee		73,668
Other accrued expenses and payables		131,579
Total liabilities		17,306,908
Net assets, at value	**$**	**138,469,512**
Net Assets Consist of		
Undistributed net investment income		858,414
Net unrealized appreciation (depreciation) on:		
Investments		8,676,615
Foreign currency		(140,362)
Accumulated net realized gain (loss)		4,395,393
Paid-in capital		124,679,452
Net assets, at value	**$**	**138,469,512**
Class A		
Net Asset Value, offering and redemption price per share ($138,469,161 ÷ 13,508,435 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.25**
Class B		
Net Asset Value, offering and redemption price per share ($351 ÷ 35.53 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.88**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $84,899)	$	1,468,378
Interest — Cash Management QP Trust		32,058
Interest		30,647
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		100,953
Total Income		1,632,036
Expenses:		
Management fee		555,003
Administration fee		25,424
Services to shareholders		160
Custodian and accounting fees		39,444
Distribution and service fees (Class B)		3,511
Record keeping fees (Class B)		1,388
Professional fees		34,394
Trustees' fees and expenses		18,774
Reports to shareholders and shareholder meeting		69,864
Other		8,128
Total expenses before expense reductions		756,090
Expense reductions		(7,797)
Total expenses after expense reductions		748,293
Net investment income (loss)		**883,743**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		5,108,479
Foreign currency		(214,516)
		4,894,103
Change in net unrealized appreciation (depreciation) on:		
Investments		(24,411,132)
Foreign currency		(144,011)
		(24,555,143)
Net gain (loss)		**(19,661,040)**
Net increase (decrease) in net assets resulting from operations	**$**	**(18,777,297)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 883,743	$ 1,783,281
Net realized gain (loss)	4,894,103	26,158,518
Change in net unrealized appreciation (depreciation)	(24,555,143)	(14,652,159)
Net increase (decrease) in net assets resulting from operations	(18,777,297)	13,289,640
Distributions to shareholders from:		
Net investment income:		
Class A	(1,498,719)	(1,085,636)
Class B	(26,339)	(60,241)
Net realized gains:		
Class A	(10,758,388)	—
Class B	(307,896)	—
Total distributions	(12,591,342)	(1,145,877)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	3,318,141	3,234,514
Reinvestment of distributions	12,257,107	1,085,636
Cost of shares redeemed	(14,884,286)	(39,897,035)
Net increase (decrease) in net assets from Class A share transactions	690,962	(35,576,885)
Class B		
Proceeds from shares sold	34,143	923,888
Reinvestment of distributions	334,235	60,241
Cost of shares redeemed	(4,769,080)	(29,091,879)
Net increase (decrease) in net assets from Class B share transactions	(4,400,702)	(28,107,750)
Increase (decrease) in net assets	(35,078,379)	(51,540,872)
Net assets at beginning of period	173,547,891	225,088,763
Net assets at end of period (including undistributed net investment income of $858,414 and $1,499,729, respectively)	**$ 138,469,512**	**$ 173,547,891**

Other Information		
Class A		
Shares outstanding at beginning of period	13,362,156	16,236,105
Shares sold	295,952	261,428
Shares issued to shareholders in reinvestment of distributions	1,171,808	92,159
Shares redeemed	(1,321,481)	(3,227,536)
Net increase (decrease) in Class A shares	146,279	(2,873,949)
Shares outstanding at end of period	**13,508,435**	**13,362,156**
Class B		
Shares outstanding at beginning of period	392,971	2,676,871
Shares sold	3,098	77,171
Shares issued to shareholders in reinvestment of distributions	32,107	5,135
Shares redeemed	(428,140)	(2,366,206)
Net increase (decrease) in Class B shares	(392,935)	(2,283,900)
Shares outstanding at end of period	**36**	**392,971**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$12.62**	**$11.91**	**$11.05**	**$ 9.88**	**$ 8.86**	**$ 7.18**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.07	.12	.07	.05	.03	.03
Net realized and unrealized gain (loss)	(1.48)	.66	.86	1.14	.99	1.71
Total from investment operations	(1.41)	.78	.93	1.19	1.02	1.74
Less distributions from:						
Net investment income	(.12)	(.07)	(.07)	(.02)	—	(.06)
Net realized and unrealized gain (loss) on investment transactions	(.84)	—	—	—	—	—
Total distributions	(.96)	(.07)	(.07)	(.02)	—	(.06)
Net asset value, end of period	**$10.25**	**$12.62**	**$11.91**	**$11.05**	**$ 9.88**	**$ 8.86**
Total Return (%)	(11.38)[c]**	6.59	8.43	12.11	11.51	24.37
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	138	169	193	195	187	189
Ratio of expenses before expense reductions (%)	.94*	.90	.85	.92	1.06	1.07
Ratio of expenses after expense reductions (%)	.93*	.90	.85	.92	1.06	1.07
Ratio of net investment income (loss) (%)	1.19*	.93	.68	.45	.34	.40
Portfolio turnover rate (%)	23**	73	44	32	52	46

a *For the six months ended June 30, 2008 (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,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$12.53**	**$11.82**	**$10.97**	**$ 9.82**	**$ 8.84**	**$ 7.17**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.05	.07	.03	.01	(.01)	.00***
Net realized and unrealized gain (loss)	(1.79)	.66	.85	1.14	.99	1.71
Total from investment operations	(1.74)	.73	.88	1.15	.98	1.71
Less distributions from:						
Net investment income	(.07)	(.02)	(.03)	—	—	(.04)
Net realized and unrealized gain (loss) on investment transactions	(.84)	—	—	—	—	—
Total distributions	(.91)	(.02)	(.03)	—	—	(.04)
Net asset value, end of period	**$ 9.88**	**$12.53**	**$11.82**	**$10.97**	**$ 9.82**	**$ 8.84**
Total Return (%)	(16.09)[c]**	6.22	7.98	11.71[c]	11.09	23.94
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.0004	5	32	32	27	15
Ratio of expenses before expense reductions (%)	1.31*	1.29	1.24	1.32	1.44	1.47
Ratio of expenses after expense reductions (%)	1.30*	1.29	1.24	1.30	1.44	1.47
Ratio of net investment income (loss) (%)	.82*	.55	.29	.07	(.04)	(.01)
Portfolio turnover rate (%)	23**	73	44	32	52	46

a *For the six months ended June 30, 2008 (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*
*** *Amount is less than $.005 per share.*

DWS Large Cap Value VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

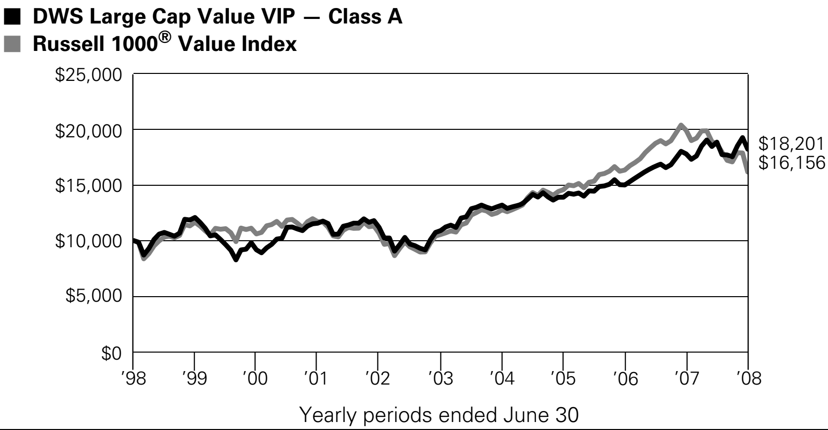
The total annual Portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.83% and 1.08% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

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.

Portfolio returns shown for all periods reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Large Cap Value VIP



The Russell 1000® Value Index is an unmanaged 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 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

DWS Large Cap Value VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$9,662	$10,243	$13,106	$16,706	$18,201
	Average annual total return	–3.38%	2.43%	9.43%	10.81%	6.17%
Russell 1000 Value Index	Growth of $10,000	$8,643	$8,122	$11,096	$15,330	$16,156
	Average annual total return	–13.57%	–18.78%	3.53%	8.92%	4.91%

DWS Large Cap Value VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$9,638	$10,201	$12,954	$16,395	$16,177
	Average annual total return	–3.62%	2.01%	9.01%	10.39%	8.35%
Russell 1000 Value Index	Growth of $10,000	$8,643	$8,122	$11,096	$15,330	$15,173
	Average annual total return	–13.57%	–18.78%	3.53%	8.92%	7.20%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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. 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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 966.20	$ 963.80
Expenses Paid per $1,000*	$ 4.25	$ 5.96
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,020.54	$1,018.80
Expenses Paid per $1,000*	$ 4.37	$ 6.12

* *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 366.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Large Cap Value VIP	.87%	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 Large Cap Value VIP

The first half of 2008 was a period of considerable economic uncertainty and significant turmoil throughout the capital markets. At mid-year 2008, the US economy is experiencing a number of interrelated problems including liquidity issues in financial markets, increased concern about rising prices for energy and food, and rising unemployment.

Essentially all US equity indices posted negative returns for this period. The Russell 3000® Index, which is generally regarded as a good indicator of the broad stock market, had a negative return of –11.05% for the six months ended June 30, 2008. Growth stocks, as measured by the Russell 1000® Growth Index, performed somewhat better than value stocks, as measured by the Russell 1000® Value Index. With a return of –3.38% (Class A shares, unadjusted for contract charges), the Portfolio significantly outperformed its benchmark, the Russell 1000 Value Index, which had a negative return of –13.57%.

Approximately half of the portfolio's outperformance versus its benchmark can be attributed to asset allocation and half to stock selection. In terms of asset allocation, performance benefited from a significant overweight in energy, which performed very well, and an underweight in the financial sector, which was down sharply.[1] In the energy sector, overweight positions in Halliburton Co., Noble Energy, Inc. and Devon Energy Corp. contributed to performance.

Performance relative to the benchmark was hurt by stock selection in the consumer discretionary sector, where an overweight in newspaper publisher Gannett Co., Inc. was the major negative.

Thomas Schuessler, Ph.D.
Portfolio Manager

Deutsche Asset Management International GmbH, Subadvisor to the Portfolio

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.

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, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	97%	100%
Cash Equivalents	3%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/08**	**12/31/07**
Energy	32%	26%
Utilities	13%	13%
Financials	13%	20%
Health Care	9%	8%
Consumer Staples	8%	9%
Materials	7%	4%
Industrials	7%	6%
Telecommunication Services	4%	4%
Consumer Discretionary	4%	4%
Information Technology	3%	6%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 140. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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-investments.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 97.2%		
Consumer Discretionary 4.0%		
Distributors 1.1%		
Genuine Parts Co.	58,792	**2,332,867**
Hotels Restaurants & Leisure 1.4%		
McDonald's Corp.	50,166	**2,820,332**
Media 0.9%		
Gannett Co., Inc. (a)	89,718	**1,944,189**
Specialty Retail 0.6%		
Office Depot, Inc.*	109,491	**1,197,832**
Consumer Staples 8.1%		
Beverages 0.8%		
Dr. Pepper Snapple Group, Inc.*	85,392	**1,791,524**
Food & Staples Retailing 2.0%		
CVS Caremark Corp.	106,426	**4,211,277**
Food Products 2.4%		
General Mills, Inc.	40,534	2,463,251
Kraft Foods, Inc. "A"	89,282	2,540,073
		5,003,324
Tobacco 2.9%		
Altria Group, Inc.	58,534	1,203,459
Philip Morris International, Inc.*	58,534	2,890,994
Reynolds American, Inc.	40,218	1,876,974
		5,971,427
Energy 30.6%		
Energy Equipment & Services 10.1%		
ENSCO International, Inc.	42,697	3,447,356
Halliburton Co.	133,213	7,069,614
Noble Corp.	72,713	4,723,436
Transocean, Inc.*	19,402	2,956,671
Weatherford International Ltd.*	59,862	2,968,557
		21,165,634
Oil, Gas & Consumable Fuels 20.5%		
Cameco Corp.	73,513	3,151,502
Chevron Corp.	25,093	2,487,469
ConocoPhillips	32,945	3,109,679
Devon Energy Corp.	49,692	5,970,991
Hess Corp.	28,129	3,549,599
Marathon Oil Corp.	65,083	3,375,855
Nexen, Inc.	81,222	3,228,574
Noble Energy, Inc.	63,649	6,400,543
Occidental Petroleum Corp.	41,433	3,723,169
Suncor Energy, Inc.	98,898	5,747,952
Talisman Energy, Inc.	87,146	1,928,541
		42,673,874
Financials 12.7%		
Capital Markets 0.4%		
Morgan Stanley	22,367	**806,778**
Commercial Banks 3.6%		
BB&T Corp. (a)	66,814	1,521,355
Canadian Imperial Bank of Commerce	38,883	2,136,232
Comerica, Inc.	54,905	1,407,215
Synovus Financial Corp. (a)	171,963	1,501,237
Zions Bancorp.	29,176	918,752
		7,484,791
Diversified Financial Services 0.4%		
The Nasdaq OMX Group, Inc.*	27,938	**741,754**
Insurance 6.9%		
Alleghany Corp.*	2,976	988,181
Allstate Corp.	44,026	2,007,145
Chubb Corp.	20,257	992,796
Cincinnati Financial Corp.	30,745	780,923
Fidelity National Financial, Inc. "A"	63,701	802,633
Genworth Financial, Inc. "A"	98,584	1,755,781
Loews Corp.	48,869	2,291,956
MetLife, Inc.	51,857	2,736,494
Odyssey Re Holdings Corp.	29,509	1,047,569
Unum Group	46,353	947,919
		14,351,397
Thrifts & Mortgage Finance 1.4%		
Capitol Federal Financial	27,083	1,018,592
New York Community Bancorp, Inc.	57,455	1,024,997
People's United Financial, Inc.	62,751	978,915
		3,022,504
Health Care 8.6%		
Health Care Equipment & Supplies 1.1%		
Baxter International, Inc.	35,551	**2,273,131**
Health Care Providers & Services 0.9%		
WellPoint, Inc.*	40,621	**1,935,997**
Life Sciences Tools & Services 1.2%		
Thermo Fisher Scientific, Inc.*	45,108	**2,513,869**
Pharmaceuticals 5.4%		
Abbott Laboratories	40,935	2,168,327
Merck & Co., Inc.	36,161	1,362,908
Pfizer, Inc.	170,834	2,984,470
Teva Pharmaceutical Industries Ltd. (ADR)	44,896	2,056,237
Wyeth	56,969	2,732,233
		11,304,175
Industrials 6.7%		
Aerospace & Defense 3.0%		
Honeywell International, Inc.	29,655	1,491,053
Raytheon Co.	41,081	2,312,039
United Technologies Corp.	38,428	2,371,008
		6,174,100
Industrial Conglomerates 2.3%		
General Electric Co. (a)	178,167	**4,755,277**
Machinery 1.4%		
Dover Corp.	60,938	**2,947,571**
Information Technology 3.0%		
Communications Equipment 1.5%		
Brocade Communications Systems, Inc.*	371,474	**3,060,946**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Semiconductors & Semiconductor Equipment 1.5%		
Taiwan Semiconductor Manufacturing Co., Ltd. (ADR)	285,700	**3,116,987**
Materials 6.7%		
Chemicals 5.5%		
Agrium, Inc.	19,539	2,101,224
Air Products & Chemicals, Inc.	38,809	3,836,658
Dow Chemical Co. (a)	57,928	2,022,267
Praxair, Inc.	36,272	3,418,273
		11,378,422
Containers & Packaging 1.2%		
Sonoco Products Co.	82,451	**2,551,858**
Telecommunication Services 4.0%		
Diversified Telecommunication Services		
AT&T, Inc.	135,618	4,568,970
BCE, Inc.	108,833	3,788,477
		8,357,447
Utilities 12.8%		
Electric Utilities 10.9%		
Allegheny Energy, Inc.	66,825	3,348,601
Duke Energy Corp.	145,735	2,532,874
Entergy Corp.	25,750	3,102,360
Exelon Corp.	62,928	5,661,003
FirstEnergy Corp.	52,616	4,331,875
FPL Group, Inc.	56,907	3,731,961
		22,708,674
Multi-Utilities 1.9%		
PG&E Corp.	102,503	**4,068,344**
Total Common Stocks (Cost $183,137,969)		**202,666,302**

Securities Lending Collateral 5.5%

	Shares	Value ($)
Daily Assets Fund institutional, 2.74% (b) (c) (Cost $11,481,750)	11,481,750	**11,481,750**

Cash Equivalents 3.1%

	Shares	Value ($)
Cash Management QP Trust, 2.49% (b) (Cost $6,484,357)	6,484,357	**6,484,357**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $201,104,076)†	105.8	**220,632,409**
Other Assets and Liabilities, Net	(5.8)	**(12,183,546)**
Net Assets	100.0	**208,448,863**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $203,127,775. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $17,504,634. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $33,298,076 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $15,793,442.*

(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, 2008 amounted to $11,134,444 which is 5.3% 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. Income earned by the Portfolio is net of borrower rebates.*

ADR: American Depositary Receipt

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	**Investments in Securities at Value**
Level 1 — Quoted Prices	$ 220,632,409
Level 2 — Other Significant Observable Inputs	—
Level 3 — Significant Unobservable Inputs	—
Total	**$ 220,632,409**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $183,137,969) — including $11,134,444 of securities loaned	$ 202,666,302
Investment in Daily Asset Fund Institutional (cost $11,481,750)*	11,481,750
Investment in Cash Management QP Trust (cost $6,484,357)	6,484,357
Total investments, at value (cost $201,104,076)	220,632,409
Cash	409,272
Foreign currency, at value (cost $4,374)	4,375
Dividends receivable	463,868
Interest receivable	21,487
Receivable for Portfolio shares sold	213,050
Other assets	3,350
Total assets	221,747,811
Liabilities	
Payable upon return of securities loaned	11,481,750
Payable for Portfolio shares redeemed	724,058
Payable for investments purchased	816,017
Accrued management fee	112,350
Other accrued expenses and payables	164,773
Total liabilities	13,298,948
Net assets, at value	**$ 208,448,863**
Net Assets Consist of	
Undistributed net investment income	1,459,540
Net unrealized appreciation (depreciation) on:	
Investments	19,528,333
Foreign currency	(244)
Accumulated net realized gain (loss)	2,580,548
Paid-in capital	184,880,686
Net assets, at value	**$ 208,448,863**
Class A	
Net Asset Value, offering and redemption price per share ($208,248,308 ÷ 15,366,056 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 13.55**
Class B	
Net Asset Value, offering and redemption price per share ($200,555 ÷ 14,778 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 13.57**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $16,108)	$ 2,226,367
Interest — Cash Management QP Trust	217,360
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	15,084
Total Income	2,458,811
Expenses:	
Management fee	699,216
Administration fee	107,572
Services to shareholders	388
Custodian fee	6,155
Professional fees	36,300
Distribution and service fees (Class B)	5,912
Record keeping fees (Class B)	2,289
Trustees' fees and expenses	27,556
Reports to shareholders and shareholder meeting	91,380
Other	3,030
Total expenses before expense reductions	979,798
Expense reductions	(10,879)
Total expenses after expense reductions	968,919
Net investment income (loss)	**1,489,892**
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments	4,730,717
Foreign currency	(7,535)
	4,723,182
Change in net unrealized appreciation (depreciation) on:	
Investments	(14,173,993)
Foreign currency	(308)
	(14,174,301)
Net gain (loss)	**(9,451,119)**
Net increase (decrease) in net assets resulting from operations	**$ (7,961,227)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ 1,489,892	$ 4,055,644
Net realized gain (loss)	4,723,182	52,371,462
Change in net unrealized appreciation (depreciation)	(14,174,301)	(20,593,300)
Net increase (decrease) in net assets resulting from operations	(7,961,227)	35,833,806
Distributions to shareholders from:		
Net investment income:		
Class A	(3,899,692)	(4,770,707)
Class B	(108,225)	(538,814)
Net realized gains:		
Class A	(50,886,890)	(9,924,139)
Class B	(1,761,177)	(1,431,558)
Total Distributions	**$ (56,655,984)**	**$ (16,665,218)**
Portfolio share transactions:		
Class A		
Proceeds from shares sold	16,946,207	14,988,182
Reinvestment of distributions	54,786,582	14,694,846
Cost of shares redeemed	(30,188,615)	(93,544,614)
Net increase (decrease) in net assets from Class A share transactions	41,544,174	(63,861,586)
Class B		
Proceeds from shares sold	324,550	699,209
Reinvestment of distributions	1,869,402	1,970,372
Cost of shares redeemed	(7,950,571)	(35,609,682)
Net increase (decrease) in net assets from Class B share transactions	(5,756,619)	(32,940,101)
Increase (decrease) in net assets	(28,829,656)	(77,633,099)
Net assets at beginning of period	237,278,519	314,911,618
Net assets at end of period (including undistributed net investment income of $1,459,540 and $3,977,565, respectively)	**$ 208,448,863**	**$ 237,278,519**

Other Information		
Class A		
Shares outstanding at beginning of period	11,941,625	15,303,964
Shares sold	1,101,077	804,074
Shares issued to shareholders in reinvestment of distributions	4,201,425	857,842
Shares redeemed	(1,878,071)	(5,024,255)
Net increase (decrease) in Class A shares	3,424,431	(3,362,339)
Shares outstanding at end of period	**15,366,056**	**11,941,625**
Class B		
Shares outstanding at beginning of period	412,771	2,232,310
Shares sold	19,582	38,354
Shares issued to shareholders in reinvestment of distributions	143,030	114,823
Shares redeemed	(560,605)	(1,972,716)
Net increase (decrease) in Class B shares	(397,993)	(1,819,539)
Shares outstanding at end of period	**14,778**	**412,771**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$19.21**	**$17.96**	**$15.81**	**$15.79**	**$14.57**	**$11.24**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.11	.26	.29[d]	.26	.27	.24
Net realized and unrealized gain (loss)	(.95)	1.98	2.12	.04	1.18	3.33
Total from investment operations	(.84)	2.24	2.41	.30	1.45	3.57
Less distributions from:						
Net investment income	(.34)	(.32)	(.26)	(.28)	(.23)	(.24)
Net realized gains	(4.48)	(.67)	—	—	—	—
Total Distributions	(4.82)	(.99)	(.26)	(.28)	(.23)	(.24)
Net asset value, end of period	**$13.55**	**$19.21**	**$17.96**	**$15.81**	**$15.79**	**$14.57**
Total Return (%)	(3.38)[c]**	13.15[c,e]	15.41[d]	1.97[c]	10.07	32.60
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	208	229	275	268	274	263
Ratio of expenses before expense reductions (%)	.87*	.83	.83	.80	.80	.80
Ratio of expenses after expense reductions (%)	.87*	.82	.83	.80	.80	.80
Ratio of net investment income (loss) (%)	1.42*	1.43	1.73[d]	1.64	1.84	1.94
Portfolio turnover rate (%)	41**	103	76	64	40	58

a *For the six months ended June 30, 2008 (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 Funds. 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.*
e *Includes a reimbursement from the Advisor for $92,456 for losses on certain operation errors during the period. Excluding this reimbursement, total return would have been 0.04% lower.*
* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$19.20**	**$17.94**	**$15.79**	**$15.77**	**$14.55**	**$11.23**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.07	.19	.23[d]	.19	.22	.18
Net realized and unrealized gain (loss)	(.94)	1.99	2.11	.05	1.17	3.35
Total from investment operations	(.87)	2.18	2.34	.24	1.39	3.53
Less distributions from:						
Net investment income	(.28)	(.25)	(.19)	(.22)	(.17)	(.21)
Net realized gains	(4.48)	(.67)	—	—	—	—
Total Distributions	(4.76)	(.92)	(.19)	(.22)	(.17)	(.21)
Net asset value, end of period	**$13.57**	**$19.20**	**$17.94**	**$15.79**	**$15.77**	**$14.55**
Total Return (%)	(3.62)[c]**	12.77[c,e]	14.96[d]	1.58[c]	9.65	32.19
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.20	8	40	40	40	18
Ratio of expenses before expense reductions (%)	1.23*	1.21	1.21	1.21	1.18	1.19
Ratio of expenses after expense reductions (%)	1.22*	1.20	1.21	1.20	1.18	1.19
Ratio of net investment income (loss) (%)	1.07*	1.06	1.35[d]	1.24	1.46	1.55
Portfolio turnover rate (%)	41**	103	76	64	40	58

a *For the six months ended June 30, 2008 (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 Funds. 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.*
e *Includes a reimbursement from the Advisor for $92,456 for losses on certain operation errors during the period. Excluding this reimbursement, total return would have been 0.04% lower.*
* *Annualized* ** *Not annualized*

DWS Mid Cap Growth VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

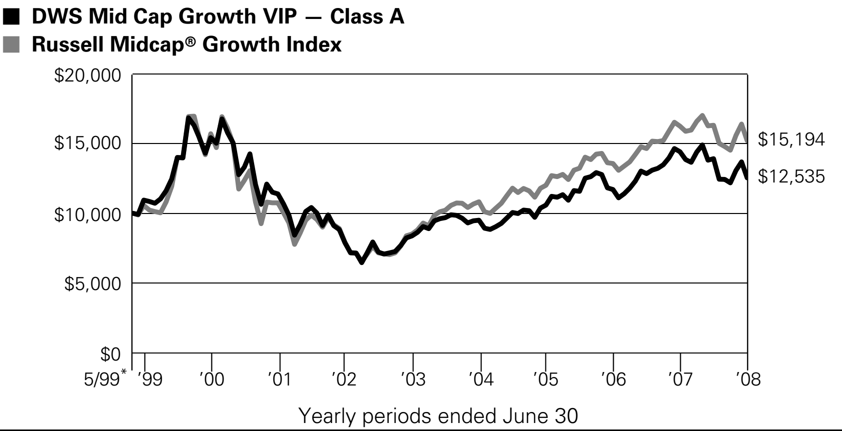
The total annual Portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are .95% and 1.20% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

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. 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.

Portfolio returns shown for all periods reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Mid Cap Growth VIP from 5/1/1999 to 6/30/2008



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.

Comparative Results

DWS Mid Cap Growth VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$9,015	$8,702	$11,844	$14,982	$12,535
	Average annual total return	–9.85%	–12.98%	5.80%	8.42%	2.50%
Russell Midcap Growth Index	Growth of $10,000	$9,319	$9,358	$12,665	$17,877	$15,194
	Average annual total return	–6.81%	–6.42%	8.19%	12.32%	4.67%

DWS Mid Cap Growth VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class**
Class B	Growth of $10,000	$9,034	$8,680	$11,725	$14,725	$16,191
	Average annual total return	–9.66%	–13.20%	5.45%	8.05%	8.36%
Russell Midcap Growth Index	Growth of $10,000	$9,319	$9,358	$12,665	$17,877	$19,191
	Average annual total return	–6.81%	–6.42%	8.19%	12.32%	11.48%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced operations on May 1, 1999. Index returns began on April 30, 1999.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 901.50	$ 903.40
Expenses Paid per $1,000*	$ 4.78	$ 6.53
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,019.84	$1,018.00
Expenses Paid per $1,000*	$ 5.07	$ 6.92

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Mid Cap Growth VIP	1.01%	1.38%

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

A turbulent first quarter of 2008 for financial markets led to aggressive easing by the US Federal Reserve Board (the Fed) and agreement by Congress and the president on a $168 billion fiscal stimulus package. During the second quarter, the stock market began to recover and advanced during the months of April and May. However, stocks suffered another reversal in June amid continuing concern over the scope of the credit crisis, concerns over the uncertain future of one-time leaders in the financial and automotive sectors, and the continued escalation of oil prices. Following a nine-month trail of adjustments to interest rates, the Fed elected to take no action at the June 2008 Federal Open Market Committee (FOMC) meeting and left the key federal funds rate unchanged at 2%. (The federal funds rate is the overnight rate charged by banks when they borrow money from each other.) Chairman Bernanke is attempting to navigate a tightrope — spurring economic activity while keeping energy-cost-driven inflation in check.

For the six months ended June 30, 2008, the Portfolio returned –9.85% (Class A shares, unadjusted for contract charges), compared with the –6.81% return of the Russell Midcap® Growth Index.

During the period, detractors from performance included stock selection in the information technology and industrials sectors. Positive contributors to performance included stock selection in the consumer discretionary and materials sectors. An overweight in the telecom services and consumer discretionary sectors relative to the benchmark added to returns.[1] We continue to maintain our long-term perspective, investing in what we feel are quality mid-cap growth stocks.

Robert S. Janis — *Lead Portfolio Manager*
Joseph Axtell, CFA — *Portfolio Manager*
Deutsche Investment Management Americas Inc.

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, 2008, 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 (As a% of Investment Portfolio Excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	99%	99%
Cash Equivalents	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/08**	**12/31/07**
Consumer Discretionary	19%	14%
Information Technology	18%	26%
Industrials	15%	18%
Energy	14%	11%
Health Care	10%	12%
Financials	9%	9%
Telecommunication Services	7%	5%
Materials	5%	3%
Consumer Staples	3%	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 149. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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-investments.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, 2008 (Unaudited)

DWS Mid Cap Growth VIP

	Shares	Value ($)
Common Stocks 99.6%		
Consumer Discretionary 19.0%		
Diversified Consumer Services 1.1%		
Strayer Education, Inc. (a)	2,100	**439,047**
Hotels Restaurants & Leisure 2.1%		
Darden Restaurants, Inc. (a)	14,700	469,518
Starwood Hotels & Resorts Worldwide, Inc. (a)	8,900	356,623
		826,141
Specialty Retail 13.5%		
American Eagle Outfitters, Inc.	22,900	312,127
Chico's FAS, Inc.* (a)	61,700	331,329
Children's Place Retail Stores, Inc.*	22,800	823,080
Guess?, Inc. (a)	38,100	1,426,845
Tiffany & Co.	16,200	660,150
Urban Outfitters, Inc.* (a)	57,000	1,777,830
		5,331,361
Textiles, Apparel & Luxury Goods 2.3%		
Coach, Inc.*	12,000	346,560
Phillips-Van Heusen Corp. (a)	15,300	560,286
		906,846
Consumer Staples 2.7%		
Food & Staples Retailing 0.9%		
Whole Foods Market, Inc. (a)	14,700	**348,243**
Personal Products 1.8%		
Herbalife Ltd. (a)	18,300	**709,125**
Energy 13.9%		
Energy Equipment & Services 6.0%		
Cameron International Corp.*	9,000	498,150
FMC Technologies, Inc.* (a)	13,200	1,015,476
Rowan Companies, Inc. (a)	18,850	881,237
		2,394,863
Oil, Gas & Consumable Fuels 7.9%		
Holly Corp. (a)	13,100	483,652
Southwestern Energy Co.*	26,700	1,271,187
Ultra Petroleum Corp.* (a)	13,830	1,358,106
		3,112,945
Financials 8.6%		
Capital Markets 7.8%		
Affiliated Managers Group, Inc.* (a)	13,310	1,198,699
E*TRADE Financial Corp.* (a)	112,700	353,878
T. Rowe Price Group, Inc. (a)	15,400	869,638
Waddell & Reed Financial, Inc. "A"	18,500	647,685
		3,069,900
Real Estate Management & Development 0.8%		
Jones Lang LaSalle, Inc. (a)	5,500	**331,045**
Health Care 9.5%		
Health Care Equipment & Supplies 1.4%		
Hologic, Inc.* (a)	25,100	**547,180**
Health Care Providers & Services 2.0%		
Humana, Inc.*	9,900	393,723
WellCare Health Plans, Inc.*	11,400	412,110
		805,833
Life Sciences Tools & Services 4.3%		
Covance, Inc.* (a)	8,800	756,976
Pharmaceutical Product Development, Inc.	21,600	926,640
		1,683,616
Pharmaceuticals 1.8%		
Mylan, Inc. (a)	60,800	**733,856**
Industrials 15.3%		
Aerospace & Defense 2.4%		
BE Aerospace, Inc.* (a)	22,700	528,683
Curtiss-Wright Corp. (a)	9,200	411,608
		940,291
Commercial Services & Supplies 2.2%		
Huron Consulting Group, Inc.* (a)	9,700	439,798
Robert Half International, Inc. (a)	17,600	421,872
		861,670
Electrical Equipment 3.9%		
General Cable Corp.* (a)	8,000	486,800
Roper Industries, Inc. (a)	15,850	1,044,198
		1,530,998
Industrial Conglomerates 1.9%		
McDermott International, Inc.*	12,500	**773,625**
Machinery 4.9%		
Harsco Corp.	9,100	495,131
Manitowoc Co., Inc.	13,500	439,155
Oshkosh Truck Corp. (a)	11,880	245,797
Terex Corp.*	14,480	743,838
		1,923,921
Information Technology 18.3%		
Communications Equipment 4.6%		
F5 Networks, Inc.* (a)	38,300	1,088,486
Foundry Networks, Inc.*	60,100	710,382
		1,798,868
Computers & Peripherals 0.9%		
NetApp, Inc.*	16,800	**363,888**
Internet Software & Services 3.6%		
Akamai Technologies, Inc.*	14,900	518,371
Equinix, Inc.* (a)	5,400	481,788
Omniture, Inc.* (a)	23,800	441,966
		1,442,125
IT Services 1.4%		
Cognizant Technology Solutions Corp. "A"* (a)	16,800	**546,168**
Semiconductors & Semiconductor Equipment 3.2%		
MEMC Electronic Materials, Inc.*	6,400	393,856
NVIDIA Corp.*	17,900	335,088
Tessera Technologies, Inc.* (a)	32,700	535,299
		1,264,243
Software 4.6%		
Blackboard, Inc.*	12,200	466,406
Citrix Systems, Inc.* (a)	13,300	391,153

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
FactSet Research Systems, Inc. (a)	16,800	946,848
		1,804,407
Materials 5.0%		
Chemicals 1.0%		
Intrepid Potash, Inc.* (a)	6,100	**401,258**
Metals & Mining 4.0%		
Allegheny Technologies, Inc. (a)	5,300	314,184
Gerdau Ameristeel Corp.	66,000	1,273,800
		1,587,984
Telecommunication Services 7.3%		
Wireless Telecommunication Services		
Crown Castle International Corp.* (a)	19,900	770,727
NII Holdings, Inc.* (a)	26,360	1,251,836
SBA Communications Corp. "A"*	24,300	875,043
		2,897,606
Total Common Stocks (Cost $35,536,711)		**39,377,053**

	Shares	Value ($)
Securities Lending Collateral 31.1%		
Daily Assets Fund Institutional, 2.74% (b) (c) (Cost $12,283,473)	12,283,473	**12,283,473**
Cash Equivalents 0.5%		
Cash Management QP Trust, 2.49% (b) (Cost $183,559)	183,559	**183,559**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $48,003,743)†	131.2	**51,844,085**
Other Assets and Liabilities, Net	(31.2)	**(12,333,272)**
Net Assets	100.0	**39,510,813**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $48,003,743. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $3,840,342. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $7,977,690 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,137,348.*

(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, 2008 amounted to $11,904,211 which is 30.1% 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. Income earned by the Portfolio is net of borrower rebates.*

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	Investments in Securities at Value
Level 1 — Quoted Prices	$ 51,844,085
Level 2 — Other Significant Observable Inputs	—
Level 3 — Significant Unobservable Inputs	—
Total	**$ 51,844,085**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $35,536,711) — including $11,904,211 of securities loaned	$	39,377,053
Investment in Daily Assets Fund Institutional (cost $12,283,473)*		12,283,473
Investment in Cash Management QP Trust (cost $183,559)		183,559
Total investments, at value (cost $48,003,743)		51,844,085
Receivable for Portfolio shares sold		47,408
Dividends receivable		7,767
Interest receivable		6,250
Other assets		906
Total assets		51,906,416
Liabilities		
Payable for Portfolio shares redeemed		32,080
Payable upon return of securities loaned		12,283,473
Accrued management fee		10,719
Other accrued expenses and payables		69,331
Total liabilities		12,395,603
Net assets, at value	**$**	**39,510,813**
Net Assets Consist of		
Accumulated net investment loss		(87,432)
Net unrealized appreciation (depreciation) on investments		3,840,342
Accumulated net realized gain (loss)		(17,042,304)
Paid-in capital		52,800,207
Net assets, at value	**$**	**39,510,813**
Class A		
Net Asset Value, offering and redemption price per share ($39,472,222 ÷ 3,216,543 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.27**
Class B		
Net Asset Value, offering and redemption price per share ($38,591 ÷ 3,200 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.06**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Dividends (net of foreign taxes withheld of $3,155)	$	96,597
Interest — Cash Management QP Trust		8,034
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		50,290
Total Income		154,921
Expenses:		
Management fee		157,167
Administration fee		7,143
Services to shareholders		223
Custodian and accounting fees		24,753
Distribution and service fees (Class B)		1,376
Record keeping fees (Class B)		526
Legal fees		6,524
Audit and tax fees		23,850
Trustees' fees and expenses		7,551
Reports to shareholders and shareholder meeting		47,925
Other		1,719
Total expenses before expense reductions		278,757
Expense reductions		(43,170)
Total expenses after expense reductions		235,587
Net investment income (loss)		**(80,666)**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from investments		3,511,744
Change in net unrealized appreciation (depreciation) on investments		(8,445,788)
Net gain (loss)		**(4,934,044)**
Net increase (decrease) in net assets resulting from operations	**$**	**(5,014,710)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ (80,666)	$ (238,874)
Net realized gain (loss)	3,511,744	8,021,447
Change in net unrealized appreciation (depreciation)	(8,445,788)	(2,652,715)
Net increase (decrease) in net assets resulting from operations	(5,014,710)	5,129,858
Portfolio share transactions:		
Class A		
Proceeds from shares sold	1,293,005	7,675,878
Cost of shares redeemed	(7,547,425)	(14,497,003)
Net increase (decrease) in net assets from Class A share transactions	(6,254,420)	(6,821,125)
Class B		
Proceeds from shares sold	46,809	1,053,940
Cost of shares redeemed	(1,839,759)	(7,779,098)
Net increase (decrease) in net assets from Class B share transactions	(1,792,950)	(6,725,158)
Increase (decrease) in net assets	(13,062,080)	(8,416,425)
Net assets at beginning of period	52,572,893	60,989,318
Net assets at end of period (including accumulated net investment loss of $87,432 and $6,766, respectively)	**$ 39,510,813**	**$ 52,572,893**

Other Information		
Class A		
Shares outstanding at beginning of period	3,720,929	4,226,008
Shares sold	101,915	567,035
Shares redeemed	(606,301)	(1,072,114)
Net increase (decrease) in Class A shares	(504,386)	(505,079)
Shares outstanding at end of period	**3,216,543**	**3,720,929**
Class B		
Shares outstanding at beginning of period	145,552	640,328
Shares sold	4,043	79,290
Shares redeemed	(146,395)	(574,066)
Net increase (decrease) in Class B shares	(142,352)	(494,776)
Shares outstanding at end of period	**3,200**	**145,552**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$13.61**	**$12.56**	**$11.32**	**$ 9.84**	**$ 9.46**	**$ 7.06**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.02)	(.05)	(.06)[d]	(.05)	(.01)	(.05)
Net realized and unrealized gain (loss)	(1.32)	1.10	1.30	1.53	.39	2.45
Total from investment operations	(1.34)	1.05	1.24	1.48	.38	2.40
Net asset value, end of period	**$12.27**	**$13.61**	**$12.56**	**$11.32**	**$ 9.84**	**$ 9.46**
Total Return (%)[c]	(9.85)**	8.36	10.95[d]	15.04	4.02	33.99
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	39	51	53	57	53	56
Ratio of expenses before expense reductions (%)	1.20*	1.05	1.03	1.01	1.02	.98
Ratio of expenses after expense reductions (%)	1.01*	.90	.93	.95	.95	.95
Ratio of net investment income (loss) (%)	(.29)*	(.38)	(.51)[d]	(.45)	(.11)	(.57)
Portfolio turnover rate (%)	33**	68	46	104	103	91

a *For the six months ended June 30, 2008 (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 Funds. 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,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$13.35**	**$12.37**	**$11.19**	**$ 9.76**	**$ 9.42**	**$ 7.06**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.04)	(.10)	(.10)[d]	(.09)	(.05)	(.09)
Net realized and unrealized gain (loss)	(1.25)	1.08	1.28	1.52	.39	2.45
Total from investment operations	(1.29)	.98	1.18	1.43	.34	2.36
Net asset value, end of period	**$12.06**	**$13.35**	**$12.37**	**$11.19**	**$ 9.76**	**$ 9.42**
Total Return (%)[c]	(9.66)**	7.92	10.55[d]	14.65	3.61	33.43
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.04	2	8	7	6	4
Ratio of expenses before expense reductions (%)	1.58*	1.43	1.42	1.40	1.41	1.37
Ratio of expenses after expense reductions (%)	1.38*	1.28	1.29	1.32	1.34	1.34
Ratio of net investment income (loss) (%)	(.66)*	(.76)	(.87)[d]	(.82)	(.50)	(.96)
Portfolio turnover rate (%)	33**	68	46	104	103	91

a *For the six months ended June 30, 2008 (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 Funds. 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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,014.80	$1,013.00
Expenses Paid per $1,000*	$ 2.40	$ 4.15
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,022.48	$1,020.74
Expenses Paid per $1,000*	$ 2.41	$ 4.17

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Money Market VIP	.48%	.83%

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 Money Market VIP

At the start of 2008, pressures on the financial markets that had emerged during the previous year continued as economic data weakened significantly and investors tried to rid themselves of questionable credits. In response to the continuing "credit crunch," as well as to fears of an oncoming economic recession, the US Federal Reserve Board (the Fed) cut the federal funds rate (the overnight rate banks charge when they borrow money from each other) a total by two and three-quarter percentage points over six Federal Open Market Committee (FOMC) meetings and took a number of creative measures to restore liquidity in the financial system. During May and June, market conditions improved somewhat, and liquidity was largely restored at the short end of the money market yield curve.[1] By the close of the period, worries over the slumping economy and weakness in the financial sector had created a more negative tone within the market and dampened speculation that the Fed would act aggressively to hike interest rates to battle inflationary pressures.

During the six-month period ended June 30, 2008, the Portfolio provided a total return of 1.48% (Class A shares, unadjusted for contract charges) compared with the 1.35% average return for the 108 funds in the Lipper Money Market Variable Annuity Funds category for the same period, according to Lipper Inc. The 7-day current yield for the period ending June 30, 2008 was 2.24%. The investment advisor has agreed to waive fees and reimburse expenses. Without such fee waivers/expense reimbursements, the 7-day current yield would have been 2.24% as of June 30, 2008.

Given the difficult situation throughout the investment markets during much of the period, our strategy for managing through the situation was to emphasize liquidity and high credit quality while looking for ways to maximize yield potential when opportunities presented themselves. As liquidity returned to the short end of the money market yield curve, we increased the portfolio's allocation to short-term commercial paper and certificates of deposit to take advantage of the wide spread between LIBOR and the fed funds rate.[2] We also maintained a significant allocation to floating-rate securities because of their attractive yields. Going forward, we will continue to monitor investment markets, economic data and Fed statements carefully.

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.

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 redeemed, 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 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 yield quotation more closely reflects the current earnings of the Portfolio than the total return quotation.

Yields are historical, will fluctuate and do not guarantee future performance. The 7-day current yield refers to the income paid by the Portfolio over a 7-day period expressed as an annual percentage rate of the Portfolio's shares outstanding.

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.

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 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. When the yield curve is characterized as "steep," this is especially true.*

2 *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, 2008, 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	6/30/08	12/31/07
Commercial Paper	44%	46%
Short-Term Notes	27%	22%
Certificates of Deposit and Bank Notes	17%	20%
Government & Agency Obligations	5%	4%
Master Notes	2%	2%
Time Deposit	2%	1%
Repurchase Agreements	2%	2%
Asset Backed	1%	1%
Promissory Notes	—	2%
	100%	100%

Weighted Average Maturity*		
DWS Variable Series II — DWS Money Market VIP	42 days	41 days
First Tier Retail Money Fund Average	45 days	41 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 157. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.com on or after the 14th day of the following month. In addition, the Portfolio's top ten holdings and other information about the Portfolio is posted on www.dws-investments.com as of the calendar quarter-end on or after the 14th 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 16.4%		
ABN AMRO Bank NV, 2.805%, 10/17/2008	2,000,000	2,000,030
Banco Bilbao Vizcaya Argentaria SA, 3.005%, 10/28/2008	1,500,000	1,500,349
Banco Santander SA, 2.67%, 10/3/2008	1,800,000	1,799,662
Bank of Scotland PLC, 2.85%, 7/9/2008	4,000,000	4,000,000
Barclays Bank PLC:		
3.0%, 12/2/2008	3,000,000	3,000,000
3.15%, 7/30/2008	3,800,000	3,800,000
3.15%, 12/8/2008	3,000,000	3,000,000
Canadian Imperial Bank of Commerce, 2.76%, 7/7/2008	4,000,000	4,000,000
Credit Agricole SA:		
2.7%, 9/2/2008	3,000,000	3,000,000
2.9%, 12/1/2008	3,200,000	3,200,000
Credit Industriel et Commercial:		
2.925%, 7/17/2008	3,000,000	3,000,006
2.985%, 7/3/2008	2,000,000	2,000,000
3.1%, 9/25/2008	4,400,000	4,400,052
Intesa Sanpaolo SpA, 2.8%, 8/7/2008	3,600,000	3,600,000
KBC Bank NV, 2.52%, 7/22/2008	11,250,000	11,250,114
Metropolitan Life Global Funding I, 144A, 3.8%, 1/20/2009	750,000	750,000
Mizuho Corporate Bank Ltd., 2.95%, 7/31/2008	3,000,000	3,000,000
Societe Generale, 2.98%, 7/7/2008	3,000,000	3,000,000
Toronto-Dominion Bank, 2.68%, 8/18/2008	2,000,000	2,000,684
Total Certificates of Deposit and Bank Notes (Cost $62,300,897)		**62,300,897**
Commercial Paper 43.9%		
Issued at Discount 31.6%**		
Abbey National North America LLC, 2.6%, 10/22/2008	7,000,000	6,942,872
AstraZeneca PLC:		
2.26%, 9/29/2008	2,200,000	2,187,570
2.35%, 10/15/2008	3,900,000	3,873,014
Bank of Scotland PLC:		
2.95%, 7/29/2008	3,000,000	2,993,117
2.65%, 8/22/2008	2,000,000	1,992,344
Caisse Nationale des Caisses Depargne et de Prevoyance, 2.96%, 8/12/2008	3,500,000	3,487,913
Chariot Funding LLC:		
2.45%, 7/10/2008	5,400,000	5,396,693
2.5%, 7/10/2008	4,000,000	3,997,500
Citibank Credit Card Issuance Trust, 2.8%, 8/1/2008	4,200,000	4,189,873
General Electric Capital Corp., 2.75%, 9/19/2008	2,000,000	1,987,778
Giro Balanced Funding Corp., 2.95%, 7/30/2008	3,450,000	3,441,802
Gotham Funding Corp.:		
2.58%, 7/14/2008	4,000,000	3,996,273
2.57%, 7/22/2008	2,000,000	1,997,002
2.67%, 8/22/2008	4,000,000	3,984,573
Johnson & Johnson, 2.0%, 9/4/2008	1,250,000	1,245,486
JPMorgan Chase & Co., 2.49%, 9/29/2008	3,300,000	3,279,458
Kellogg Co., 2.75%, 7/17/2008	2,500,000	2,496,944
Liberty Street Funding LLC:		
2.95%, 7/2/2008	3,000,000	2,999,754
3.0%, 7/25/2008	5,000,000	4,990,000
2.65%, 8/25/2008	3,600,000	3,585,425
Nissan Motor Acceptance Corp.:		
2.85%, 7/8/2008	1,500,000	1,499,169
2.85%, 7/10/2008	2,000,000	1,998,575
Novartis Finance Corp., 2.5%, 10/6/2008	3,200,000	3,178,444
Pfizer, Inc., 2.27%, 9/23/2008	3,000,000	2,984,110
Salisbury Receivables Co., LLC, 2.67%, 7/25/2008	3,500,000	3,493,770
Scaldis Capital LLC:		
2.89%, 7/2/2008	2,000,000	1,999,839
2.58%, 7/7/2008	4,400,000	4,398,108
2.65%, 7/14/2008	2,000,000	1,998,086
2.69%, 7/18/2008	1,500,000	1,498,095
2.78%, 7/24/2008	2,500,000	2,495,560
Societe Generale North America, Inc.:		
3.15%, 7/22/2008	2,054,000	2,050,226
3.15%, 10/22/2008	3,000,000	2,970,338
Starbird Funding Corp., 2.6%, 7/2/2008	2,500,000	2,499,819
Toyota Motor Credit Corp.:		
2.25%, 10/3/2008	2,000,000	1,988,250
2.53%, 10/14/2008	4,000,000	3,970,483
Tulip Funding Corp.:		
2.625%, 7/9/2008	1,500,000	1,499,125
2.76%, 7/17/2008	2,245,000	2,242,246
Verizon Communications, Inc., 2.34%, 7/10/2008	1,500,000	1,499,123
Victory Receivables Corp., 2.62%, 8/4/2008	3,605,000	3,596,080
Volkswagen of America, 2.78%, 7/9/2008	2,000,000	1,998,764
Windmill Funding I Corp., 2.64%, 7/17/2008	1,000,000	998,827
		119,922,428
Issued at Par 12.3%		
Cancara Asset Securitisation LLC, 2.52%, 7/1/2008	5,400,000	5,400,000
Giro Balanced Funding Corp.:		
2.835%, 7/1/2008	2,800,000	2,800,000
3.05%, 7/1/2008	8,400,000	8,400,000
Nieuw Amsterdam Receivables Corp., 3.04%, 7/1/2008	10,000,000	10,000,000
Perry Global Funding LLC, 3.64%, 7/1/2008	5,000,000	5,000,000
Romulus Funding Corp., 3.25%, 7/1/2008	5,000,000	5,000,000

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Starbird Funding Corp., 2.75%, 7/1/2008	2,000,000	2,000,000
Windmill Funding I Corp., 2.9%, 7/1/2008	8,000,000	8,000,000
		46,600,000
Total Commercial Paper (Cost $166,522,428)		**166,522,428**

Short-Term Notes* 27.2%

	Principal Amount ($)	Value ($)
Abbey National Treasury Services PLC:		
2.895%, 2/20/2009	2,000,000	2,000,000
2.901%, 4/24/2009	1,500,000	1,500,000
ANZ National (International) Ltd., 144A, 2.915%, 4/10/2009	1,000,000	1,000,000
Australia & New Zealand Banking Group Ltd., 144A, 2.891%, 7/2/2009	2,000,000	2,000,000
Banco Espanol de Credito SA, 2.733%, 8/11/2008	3,700,000	3,700,000
Bank of America NA, 3.208%, 7/2/2009	1,900,000	1,900,000
Bank of Nova Scotia, 3.134%, 5/6/2009	3,300,000	3,300,000
Bank of Scotland PLC, 2.994%, 6/5/2009	1,200,000	1,200,000
BNP Paribas:		
2.481%, 8/25/2008	3,000,000	3,000,000
2.895%, 5/13/2009	1,500,000	1,500,000
Caja de Ahorros y Monte de Piedad de Madrid, 2.967%, 8/12/2008	1,000,000	1,000,000
Commonwealth Bank of Australia, 2.752%, 12/18/2008	1,000,000	999,879
Credit Agricole SA:		
2.771%, 7/21/2008	3,000,000	3,000,000
144A, 3.031%, 7/22/2009	2,500,000	2,500,000
Danske Bank AS, 2.471%, 8/19/2008	3,200,000	3,199,971
DNB NOR Bank ASA, 2.492%, 9/24/2008	9,500,000	9,500,000
Fortis Bank SA, 2.787%, 7/18/2008	3,800,000	3,800,185
General Electric Capital Corp., 2.501%, 8/19/2011	10,000,000	10,000,000
ING Bank NV, 144A, 3.059%, 3/26/2009	750,000	750,000
Intesa Bank Ireland PLC, 2.492%, 8/22/2008	500,000	500,000
Intesa Sanpaolo SpA, 2.976%, 5/13/2009	2,800,000	2,800,000
JPMorgan Chase & Co., 2.723%, 4/3/2009	4,000,000	3,999,846
KBC Bank NV, 2.821%, 12/16/2008	3,500,000	3,500,000
Marshall & Ilsley Bank, 2.481%, 8/14/2008	4,000,000	4,000,000
Metropolitan Life Global Funding I, 144A, 2.96%, 6/9/2009	750,000	750,000
National Australia Bank Ltd.:		
2.918%, 2/19/2009	2,000,000	2,000,000
3.045%, 4/7/2009	1,250,000	1,250,000
Natixis, 2.921%, 4/6/2009	3,000,000	3,000,000
Northern Rock PLC, 2.481%, 8/4/2008	3,500,000	3,500,000
Procter & Gamble International Funding SCA, 2.788%, 2/19/2009	750,000	750,000
Rabobank Nederland NV, 144A, 2.9%, 7/9/2009	2,000,000	2,000,000
Royal Bank of Canada, 144A, 2.871%, 7/15/2009	1,800,000	1,800,000
Royal Bank of Scotland PLC, 2.867%, 7/21/2008	4,000,000	4,000,557
Sanpaolo IMI SpA, 3.264%, 3/5/2009	3,000,000	3,000,000
Skandinaviska Enskilda Banken AB, 2.501%, 8/19/2008	4,000,000	4,000,000
Svenska Handelsbanken AB, 144A, 3.2%, 5/26/2009	1,500,000	1,500,000
UniCredito Italiano Bank (Ireland) PLC:		
2.468%, 8/8/2008	4,000,000	4,000,000
2.501%, 8/14/2008	1,000,000	1,000,000
Total Short-Term Notes (Cost $103,200,438)		**103,200,438**

Asset Backed 0.7%

	Principal Amount ($)	Value ($)
Steers (Delaware) Business Trust, 144A, 2.502%*, 5/27/2048 (Cost $2,906,950)	2,906,950	**2,906,950**

Master Notes 2.1%

	Principal Amount ($)	Value ($)
Citigroup Global Markets, Inc., 2.65%*, 7/1/2008 (a) (Cost $8,000,000)	8,000,000	**8,000,000**

Time Deposit 2.1%

	Principal Amount ($)	Value ($)
BNP Paribas, 2.5%, 7/1/2008 (Cost $8,000,000)	8,000,000	**8,000,000**

Government & Agency Obligations 5.4%

US Government Sponsored Agencies 2.0%

	Principal Amount ($)	Value ($)
Federal Home Loan Bank:		
2.27%*, 4/3/2009	1,200,000	1,200,000
2.35%**, 2/11/2009	1,800,000	1,773,562
2.36%**, 5/12/2009	1,250,000	1,224,188
2.56%**, 11/17/2008	1,500,000	1,485,173
Federal National Mortgage Association, 2.575%**, 11/26/2008	2,000,000	1,978,828
		7,661,751

US Treasury Obligations 3.4%

	Principal Amount ($)	Value ($)
US Treasury Bills:		
1.6%**, 10/23/2008	1,500,000	1,492,400
1.69%**, 11/6/2008	2,500,000	2,484,978
1.85%**, 11/20/2008	1,750,000	1,737,230
2.15%**, 6/4/2009	1,000,000	979,814
2.31%**, 7/2/2009	1,750,000	1,709,126
2.37%**, 6/4/2009	1,400,000	1,368,848
2.42%**, 6/4/2009	1,500,000	1,465,918
US Treasury Note, 4.875%, 5/15/2009	1,500,000	1,534,962
		12,773,276
Total Government & Agency Obligations (Cost $20,435,027)		**20,435,027**

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Value ($)
Repurchase Agreements 1.8%		
JPMorgan Securities, Inc., 2.3%, dated 6/30/2008, to be repurchased at $6,783,254 on 7/1/2008 (b) (Cost $6,782,821)	6,782,821	**6,782,821**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $378,148,561)†	99.6	**378,148,561**
Other Assets and Liabilities, Net	0.4	**1,339,309**
Net Assets	100.0	**379,487,870**

* *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, 2008.*

** *Annualized yield at time of purchase; not a coupon rate.*

† *The cost for federal income tax purposes was $378,148,561.*

(a) *Reset date; not a maturity date.*

(b) *Collateralized by $7,076,934 Federal Home Loan Mortgage Corp., with various coupon rates from 4.5–5.0%, with various maturity dates of 2/1/2019–2/1/2023 with a value of $6,921,620.*

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 following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities. For example, securities held by a money market fund are generally high quality and liquid; however, they are reflected as Level 2 because the securities are valued at amortized cost (which approximates fair value) and accordingly, the inputs used to determine fair value are not quoted prices in an active market. For information on the Portfolio's policy regarding the valuation of investments and of the valuation inputs, and their aggregate level used in the table below, please refer to the Security Valuation section in the accompanying Notes to the Financial Statements.

Valuation Inputs	**Investments in Securities at Value**
Level 1 — Quoted Prices	$ —
Level 2 — Other Significant Observable Inputs	378,148,561
Level 3 — Significant Unobservable Inputs	—
Total	**$ 378,148,561**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investment in securities, valued at amortized cost	$	378,148,561
Cash		35,932
Interest receivable		597,176
Receivable for Portfolio shares sold		2,995,763
Other assets		6,145
Total assets		381,783,577
Liabilities		
Payable for Portfolio shares redeemed		35,975
Payable for investments purchased		1,709,126
Distributions payable		310,049
Accrued management fee		83,308
Other accrued expenses and payables		157,249
Total liabilities		2,295,707
Net assets, at value	**$**	**379,487,870**
Net Assets Consist of		
Distributions in excess of net investment income		(23,878)
Accumulated net realized gain (loss)		(23,219)
Paid-in capital		379,534,967
Net assets, at value	**$**	**379,487,870**
Class A		
Net Asset Value, offering and redemption price per share ($379,434,497 ÷ 379,462,996 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 ($53,373 ÷ 53,287 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, 2008 (Unaudited)

Investment Income		
Income:		
Interest	$	6,611,820
Total income		6,611,820
Expenses:		
Management fee		667,344
Administration fee		60,204
Services to shareholders		829
Custodian fee		14,783
Distribution and service fees (Class B)		10,265
Professional fees		34,369
Record keeping fees (Class B)		4,081
Trustees' fee and expenses		33,029
Reports to shareholders and shareholder meeting		202,368
Other		3,809
Total expenses, before expense reductions		1,031,081
Expense reductions		(21,109)
Total expenses, after expense reductions		1,009,972
Net investment income		**5,601,848**
Net realized gain (loss)		**(23,219)**
Net increase (decrease) in net assets resulting from operations	**$**	**5,578,629**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income	$ 5,601,848	$ 17,547,804
Net realized gain (loss)	(23,219)	15,068
Net increase (decrease) in net assets resulting from operations	5,578,629	17,562,872
Distributions to shareholders from:		
Net investment income:		
Class A	(5,474,506)	(15,932,890)
Class B	(127,342)	(1,617,257)
Total Distributions	$ (5,601,848)	$ (17,550,147)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	126,243,214	266,620,495
Reinvestment of distributions	5,474,506	15,863,609
Cost of shares redeemed	(107,493,475)	(221,020,237)
Net increase (decrease) in net assets from Class A share transactions	24,224,245	61,463,867
Class B		
Proceeds from shares sold	4,057,273	36,113,440
Reinvestment of distributions	127,342	1,612,484
Cost of shares redeemed	(28,384,088)	(71,843,157)
Net increase (decrease) in net assets from Class B share transactions	(24,199,473)	(34,117,233)
Increase (decrease) in net assets	1,553	27,359,359
Net assets at beginning of period	379,486,317	352,126,958
Net assets at end of period (including distributions in excess of net investment income of $23,878 and $23,878, respectively)	**$ 379,487,870**	**$ 379,486,317**

Other Information		
Class A		
Shares outstanding at beginning of period	355,238,751	293,774,884
Shares sold	126,243,214	266,620,495
Shares issued to shareholders in reinvestment of distributions	5,474,506	15,863,609
Shares redeemed	(107,493,475)	(221,020,237)
Net increase (decrease) in Class A shares	24,224,245	61,463,867
Shares outstanding at end of period	**379,462,996**	**355,238,751**
Class B		
Shares outstanding at beginning of period	24,259,126	58,376,359
Shares sold	4,057,273	36,113,440
Shares issued to shareholders in reinvestment of distributions	127,342	1,612,484
Shares redeemed	(28,390,454)	(71,843,157)
Net increase (decrease) in Class B shares	(24,205,839)	(34,117,233)
Shares outstanding at end of period	**53,287**	**24,259,126**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
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	.015	.049	.046	.028	.009	.007
Total from investment operations	.015	.049	.046	.028	.009	.007
Less distributions from:						
Net investment income	(.015)	(.049)	(.046)	(.028)	(.009)	(.007)
Net asset value, end of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Total Return (%)	1.48[b]**	5.00[b]	4.65[b]	2.80	.91	.72
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	379	355	294	235	241	326
Ratio of expenses before expense reductions (%)	.49*	.46	.52	.52	.53	.54
Ratio of expenses after expense reductions (%)	.48*	.45	.51	.52	.53	.54
Ratio of net investment income (%)	3.02*	4.88	4.58	2.77	.88	.73

a *For the six months ended June 30, 2008 (Unaudited).*

b *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
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	.013	.046	.042	.024	.005	.004
Total from investment operations	.013	.046	.042	.024	.005	.004
Less distributions from:						
Net investment income	(.013)	(.046)	(.042)	(.024)	(.005)	(.004)
Net asset value, end of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Total Return (%)	1.30[b]**	4.65[b]	4.25[b]	2.42	.52	.42[b]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.05	24	58	58	53	66
Ratio of expenses before expense reductions (%)	.84*	.82	.90	.89	.91	.93
Ratio of expenses after expense reductions (%)	.83*	.80	.89	.89	.91	.92
Ratio of net investment income (%)	2.67*	4.53	4.20	2.40	.50	.35

a *For the six months ended June 30, 2008 (Unaudited).*

b *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

DWS Small Cap Growth VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

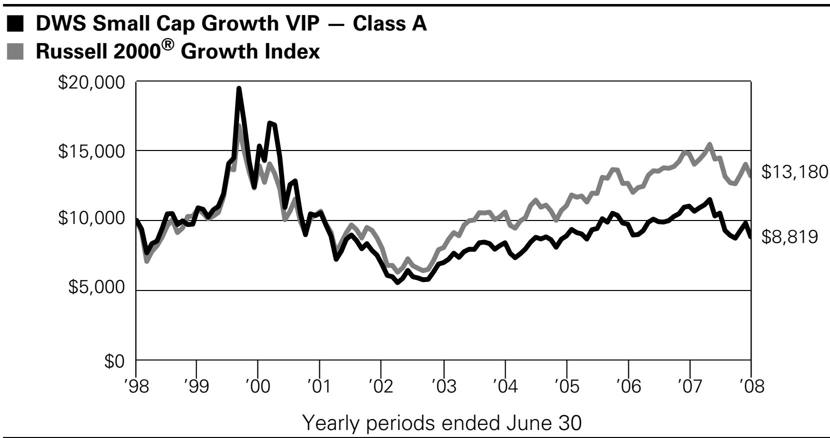
The total annual Portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.75% and 1.00% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

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.

Portfolio returns during the period reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Small Cap Growth VIP



The Russell 2000® Growth Index is an unmanaged, capitalization-weighted index of those securities in the Russell 2000 Index with a higher price-to-book ratio 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.

Comparative Results

DWS Small Cap Growth VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$8,388	$8,005	$9,937	$12,653	$8,819
	Average annual total return	–16.12%	–19.95%	–.21%	4.82%	–1.25%
Russell 2000 Growth Index	Growth of $10,000	$9,107	$8,917	$11,936	$16,375	$13,180
	Average annual total return	–8.93%	–10.83%	6.08%	10.37%	2.80%

DWS Small Cap Growth VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$8,294	$7,898	$9,730	$12,287	$13,046
	Average annual total return	–17.06%	–21.02%	–.91%	4.20%	4.53%
Russell 2000 Growth Index	Growth of $10,000	$9,107	$8,917	$11,936	$16,375	$16,488
	Average annual total return	–8.93%	–10.83%	6.08%	10.37%	8.69%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 838.80	$ 829.40
Expenses Paid per $1,000*	$ 3.79	$ 5.46
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,020.74	$1,018.90
Expenses Paid per $1,000*	$ 4.17	$ 6.02

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Small Cap Growth VIP	.83%	1.20%

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

A turbulent first quarter of 2008 for financial markets led to aggressive easing by the US Federal Reserve Board (the Fed) as well as an agreement by Congress and the President on a $168 billion fiscal stimulus package. During the second quarter, the stock market began to recover and advanced during the months of April and May. However, stocks suffered another reversal in June amid continuing concern over the scope of the credit crisis, concerns of the uncertain future of one-time leaders in the financial and automotive sectors, plus the continued escalation of oil prices. Following a nine-month trail of adjustments to interest rates, the Fed elected to take no action at the most recent Federal Open Market Committee (FOMC) meeting and left the key federal funds target rate unchanged at 2%. (The federal funds rate is the overnight rate banks charge when they borrow money from each other.) Chairman Bernanke is attempting to navigate a tightrope — spurring economic activity while keeping energy-cost-driven inflation in check.

For the six months ended June 30, 2008, the Portfolio returned –16.12% (Class A shares, unadjusted for contract charges), compared with the –8.93% return of the Russell 2000® Growth Index.

During the period, detractors from performance included stock selection in the health care and industrial sectors and an overweight of the information technology sector relative to the benchmark.[1] Positive contributors to performance included stock selection in the consumer discretionary sector. An overweight in the energy sector and an underweight in the telecom services sector compared with the benchmark added to performance.

The largest individual contributors to performance over the six-month period included EXCO Resources, Inc., which explores for oil and natural gas, and Carrizo Oil & Gas, Inc., which explores for and produces natural gas and crude oil. The largest individual detractors from performance included BE Aerospace, Inc., a maker of aircraft seating and cabin interiors, and NightHawk Radiology Holdings, Inc.*, a provider of nighttime and weekend emergency radiology services to radiology groups, clinics and hospitals across the United States.

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.

The Russell 2000 Growth Index is an unmanaged, capitalization-weighted index of those securities in the Russell 2000 Index with a higher price-to-book ratio 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.

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, 2008, the position was sold.*

Portfolio management market commentary is as of June 30, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	98%	98%
Cash Equivalents	2%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/08**	**12/31/07**
Information Technology	28%	29%
Consumer Discretionary	25%	20%
Energy	13%	11%
Industrials	11%	15%
Health Care	11%	13%
Financials	7%	8%
Consumer Staples	4%	2%
Materials	1%	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 167. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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-investments.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, 2008 (Unaudited)

DWS Small Cap Growth VIP

	Shares	Value ($)
Common Stocks 99.1%		
Consumer Discretionary 24.3%		
Diversified Consumer Services 0.8%		
Capella Education Co.*	18,000	**1,073,700**
Hotels Restaurants & Leisure 8.5%		
Buffalo Wild Wings, Inc.* (a)	143,900	3,573,037
McCormick & Schmick's Seafood Restaurants, Inc.*	103,600	998,704
Orient-Express Hotels Ltd. "A"	99,600	4,326,624
Pinnacle Entertainment, Inc.* (a)	109,900	1,152,851
Red Robin Gourmet Burgers, Inc.* (a)	46,400	1,287,136
		11,338,352
Specialty Retail 12.9%		
bebe stores, inc. (a)	211,900	2,036,359
Cabela's, Inc.* (a)	111,600	1,228,716
Children's Place Retail Stores, Inc.*	72,300	2,610,030
Citi Trends, Inc.* (a)	109,400	2,479,004
Guess?, Inc.	191,700	7,179,165
Zumiez, Inc.* (a)	93,800	1,555,204
		17,088,478
Textiles, Apparel & Luxury Goods 2.1%		
Volcom, Inc.*	116,300	**2,783,059**
Consumer Staples 3.8%		
Food Products 1.3%		
Green Mountain Coffee Roasters, Inc.* (a)	46,700	**1,754,519**
Personal Products 2.5%		
American Oriental Bioengineering, Inc.* (a)	327,000	**3,227,490**
Energy 13.0%		
Energy Equipment & Services 5.9%		
Atwood Oceanics, Inc.*	39,100	4,861,694
Dril-Quip, Inc.*	40,900	2,576,700
Tesco Corp.*	13,500	431,325
		7,869,719
Oil, Gas & Consumable Fuels 7.1%		
Carrizo Oil & Gas, Inc.*	59,800	4,071,782
EXCO Resources, Inc.* (a)	99,000	3,654,090
Holly Corp.	44,800	1,654,016
		9,379,888
Financials 7.5%		
Capital Markets 4.3%		
E*TRADE Financial Corp.* (a)	370,300	1,162,742
FCStone Group, Inc.*	38,900	1,086,477
Waddell & Reed Financial, Inc. "A"	99,800	3,493,998
		5,743,217
Diversified Financial Services 1.5%		
Portfolio Recovery Associates, Inc.* (a)	52,670	**1,975,125**
Insurance 1.7%		
eHealth, Inc.* (a)	124,300	**2,195,138**

	Shares	Value ($)
Health Care 10.8%		
Health Care Providers & Services		
Air Methods Corp.*	42,000	1,050,000
Centene Corp.*	80,000	1,343,200
Genoptix, Inc.*	41,000	1,293,550
Gentiva Health Services, Inc.*	76,900	1,464,945
inVentiv Health, Inc.*	96,400	2,678,956
Providence Service Corp.* (a)	162,900	3,438,819
Psychiatric Solutions, Inc.* (a)	48,500	1,835,240
WellCare Health Plans, Inc.*	35,600	1,286,940
		14,391,650
Industrials 10.9%		
Aerospace & Defense 3.3%		
BE Aerospace, Inc.*	125,300	2,918,237
Curtiss-Wright Corp.	30,800	1,377,992
		4,296,229
Commercial Services & Supplies 5.9%		
Heidrick & Struggles International, Inc.	57,400	1,586,536
Hill International, Inc.*	139,300	2,290,092
Huron Consulting Group, Inc.*	56,700	2,570,778
Korn/Ferry International*	90,000	1,415,700
		7,863,106
Electrical Equipment 1.7%		
Baldor Electric Co. (a)	65,900	**2,305,182**
Information Technology 27.5%		
Communications Equipment 2.0%		
Foundry Networks, Inc.* (a)	219,600	**2,595,672**
Electronic Equipment & Instruments 3.4%		
Itron, Inc.* (a)	46,100	**4,533,935**
Internet Software & Services 7.6%		
Bankrate, Inc.* (a)	31,100	1,215,077
DealerTrack Holdings, Inc.* (a)	103,100	1,454,741
Equinix, Inc.* (a)	18,100	1,614,882
LoopNet, Inc.* (a)	243,200	2,748,160
Omniture, Inc.*	80,300	1,491,171
Perficient, Inc.*	156,000	1,506,960
		10,030,991
IT Services 4.1%		
CyberSource Corp.*	205,100	3,431,323
Forrester Research, Inc.*	65,000	2,007,200
		5,438,523
Semiconductors & Semiconductor Equipment 6.1%		
Atheros Communications*	96,500	2,895,000
Cavium Networks, Inc.* (a)	60,700	1,274,700
Netlogic Microsystems, Inc.* (a)	60,600	2,011,920
Tessera Technologies, Inc.*	120,000	1,964,400
		8,146,020
Software 4.3%		
Blackboard, Inc.*	81,700	3,123,391
FalconStor Software, Inc.* (a)	190,300	1,347,324
Informatica Corp.*	83,300	1,252,832
		5,723,547

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Materials 1.3%		
Chemicals		
Flotek Industries, Inc.* (a)	82,400	**1,699,088**
Total Common Stocks (Cost $130,770,555)		**131,452,628**

	Shares	Value ($)
Securities Lending Collateral 33.0%		
Daily Assets Fund Institutional, 2.74% (b) (c) (Cost $43,825,175)	43,825,175	**43,825,175**

	Shares	Value ($)
Cash Equivalents 1.6%		
Cash Management QP Trust, 2.49% (b) (Cost $2,159,590)	2,159,590	**2,159,590**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $176,755,320)	133.7	**177,437,393**
Other Assets and Liabilities, Net (a)	(33.7)	**(44,724,162)**
Net Assets	100.0	**132,713,231**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $176,798,845. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $638,548. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $24,478,633 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $23,840,085.*

(a) *All or a portion of these securities were on loan amounting to $41,749,303. In addition, included in other assets and liabilities, net is a pending sale, amounting to $231,750, that is also on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2008 amounted to $41,981,053 which is 31.6% 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. Income earned by the Portfolio is net of borrower rebates.*

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	**Investments in Securities at Value**
Level 1 — Quoted Prices	$ 177,437,393
Level 2 — Other Significant Observable Inputs	—
Level 3 — Significant Unobservable Inputs	—
Total	**$ 177,437,393**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $130,770,555) — including $41,749,303 of securities loaned	$	131,452,628
Investment in Daily Assets Fund Institutional (cost $43,825,175)*		43,825,175
Investment in Cash Management QP Trust (cost $2,159,590)		2,159,590
Total investments, at value (cost $176,755,320)		177,437,393
Receivable for investments sold		387,096
Dividends receivable		22,056
Interest receivable		63,750
Receivable for Portfolio shares sold		828
Other assets		3,469
Total assets		177,914,592

Liabilities		
Cash overdraft		239,261
Payable for Portfolio shares redeemed		300,673
Payable upon return of securities loaned		43,825,175
Payable for investments purchased		610,240
Accrued management fee		66,704
Other accrued expenses and payables		159,308
Total liabilities		45,201,361
Net assets, at value	**$**	**132,713,231**

Net Assets Consist of		
Accumulated net investment loss		(166,787)
Net unrealized appreciation (depreciation) on investments		682,073
Accumulated net realized gain (loss)		(85,329,996)
Paid-in capital		217,527,941
Net assets, at value	**$**	**132,713,231**
Class A		
Net Asset Value, offering and redemption price per share ($132,691,123 ÷ 10,499,913 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.64**
Class B		
Net Asset Value, offering and redemption price per share ($22,108 ÷ 1,804 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**12.25**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends	$	141,627
Interest — Cash Management QP Trust		44,283
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		339,317
Total Income		525,227
Expenses:		
Management fee		458,699
Administration fee		24,388
Services to shareholders		623
Custodian fee		7,028
Distribution and service fees (Class B)		4,718
Record keeping fees (Class B)		2,687
Professional fees		40,189
Trustees' fees and expenses		20,567
Reports to shareholders and shareholder meeting		150,995
Other		2,854
Total expenses before expense reductions		712,748
Expense reductions		(37,609)
Total expenses after expense reductions		675,139
Net investment income (loss)		**(149,912)**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from investments		2,047,737
Change in net unrealized appreciation (depreciation) on investments		(30,303,763)
Net gain (loss)		**(28,256,026)**
Net increase (decrease) in net assets resulting from operations	**$**	**(28,405,938)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ (149,912)	$ (266,680)
Net realized gain (loss)	2,047,737	29,911,986
Change in net unrealized appreciation (depreciation)	(30,303,763)	(13,909,833)
Net increase (decrease) in net assets resulting from operations	(28,405,938)	15,735,473
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,999,522	7,088,648
Cost of shares redeemed	(16,530,146)	(54,833,999)
Net increase (decrease) in net assets from Class A share transactions	(13,530,624)	(47,745,351)
Class B		
Proceeds from shares sold	210,075	890,860
Cost of shares redeemed	(6,249,671)	(33,397,002)
Net increase (decrease) in net assets from Class B share transactions	(6,039,596)	(32,506,142)
Increase (decrease) in net assets	(47,976,158)	(64,516,020)
Net assets at beginning of period	180,689,389	245,205,409
Net assets at end of period (including accumulated net investment loss of $166,787 and $16,875, respectively)	**$ 132,713,231**	**$ 180,689,389**

Other Information		
Class A		
Shares outstanding at beginning of period	11,529,906	14,686,087
Shares sold	224,589	469,331
Shares redeemed	(1,254,582)	(3,625,512)
Net increase (decrease) in Class A shares	(1,029,993)	(3,156,181)
Shares outstanding at end of period	**10,499,913**	**11,529,906**
Class B		
Shares outstanding at beginning of period	468,018	2,636,495
Shares sold	16,750	59,404
Shares redeemed	(482,964)	(2,227,881)
Net increase (decrease) in Class B shares	(466,214)	(2,168,477)
Shares outstanding at end of period	**1,804**	**468,018**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$15.07**	**$14.19**	**$13.48**	**$12.59**	**$11.34**	**$ 8.53**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.01)	(.01)	(.04)[e]	(.06)	(.05)	(.04)
Net realized and unrealized gain (loss)	(2.42)	.89	.75	.95	1.30	2.85
Total from investment operations	(2.43)	.88	.71	.89	1.25	2.81
Less distributions from:						
Net investment income	—	(.01)	(.04)[e]	(.06)	(.05)	(.04)
Net realized and unrealized gain (loss)	—	.89	.75	.95	1.30	2.85
Total distributions	—	.88	.71	.89	1.25	2.81
Net asset value, end of period	**$12.64**	**$15.07**	**$14.19**	**$13.48**	**$12.59**	**$11.34**
Total Return (%)	(16.12)[c**]	6.20[c]	5.27[c,e]	7.07[d]	11.02	32.94
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	133	174	208	243	210	210
Ratio of expenses before expense reductions (%)	.87*	.75	.73	.72	.71	.69
Ratio of expenses after expense reductions (%)	.83*	.72	.72	.72	.71	.69
Ratio of net investment income (loss) (%)	(.12)*	(.09)	(.32)[e]	(.47)	(.47)	(.41)
Portfolio turnover rate (%)	33**	67	73	94	117	123

a For the six months ended June 30, 2008 (Unaudited).
b Based on average shares outstanding during the period.
c Total return would have been lower had certain expenses been reduced.
d 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.
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 Funds. 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

Class B

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$14.77**	**$13.96**	**$13.32**	**$12.48**	**$11.29**	**$ 8.52**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.04)	(.07)	(.09)[e]	(.11)	(.10)	(.09)
Net realized and unrealized gain (loss)	(2.48)	.88	.73	.95	1.29	2.86
Total from investment operations	(2.52)	.81	.64	.84	1.19	2.77
Less distributions from:						
Net investment income	—	(.01)	(.04)[e]	(.06)	(.05)	(.04)
Net realized and unrealized gain (loss)	—	.89	.75	.95	1.30	2.85
Total distributions	—	.88	.71	.89	1.25	2.81
Net asset value, end of period	**$12.25**	**$14.77**	**$13.96**	**$13.32**	**$12.48**	**$11.29**
Total Return (%)	(17.06)[c**]	5.80[c]	4.80[c,e]	6.73[c,d]	10.54[c]	32.51
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.02	7	37	39	28	15
Ratio of expenses before expense reductions (%)	1.28*	1.13	1.12	1.12	1.10	1.08
Ratio of expenses after expense reductions (%)	1.20*	1.09	1.09	1.09	1.09	1.08
Ratio of net investment income (loss) (%)	(.49)*	(.46)	(.69)[e]	(.84)	(.85)	(.80)
Portfolio turnover rate (%)	33**	67	73	94	117	123

a For the six months ended June 30, 2008 (Unaudited).
b Based on average shares outstanding during the period.
c Total return would have been lower had certain expenses not been reduced.
d 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.
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 Funds. 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

DWS Strategic Income VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

The total annual portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.89% and 1.14% for Class A and Class B 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, 2008.

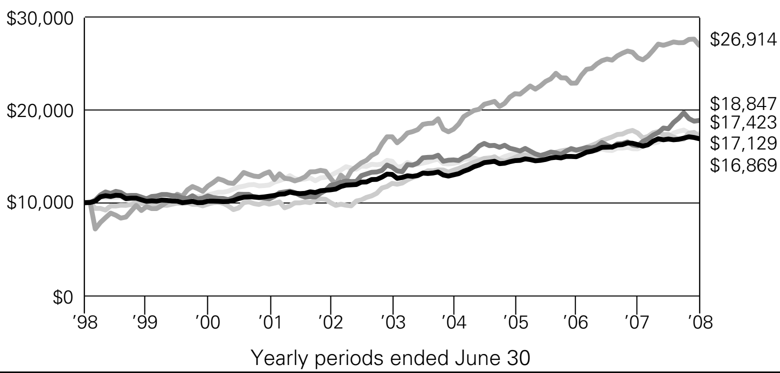
Risk Considerations

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. The Portfolio invests in derivatives seeking to hedge positions in certain securities and to generate income in order to enhance the Portfolio's returns. Derivatives can be more volatile and less liquid than traditional fixed-income securities. Finally, investing in foreign securities presents certain risks, 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.

Portfolio returns for all periods shown reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Strategic Income VIP

- **DWS Strategic Income VIP — Class A**
- **Citigroup World Government Bond Index**
- **JP Morgan Emerging Markets Bond Index Plus**
- **Credit Suisse High Yield Index**
- **Lehman Brothers US Treasury Index**



The Citigroup World Government Bond Index is an unmanaged index comprised of government bonds from 22 developed countries (including the US) with maturities greater than one year. 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 Credit Suisse High Yield Index is an unmanaged, trader-priced portfolio constructed to mirror the global high-yield debt 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.

Index returns, unlike portfolio returns, do not reflect any fees or expenses. It is not possible to invest directly into an index.

Comparative Results

DWS Strategic Income VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$10,018	$10,382	$11,622	$12,941	$16,869
	Average annual total return	.18%	3.82%	5.14%	5.29%	5.37%
Citigroup World Government Bond Index	Growth of $10,000	$10,502	$11,700	$11,991	$13,633	$18,847
	Average annual total return	5.02%	17.00%	6.24%	6.39%	6.54%
JP Morgan Emerging Markets Bond Index Plus	Growth of $10,000	$9,936	$10,516	$12,389	$15,755	$26,914
	Average annual total return	–.64%	5.16%	7.40%	9.52%	10.41%
Credit Suisse High Yield Index	Growth of $10,000	$9,886	$9,788	$11,525	$14,179	$17,129
	Average annual total return	–1.14%	–2.12%	4.84%	7.23%	5.53%
Lehman Brothers US Treasury Index	Growth of $10,000	$10,223	$11,033	$11,442	$12,049	$17,423
	Average annual total return	2.23%	10.33%	4.59%	3.80%	5.71%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

Comparative Results

DWS Strategic Income VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$9,994	$10,340	$11,499	$12,720	$12,975
	Average annual total return	–.06%	3.40%	4.77%	4.93%	5.17%
Citigroup World Government Bond Index	Growth of $10,000	$10,502	$11,700	$11,991	$13,633	$13,994
	Average annual total return	5.02%	17.00%	6.24%	6.39%	6.72%
JP Morgan Emerging Markets Bond Index Plus	Growth of $10,000	$9,936	$10,516	$12,389	$15,755	$16,468
	Average annual total return	–.64%	5.16%	7.40%	9.52%	10.13%
Credit Suisse High Yield Index	Growth of $10,000	$9,886	$9,788	$11,525	$14,179	$14,804
	Average annual total return	–1.14%	–2.12%	4.84%	7.23%	7.89%
Lehman Brothers US Treasury Index	Growth of $10,000	$10,223	$11,033	$11,442	$12,049	$12,320
	Average annual total return	2.23%	10.33%	4.59%	3.80%	4.12%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced offering Class B shares on May 1, 2003. Index returns began on April 30, 2003.*

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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,001.80	$ 999.40
Expenses Paid per $1,000*	$ 4.33	$ 6.06
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,020.54	$1,018.80
Expenses Paid per $1,000*	$ 4.37	$ 6.12

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Strategic Income VIP	.87%	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 first half of the year brought high volatility for the global fixed-income markets, reflecting investors' struggles to weigh the growth-dampening effects of the US credit crisis against the persistent rise in inflation. With this as the backdrop, the Portfolio's Class A shares (unadjusted for contract charges) returned 0.18%. This compares to returns of –0.64% for the JP Morgan Emerging Markets Bond Index Plus, –1.14% for the Credit Suisse High Yield Index, 2.23% for the Lehman Brothers US Treasury Index and 5.02% for the Citigroup World Government Bond Index.

The Portfolio's weightings in investment-grade corporate debt and high-yield bonds weighed on performance amid the environment of elevated investor risk aversion, but we used market turmoil to add to the corporate sector in order to take advantage of higher yields. We also added to the Portfolio's weighting in the developed overseas markets, based on our view that foreign central banks would be compelled to become more aggressive in cutting interest rates. This shift was a positive for performance given that the US market lagged. In the emerging-markets portion of the Portfolio, we continue to focus on the more stable countries in the asset class.

We believe our ability to invest across a wide range of asset classes, geographic regions and yield curve positions provides us with the flexibility to find opportunities or avoid risk.[1] Overall, we seek to add value through a measured approach that emphasizes security selection, a search for value and a long-term view rather than "swinging for the fences."

Gary Sullivan, CFA
Matthew F. MacDonald
Robert Wang
William Chepolis, CFA
Thomas Picciochi

Portfolio Managers, Deutsche Investment Management Americas Inc.

The Citigroup World Government Bond Index is an unmanaged index comprised of government bonds from 22 developed countries, including the US, with maturities greater than one year.

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.

Credit Suisse High Yield Index is an unmanaged, trader-priced portfolio constructed to mirror the global high-yield debt 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.

Index returns, unlike portfolio returns, do not reflect 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 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. When the yield curve is characterized as "steep," this is especially true.*

Portfolio management market commentary is as of June 30, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Government & Agency Obligations	51%	44%
Corporate Bonds	39%	34%
Cash Equivalents	4%	13%
Commercial and Non-Agency Mortgage-Backed Securities	2%	5%
Senior Loans	2%	2%
Sovereign Loans	1%	1%
Asset Backed	1%	1%
Other	—	—
	100%	100%

Quality (Excludes Securities Lending Collateral)	**6/30/08**	**12/31/07**
AAA*	36%	32%
AA	—	1%
A	9%	5%
BBB	7%	7%
BB	18%	20%
B	20%	16%
CCC	5%	4%
Not Rated	5%	15%
	100%	100%

* *Includes cash equivalents*

Interest Rate Sensitivity	**6/30/08**	**12/31/07**
Effective maturity	7.5 years	6.6 years
Average duration	4.8 years	3.5 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 177. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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 38.7%			
Consumer Discretionary 4.9%			
AMC Entertainment, Inc., 8.0%, 3/1/2014		145,000	128,687
American Achievement Corp., 8.25%, 4/1/2012		30,000	29,400
American Achievement Group Holding Corp., 14.75%, 10/1/2012 (PIK) (b)		51,048	46,964
Asbury Automotive Group, Inc.:			
7.625%, 3/15/2017		65,000	52,325
8.0%, 3/15/2014		30,000	25,950
Ashtead Holdings PLC, 144A, 8.625%, 8/1/2015 (b)		120,000	104,400
Burlington Coat Factory Warehouse Corp., 11.125%, 4/15/2014		30,000	24,300
Cablevision Systems Corp., Series B, 7.133%***, 4/1/2009		25,000	25,000
CanWest MediaWorks LP, 144A, 9.25%, 8/1/2015		50,000	40,750
Carrols Corp., 9.0%, 1/15/2013 (b)		30,000	26,100
Charter Communications Holdings LLC, 11.0%, 10/1/2015 (b)		41,000	30,391
Charter Communications Operating LLC, 144A, 10.875%, 9/15/2014		140,000	143,850
Comcast Corp., 6.4%, 5/15/2038		500,000	461,236
Cooper-Standard Automotive, Inc., 7.0%, 12/15/2012 (b)		40,000	33,400
CSC Holdings, Inc.:			
7.25%, 7/15/2008		50,000	50,000
Series B, 7.625%, 4/1/2011		55,000	53,900
Series B, 8.125%, 7/15/2009		55,000	55,412
Series B, 8.125%, 8/15/2009		110,000	110,825
Denny's Holdings, Inc., 10.0%, 10/1/2012		20,000	19,400
DirecTV Holdings LLC, 144A, 7.625%, 5/15/2016		145,000	142,825
Dollarama Group LP, 8.883%***, 8/15/2012		52,000	48,620
EchoStar DBS Corp.:			
6.375%, 10/1/2011		100,000	96,500
6.625%, 10/1/2014		65,000	60,125
7.125%, 2/1/2016		80,000	73,800
Fontainebleau Las Vegas Holdings LLC, 144A, 10.25%, 6/15/2015		65,000	42,250
General Motors Corp.:			
7.2%, 1/15/2011 (b)		200,000	154,000
7.4%, 9/1/2025		40,000	20,600
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015		55,000	53,350
Group 1 Automotive, Inc., 8.25%, 8/15/2013		30,000	28,050
Hanesbrands, Inc., Series B, 6.508%***, 12/15/2014		100,000	93,000
Hertz Corp.:			
8.875%, 1/1/2014		80,000	73,200
10.5%, 1/1/2016 (b)		35,000	31,850
Idearc, Inc., 8.0%, 11/15/2016		230,000	144,612
Indianapolis Downs LLC, 144A, 11.0%, 11/1/2012		40,000	36,400
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014		70,000	49,350
Jarden Corp., 7.5%, 5/1/2017 (b)		50,000	43,500
Kabel Deutschland GmbH, 10.625%, 7/1/2014		75,000	76,687
Lamar Media Corp., Series C, 6.625%, 8/15/2015		40,000	36,400
Liberty Media LLC:			
5.7%, 5/15/2013		10,000	8,962
8.25%, 2/1/2030 (b)		50,000	43,556
8.5%, 7/15/2029 (b)		95,000	84,976
Mediacom Broadband LLC, 8.5%, 10/15/2015 (b)		5,000	4,469
MediMedia USA, Inc., 144A, 11.375%, 11/15/2014		30,000	30,000
MGM MIRAGE:			
6.75%, 9/1/2012		35,000	31,413
8.375%, 2/1/2011 (b)		65,000	62,725
MTR Gaming Group, Inc., Series B, 9.75%, 4/1/2010		95,000	95,000
Norcraft Holdings LP, Step-up Coupon, 0% to 9/1/2008, 9.75% to 9/1/2012 (b)		155,000	144,344
Penske Automotive Group, Inc., 7.75%, 12/15/2016		125,000	109,375
Pinnacle Entertainment, Inc., 8.75%, 10/1/2013 (b)		60,000	60,000
Quebecor Media, Inc., 7.75%, 3/15/2016		40,000	37,200
Quebecor World, Inc., 144A, 9.75%, 1/15/2015**		45,000	21,825
Reader's Digest Association, Inc., 144A, 9.0%, 2/15/2017		50,000	36,500
Sabre Holdings Corp., 8.35%, 3/15/2016		50,000	37,875
Seminole Hard Rock Entertainment, Inc., 144A, 5.276%***, 3/15/2014		65,000	54,600
Shingle Springs Tribal Gaming Authority, 144A, 9.375%, 6/15/2015		50,000	40,625
Simmons Co.:			
Step-up Coupon, 0% to 12/15/2009, 10.0% to 12/15/2014		185,000	135,975
7.875%, 1/15/2014		20,000	17,200
Sinclair Television Group, Inc., 8.0%, 3/15/2012 (b)		29,000	29,218
Sirius Satellite Radio, Inc., 9.625%, 8/1/2013		85,000	68,850
Sonic Automotive, Inc., Series B, 8.625%, 8/15/2013 (b)		55,000	50,875
Station Casinos, Inc., 6.5%, 2/1/2014		120,000	69,000
Travelport LLC:			
7.307%***, 9/1/2014		45,000	36,000
9.875%, 9/1/2014		55,000	48,813
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015 (b)		150,000	93,375
United Components, Inc., 9.375%, 6/15/2013		10,000	9,350
Unity Media GmbH, 144A, 8.75%, 2/15/2015	EUR	100,000	141,307

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
Univision Communications, Inc., 144A, 9.75%, 3/15/2015 (PIK)		45,000	33,075
UPC Holding BV:			
144A, 7.75%, 1/15/2014	EUR	100,000	139,733
144A, 8.0%, 11/1/2016	EUR	50,000	68,685
Vitro SAB de CV:			
9.125%, 2/1/2017		220,000	174,350
11.75%, 11/1/2013		35,000	34,825
Young Broadcasting, Inc., 8.75%, 1/15/2014		275,000	148,500
			4,969,985

Consumer Staples 1.6%

	Principal Amount ($)(a)	Value ($)
Alliance One International, Inc., 8.5%, 5/15/2012	20,000	18,800
Delhaize America, Inc.:		
8.05%, 4/15/2027	20,000	21,581
9.0%, 4/15/2031	132,000	155,391
General Nutrition Centers, Inc., 7.199%***, 3/15/2014 (PIK)	40,000	33,800
Harry & David Holdings, Inc., 7.682%***, 3/1/2012	50,000	44,000
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012	223,000	187,320
Philip Morris International, Inc., 6.375%, 5/16/2038	340,000	331,339
Reynolds American, Inc., 6.75%, 6/15/2017	600,000	596,873
Smithfield Foods, Inc., 7.75%, 7/1/2017	40,000	33,200
Viskase Companies, Inc., 11.5%, 6/15/2011	225,000	195,750
		1,618,054

Energy 5.0%

	Principal Amount ($)(a)	Value ($)
Atlas Energy Resources LLC, 144A, 10.75%, 2/1/2018	115,000	119,600
Belden & Blake Corp., 8.75%, 7/15/2012	310,000	316,975
Bristow Group, Inc., 7.5%, 9/15/2017	70,000	70,175
Chaparral Energy, Inc., 8.5%, 12/1/2015	110,000	95,425
Chesapeake Energy Corp.:		
6.25%, 1/15/2018	35,000	32,200
6.875%, 1/15/2016	170,000	164,050
7.25%, 12/15/2018	110,000	106,975
7.75%, 1/15/2015	25,000	25,938
Cimarex Energy Co., 7.125%, 5/1/2017	45,000	44,213
Delta Petroleum Corp., 7.0%, 4/1/2015	125,000	106,875
Dynegy Holdings, Inc.:		
6.875%, 4/1/2011 (b)	15,000	14,831
8.375%, 5/1/2016	105,000	101,850
El Paso Corp.:		
7.25%, 6/1/2018	90,000	88,650
9.625%, 5/15/2012	50,000	54,221
EXCO Resources, Inc., 7.25%, 1/15/2011	95,000	93,337
Forest Oil Corp., 144A, 7.25%, 6/15/2019	35,000	33,600
Frontier Oil Corp., 6.625%, 10/1/2011	40,000	39,400
GAZ Capital (Gazprom), 144A, 6.51%, 3/7/2022	230,000	206,425
KCS Energy, Inc., 7.125%, 4/1/2012	240,000	230,400
Mariner Energy, Inc.:		
7.5%, 4/15/2013 (b)	60,000	58,200
8.0%, 5/15/2017	95,000	91,913
Newfield Exploration Co., 7.125%, 5/15/2018	90,000	85,275
OPTI Canada, Inc.:		
7.875%, 12/15/2014	90,000	88,875
8.25%, 12/15/2014	160,000	159,200
Pemex Project Funding Master Trust, 144A, 5.75%, 3/1/2018	460,000	454,250
Petrobras International Finance Co., 5.875%, 3/1/2018	95,000	91,385
Petrohawk Energy Corp.:		
144A, 7.875%, 6/1/2015	60,000	58,575
9.125%, 7/15/2013	65,000	66,625
Petronas Capital Ltd., Series REG S, 7.875%, 5/22/2022	115,000	137,181
Plains Exploration & Production Co.:		
7.0%, 3/15/2017	60,000	57,600
7.625%, 6/1/2018 (b)	110,000	110,000
Quicksilver Resources, Inc., 7.125%, 4/1/2016	170,000	158,312
Range Resources Corp., 7.25%, 5/1/2018	10,000	9,925
Sabine Pass LNG LP:		
7.25%, 11/30/2013 (b)	100,000	91,000
7.5%, 11/30/2016	200,000	180,000
SandRidge Energy, Inc., 144A, 8.0%, 6/1/2018	45,000	45,225
Southwestern Energy Co., 144A, 7.5%, 2/1/2018	85,000	87,457
Stone Energy Corp.:		
6.75%, 12/15/2014	105,000	92,137
8.25%, 12/15/2011 (b)	160,000	156,000
Tennessee Gas Pipeline Co., 7.625%, 4/1/2037	45,000	46,835
Whiting Petroleum Corp.:		
7.0%, 2/1/2014	70,000	68,688
7.25%, 5/1/2012	125,000	124,062
7.25%, 5/1/2013	30,000	29,775
Williams Companies, Inc.:		
8.125%, 3/15/2012	180,000	189,000
8.75%, 3/15/2032	265,000	300,775
Williams Partners LP, 7.25%, 2/1/2017	45,000	45,000
		5,028,410

Financials 12.4%

	Principal Amount ($)(a)	Value ($)
Algoma Acquisition Corp., 144A, 9.875%, 6/15/2015	160,000	152,000
Ashton Woods USA LLC, 9.5%, 10/1/2015	145,000	84,100
Buffalo Thunder Development Authority, 144A, 9.375%, 12/15/2014	30,000	20,100
CIT Group, Inc., 5.4%, 2/13/2012	400,000	317,529
Conproca SA de CV, Series REG S, 12.0%, 6/16/2010	267,000	299,040
Ford Motor Credit Co., LLC:		
7.25%, 10/25/2011	125,000	96,870
7.375%, 10/28/2009	690,000	628,438
7.875%, 6/15/2010	205,000	176,947
GMAC LLC, 6.875%, 9/15/2011	765,000	549,708

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		Principal Amount ($)(a)	Value ($)
Hawker Beechcraft Acquisition Co., LLC:			
8.5%, 4/1/2015 (b)		115,000	115,863
8.875%, 4/1/2015 (PIK)		100,000	100,500
9.75%, 4/1/2017 (b)		120,000	120,000
Hexion US Finance Corp., 9.75%, 11/15/2014		35,000	31,675
Inmarsat Finance PLC, Step-up Coupon, 0% to 11/15/2008, 10.375% to 11/15/2012		135,000	136,350
iPayment, Inc., 9.75%, 5/15/2014		45,000	38,025
iStar Financial, Inc., (REIT), 8.625%, 6/1/2013		250,000	228,750
Kreditanstalt fuer Wiederaufbau:			
2.05%, 2/16/2026	JPY	560,000,000	5,111,908
5.0%, 1/4/2009	EUR	2,000,000	3,150,766
Local TV Finance LLC, 144A, 9.25%, 6/15/2015 (PIK)		50,000	39,000
New ASAT (Finance) Ltd., 9.25%, 2/1/2011		90,000	57,600
Residential Capital LLC, 144A, 8.5%, 5/15/2010		50,000	42,000
Rio Tinto Finance (USA) Ltd., 6.5%, 7/15/2018		600,000	601,820
Tropicana Entertainment LLC, 9.625%, 12/15/2014**		150,000	71,250
UCI Holdco, Inc., 10.276%***, 12/15/2013 (PIK)		65,988	56,090
Universal City Development Partners, 11.75%, 4/1/2010		235,000	241,462
			12,467,791

Health Care 1.7%

	Principal Amount ($)(a)	Value ($)
Advanced Medical Optics, Inc., 7.5%, 5/1/2017 (b)	90,000	82,800
Bausch & Lomb, Inc., 144A, 9.875%, 11/1/2015 (b)	80,000	80,400
Boston Scientific Corp., 6.0%, 6/15/2011	75,000	73,313
Community Health Systems, Inc., 8.875%, 7/15/2015 (b)	390,000	392,437
HCA, Inc.:		
9.125%, 11/15/2014	95,000	97,137
9.25%, 11/15/2016	270,000	278,100
9.625%, 11/15/2016 (PIK)	145,000	149,350
HEALTHSOUTH Corp., 10.75%, 6/15/2016 (b)	50,000	53,750
IASIS Healthcare LLC, 8.75%, 6/15/2014	75,000	75,750
Psychiatric Solutions, Inc., 7.75%, 7/15/2015	50,000	49,500
Surgical Care Affiliates, Inc., 144A, 8.875%, 7/15/2015 (PIK)	55,000	48,125
The Cooper Companies, Inc., 7.125%, 2/15/2015 (b)	95,000	91,200
Vanguard Health Holding Co. I LLC, Step-up Coupon, 0% to 10/1/2009, 11.25% to 10/1/2015	75,000	66,000
Vanguard Health Holding Co. II, LLC, 9.0%, 10/1/2014	150,000	148,500
		1,686,362

Industrials 3.4%

	Principal Amount ($)(a)	Value ($)
Actuant Corp., 6.875%, 6/15/2017 (b)	40,000	39,300
Allied Security Escrow Corp., 11.375%, 7/15/2011	85,000	73,100
Allied Waste North America, Inc., 6.5%, 11/15/2010	40,000	40,000
American Color Graphics, Inc., 10.0%, 6/15/2010*	80,000	26,400
American Color Graphics, Inc., Promissory Note due 9/15/2008 (c)	4,800	0
ARAMARK Corp., 6.373%***, 2/1/2015	65,000	60,775
Baldor Electric Co., 8.625%, 2/15/2017 (b)	45,000	45,225
BE Aerospace, Inc., 8.5%, 7/1/2018	105,000	105,262
Belden, Inc., 7.0%, 3/15/2017	45,000	43,200
Bombardier, Inc., 144A, 6.75%, 5/1/2012	100,000	97,750
Browning-Ferris Industries, Inc., 7.4%, 9/15/2035	165,000	156,750
Building Materials Corp. of America, 7.75%, 8/1/2014	65,000	53,300
Cenveo Corp., 144A, 10.5%, 8/15/2016	55,000	54,450
Congoleum Corp., 8.625%, 8/1/2008**	125,000	93,750
DRS Technologies, Inc.:		
6.625%, 2/1/2016	25,000	25,375
6.875%, 11/1/2013	195,000	195,000
7.625%, 2/1/2018	165,000	174,487
Education Management LLC, 8.75%, 6/1/2014	45,000	41,850
Esco Corp., 144A, 8.625%, 12/15/2013	95,000	95,950
General Cable Corp.:		
5.073%***, 4/1/2015	55,000	48,813
7.125%, 4/1/2017 (b)	55,000	52,388
Gibraltar Industries, Inc., Series B, 8.0%, 12/1/2015	45,000	37,575
Great Lakes Dredge & Dock Co., 7.75%, 12/15/2013	50,000	47,375
Harland Clarke Holdings Corp., 9.5%, 5/15/2015	45,000	36,900
K. Hovnanian Enterprises, Inc.:		
8.875%, 4/1/2012	170,000	124,100
144A, 11.5%, 5/1/2013	10,000	10,375
Kansas City Southern de Mexico SA de CV:		
7.375%, 6/1/2014	95,000	92,150
7.625%, 12/1/2013	155,000	150,350
9.375%, 5/1/2012	150,000	156,000
Kansas City Southern Railway Co.:		
7.5%, 6/15/2009	45,000	45,450
8.0%, 6/1/2015	100,000	101,000
Mobile Services Group, Inc., 9.75%, 8/1/2014	65,000	62,400
Moog, Inc., 144A, 7.25%, 6/15/2018	20,000	19,800
Navios Maritime Holdings, Inc., 9.5%, 12/15/2014	75,000	76,687
Ply Gem Industries, Inc., 144A, 11.75%, 6/15/2013	40,000	36,700
R.H. Donnelley Corp., 144A, 8.875%, 10/15/2017	310,000	184,450

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		Principal Amount ($)(a)	Value ($)
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014		13,000	13,813
RBS Global & Rexnord Corp., 9.5%, 8/1/2014		45,000	43,425
Seitel, Inc., 9.75%, 2/15/2014		35,000	31,281
Titan International, Inc., 8.0%, 1/15/2012		195,000	191,100
TransDigm, Inc., 7.75%, 7/15/2014		30,000	29,625
U.S. Concrete, Inc., 8.375%, 4/1/2014 (b)		55,000	48,813
United Rentals North America, Inc.:			
6.5%, 2/15/2012 (b)		125,000	112,500
7.0%, 2/15/2014 (b)		175,000	135,625
Vought Aircraft Industries, Inc., 8.0%, 7/15/2011		35,000	32,550
Xerox Capital Trust I, 8.0%, 2/1/2027		35,000	34,162
			3,377,331

Information Technology 1.2%

		Principal Amount ($)(a)	Value ($)
Alion Science & Technology Corp., 10.25%, 2/1/2015		40,000	28,000
Freescale Semiconductor, Inc., 8.875%, 12/15/2014		160,000	130,000
L-3 Communications Corp.:			
5.875%, 1/15/2015		160,000	147,600
Series B, 6.375%, 10/15/2015		80,000	74,800
7.625%, 6/15/2012		195,000	196,950
Lucent Technologies, Inc., 6.45%, 3/15/2029 (b)		205,000	156,825
MasTec, Inc., 7.625%, 2/1/2017		65,000	55,250
NXP BV / NXP Funding LLC, 7.497%***, 10/15/2013	EUR	100,000	132,254
Sanmina-SCI Corp., 144A, 5.526%***, 6/15/2010		24,000	23,760
Seagate Technology HDD Holdings, 6.8%, 10/1/2016		90,000	82,125
SunGard Data Systems, Inc., 10.25%, 8/15/2015 (b)		135,000	135,675
Vangent, Inc., 9.625%, 2/15/2015		35,000	30,450
			1,193,689

Materials 3.2%

		Principal Amount ($)(a)	Value ($)
Appleton Papers, Inc., Series B, 8.125%, 6/15/2011 (b)		25,000	23,625
ARCO Chemical Co., 9.8%, 2/1/2020		405,000	321,975
AMH Holdings, Inc., Step-up Coupon, 0% to 3/1/2009, 11.25% to 3/1/2014		95,000	62,700
Cascades, Inc., 7.25%, 2/15/2013		140,000	121,800
Chemtura Corp., 6.875%, 6/1/2016		115,000	99,475
Clondalkin Acquisition BV, 144A, 4.776%***, 12/15/2013		75,000	64,875
CPG International I, Inc., 10.5%, 7/1/2013		130,000	108,550
Exopack Holding Corp., 11.25%, 2/1/2014 (b)		160,000	148,400
Freeport-McMoRan Copper & Gold, Inc.:			
8.25%, 4/1/2015		110,000	115,638
8.375%, 4/1/2017		205,000	216,275
GEO Specialty Chemicals, Inc.:			
144A, 10.698%***, 12/31/2009		186,000	139,267
144A, 10.698%***, 3/31/2015		108,691	81,382
144A, 7.5%***, 3/31/2015 (PIK)		1,838	1,376
Georgia-Pacific LLC:			
144A, 7.125%, 1/15/2017		35,000	32,900
9.5%, 12/1/2011		50,000	50,813
Hexcel Corp., 6.75%, 2/1/2015		195,000	189,637
Huntsman LLC, 11.625%, 10/15/2010		243,000	250,897
Innophos, Inc., 8.875%, 8/15/2014		35,000	35,000
Jefferson Smurfit Corp., 8.25%, 10/1/2012		75,000	65,438
Koppers Holdings, Inc., Step-up Coupon, 0% to 11/15/2009, 9.875% to 11/15/2014		130,000	117,650
Metals USA Holdings Corp., 8.698%***, 7/1/2012 (PIK)		35,000	32,200
Millar Western Forest Products Ltd., 7.75%, 11/15/2013		35,000	22,750
Momentive Performance Materials, Inc., 9.75%, 12/1/2014 (b)		105,000	89,775
NewMarket Corp., 7.125%, 12/15/2016		110,000	109,175
NewPage Corp., 10.0%, 5/1/2012 (b)		110,000	111,375
OI European Group BV, 144A, 6.875%, 3/31/2017	EUR	65,000	96,199
Pliant Corp., 11.625%, 6/15/2009 (PIK)		10	10
Radnor Holdings Corp., 11.0%, 3/15/2010**		25,000	31
Smurfit-Stone Container Enterprises, Inc.:			
8.0%, 3/15/2017 (b)		55,000	44,000
8.375%, 7/1/2012		55,000	48,263
Steel Dynamics, Inc.:			
6.75%, 4/1/2015		75,000	71,813
144A, 7.375%, 11/1/2012		20,000	20,000
Terra Capital, Inc., Series B, 7.0%, 2/1/2017		110,000	107,800
The Mosaic Co., 144A, 7.375%, 12/1/2014		85,000	88,825
Witco Corp., 6.875%, 2/1/2026		35,000	22,400
Wolverine Tube, Inc., 10.5%, 4/1/2009		85,000	79,050
			3,191,339

Telecommunication Services 2.4%

		Principal Amount ($)(a)	Value ($)
BCM Ireland Preferred Equity Ltd., 144A, 11.856%***, 2/15/2017 (PIK)	EUR	63,296	59,248
Centennial Communications Corp.:			
10.0%, 1/1/2013		40,000	40,600
10.125%, 6/15/2013		80,000	82,400
Cincinnati Bell, Inc.:			

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		Principal Amount ($)(a)	Value ($)
7.25%, 7/15/2013		100,000	97,500
8.375%, 1/15/2014 (b)		55,000	53,213
Cricket Communications, Inc.:			
9.375%, 11/1/2014		120,000	115,500
144A, 10.0%, 7/15/2015		100,000	98,000
Embratel, Series B, 11.0%, 12/15/2008		20,000	20,700
Grupo Iusacell Celular SA de CV, 10.0%, 3/31/2012		28,848	27,982
Hellas Telecom III, 144A, 8.5%, 10/15/2013	EUR	100,000	133,041
Hellas Telecom V, 144A, 8.247%***, 10/15/2012	EUR	100,000	144,062
Intelsat Subsidiary Holding Co., Ltd., 144A, 8.875%, 1/15/2015		130,000	126,425
iPCS, Inc., 4.998%***, 5/1/2013		35,000	31,500
MetroPCS Wireless, Inc., 9.25%, 11/1/2014 (b)		150,000	144,375
Millicom International Cellular SA, 10.0%, 12/1/2013		265,000	280,900
Nortel Networks Ltd.:			
6.963%***, 7/15/2011		85,000	80,325
144A, 10.75%, 7/15/2016		75,000	74,250
Qwest Corp.:			
7.25%, 9/15/2025		20,000	17,700
7.875%, 9/1/2011 (b)		105,000	105,000
Rural Cellular Corp., 9.875%, 2/1/2010		85,000	86,488
Sprint Nextel Corp., 6.0%, 12/1/2016		55,000	47,300
Stratos Global Corp., 9.875%, 2/15/2013 (b)		30,000	31,725
Telesat Canada, Inc., 144A, 11.0%, 11/1/2015		150,000	150,000
US Unwired, Inc., Series B, 10.0%, 6/15/2012 (b)		110,000	112,475
Virgin Media Finance PLC:			
8.75%, 4/15/2014	EUR	85,000	122,453
8.75%, 4/15/2014 (b)		120,000	112,800
West Corp., 9.5%, 10/15/2014		55,000	49,500
			2,445,462

Utilities 2.9%

		Principal Amount ($)(a)	Value ($)
AES Corp.:			
8.0%, 10/15/2017		100,000	98,000
144A, 8.0%, 6/1/2020		110,000	106,150
144A, 8.75%, 5/15/2013		315,000	326,812
9.5%, 6/1/2009		60,000	61,650
Allegheny Energy Supply Co., LLC, 144A, 8.25%, 4/15/2012		470,000	489,975
CMS Energy Corp., 8.5%, 4/15/2011 (b)		225,000	234,883
Edison Mission Energy, 7.0%, 5/15/2017		85,000	79,475
Energy Future Holdings Corp., 144A, 10.875%, 11/1/2017		150,000	151,500
Intergas Finance BV, Series REG S, 6.875%, 11/4/2011 (b)		375,000	368,906
Knight, Inc., 6.5%, 9/1/2012		30,000	29,250
Mirant Americas Generation LLC, 8.3%, 5/1/2011		130,000	134,225
Mirant North America LLC, 7.375%, 12/31/2013		60,000	59,475
NRG Energy, Inc.:			
7.25%, 2/1/2014		125,000	119,375
7.375%, 2/1/2016		90,000	84,713
Oncor Electric Delivery Co., 7.0%, 9/1/2022		45,000	43,880
Regency Energy Partners LP, 8.375%, 12/15/2013		80,000	81,800
Reliant Energy, Inc., 7.875%, 6/15/2017 (b)		125,000	122,188
Sierra Pacific Resources:			
6.75%, 8/15/2017		105,000	102,020
8.625%, 3/15/2014		25,000	26,208
Texas Competitive Electric Holdings Co., LLC, 144A, 10.25%, 11/1/2015		220,000	215,910
			2,936,395
Total Corporate Bonds (Cost $41,174,230)			**38,914,818**

Commercial and Non-Agency Mortgage-Backed Securities 2.4%

	Principal Amount ($)(a)	Value ($)
Credit Suisse Mortgage Capital Certificates Trust, "A2", Series 2007-C1, 5.268%, 2/15/2040	814,000	794,681
JPMorgan Chase Commercial Mortgage Securities Corp., "F", Series 2004-LN2, 144A, 5.631%***, 7/15/2041	500,000	396,051
Morgan Stanley Capital I Trust, "A4", Series 2007-HQ11, 5.447%, 2/12/2044	500,000	464,370
Wachovia Bank Commercial Mortgage Trust, "A2", Series 2007-C32, 5.924%***, 6/15/2049	780,000	769,112
Total Commercial and Non-Agency Mortgage-Backed Securities (Cost $2,456,382)		**2,424,214**

Asset Backed 0.8%

Credit Card Receivables

	Principal Amount ($)(a)	Value ($)
Washington Mutual Master Note Trust, "C1", Series 2007-C1, 144A, 2.871%***, 5/15/2014 (Cost $954,140)	1,000,000	**838,594**

Government & Agency Obligations 50.1%

Sovereign Bonds 37.0%

		Principal Amount ($)(a)	Value ($)
Aries Vermogensverwaltung GmbH, Series C, REG S, 9.6%, 10/25/2014		250,000	318,385
Dominican Republic, Series REG S, 9.5%, 9/27/2011		198,271	204,219
Federal Republic of Germany:			
Series 06, 4.0%, 7/4/2016	EUR	500,000	753,658
Series 98, 4.125%, 7/4/2008	EUR	1,000,000	1,574,057
Federative Republic of Brazil:			
6.0%, 1/17/2017 (b)		1,560,000	1,590,420
7.125%, 1/20/2037		310,000	342,085
7.875%, 3/7/2015		275,000	308,000
8.75%, 2/4/2025		305,000	381,708
8.875%, 10/14/2019		715,000	895,180

The accompanying notes are an integral part of the financial statements.

		Principal Amount ($)(a)	Value ($)
11.0%, 8/17/2040 (b)		765,000	1,011,712
12.5%, 1/5/2016	BRL	250,000	145,622
Government of Canada, 4.25%, 12/1/2008	CAD	500,000	492,915
Government of Ukraine:			
144A, 6.75%, 11/14/2017		250,000	224,125
Series REG S, 7.65%, 6/11/2013		150,000	145,875
Kingdom of Spain, 3.15%, 1/31/2016	EUR	1,300,000	1,827,964
Province of Quebec, Series PO, 1.6%, 5/9/2013	JPY	450,000,000	4,277,443
Republic of Argentina:			
3.092%***, 8/3/2012 (PIK)		606,250	514,208
5.83%, 12/31/2033 (PIK)	ARS	423	126
Republic of Colombia:			
7.375%, 1/27/2017 (b)		205,000	222,220
8.25%, 12/22/2014		170,000	193,375
10.0%, 1/23/2012 (b)		340,000	393,890
Republic of El Salvador, 144A, 7.65%, 6/15/2035		676,000	699,660
Republic of Ghana, 144A, 8.5%, 10/4/2017		100,000	102,750
Republic of Greece:			
3.6%, 7/20/2016	EUR	1,400,000	1,979,246
4.5%, 9/20/2037	EUR	1,500,000	2,007,236
Republic of Indonesia, 144A, 6.875%, 3/9/2017		440,000	419,100
Republic of Panama:			
7.125%, 1/29/2026		166,000	175,130
9.375%, 1/16/2023		670,000	859,275
Republic of Peru:			
6.55%, 3/14/2037 (b)		470,000	475,875
7.35%, 7/21/2025 (b)		1,140,000	1,271,100
Republic of Philippines:			
7.75%, 1/14/2031 (b)		100,000	103,620
8.0%, 1/15/2016 (b)		640,000	684,800
8.375%, 2/15/2011		25,000	26,500
9.375%, 1/18/2017		175,000	202,563
Republic of Turkey:			
7.0%, 9/26/2016		525,000	502,687
7.25%, 3/15/2015		80,000	78,900
11.75%, 6/15/2010		475,000	529,031
Republic of Uruguay:			
7.625%, 3/21/2036		101,000	103,424
8.0%, 11/18/2022		265,000	282,888
9.25%, 5/17/2017		105,000	127,575
Republic of Venezuela, 10.75%, 9/19/2013		760,000	790,400
Russian Federation, Series REG S, 7.5%, 3/31/2030		1,649,875	1,850,978
Russian Ministry of Finance, Series VII, 3.0%, 5/14/2011		290,000	276,655
Socialist Republic of Vietnam, 144A, 6.875%, 1/15/2016		640,000	608,000
United Kingdom Treasury Bond, 5.75%, 12/7/2009	GBP	3,250,000	6,522,062
United Mexican States:			
5.625%, 1/15/2017 (b)		595,000	601,247
Series A, 6.75%, 9/27/2034		98,000	103,978
			37,201,867

	Principal Amount ($)(a)	Value ($)
US Government Sponsored Agencies 0.7%		
Federal Home Loan Bank, Series HF-15, 7.869%***, 6/26/2015	500,000	477,400
Federal National Mortgage Association, 8.45%***, 2/27/2023	250,000	250,000
		727,400
US Treasury Obligations 12.4%		
US Treasury Bill, 1.08%****, 7/17/2008 (d)	890,000	889,441
US Treasury Bond, 5.25%, 11/15/2028	1,150,000	1,246,582
US Treasury Notes:		
2.0%, 2/28/2010	4,550,000	4,516,940
3.5%, 5/31/2013	3,830,000	3,858,426
3.875%, 5/15/2018	1,950,000	1,933,700
		12,445,089
Total Government & Agency Obligations (Cost $49,838,119)		**50,374,356**

Loan Participations and Assignments 2.9%

	Principal Amount ($)(a)	Value ($)
Senior Loans* 2.1%**		
Advanced Medical Optics, Inc., Term Loan B, LIBOR plus 1.75%, 5.061%, 4/2/2014	29,624	27,329
Algoma Steel, Inc., Term Loan, LIBOR plus 2.5%, 5.811%, 6/30/2013	17,760	16,872
Bausch & Lomb, Inc.:		
Term Delay Draw, LIBOR plus 3.25%, 6.561%, 4/11/2015	12,000	11,775
Term Loan B, LIBOR plus 3.25%, 6.561%, 4/11/2015	79,600	78,113
Buffets, Inc.:		
Letter of Credit, 9.733%, 5/1/2013	59,912	35,398
Term Loan B, 7.74%, 11/1/2013	99,551	58,817
Charter Communications Operations:		
Term Loan, LIBOR plus 2.0%, 5.311%, 3/6/2014	115,000	114,532
Term Loan B, LIBOR plus 3.25%, 6.561%, 4/27/2011	104,738	92,280
Energy Future Holdings Corp.:		
Term Loan B1, LIBOR plus 3.5%, 6.811%, 10/10/2014	462,675	429,480
Term Loan B3, LIBOR plus 3.5%, 6.811%, 10/10/2014	298,500	276,774
General Nutrition Centers, Inc., Term Loan B, LIBOR plus 2.25%, 5.561%, 9/16/2013	29,774	27,541
Golden Nugget, Term Loan, 5.74%, 6/16/2014	55,000	39,050
Hawker Beechcraft, Inc.:		
Letter of Credit, LIBOR plus 2.0%, 5.311%, 3/26/2014	2,405	2,265
Term Loan B, LIBOR plus 2.0%, 5.311%, 3/26/2014	41,265	38,860
HCA, Inc., Term Loan A1, 4.301%, 11/18/2012	162,900	152,861

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)(a)	Value ($)
Hexion Specialty Chemicals:		
Term Loan C1, LIBOR plus 2.25%, 5.611%, 5/5/2013	193,039	176,320
Term Loan C2, LIBOR plus 2.25%, 5.611%, 5/5/2013	51,403	46,951
IASIS Healthcare LLC, 8.131%, 6/15/2014	70,000	62,212
Intelstat Corp., Term Loan, LIBOR plus 9.25%, 12.561%, 8/15/2014	25,000	25,068
Longview Power LLC:		
Demand Draw, 5.063%, 4/1/2014	14,000	12,985
Letter of Credit, 5.063%, 4/1/2014	4,000	3,710
Term Loan B, 5.063%, 4/1/2014	12,000	11,130
NewPage Corp., Term Loan B, LIBOR plus 3.0%, 6.311%, 11/5/2014	14,925	14,854
Sabre, Inc., Term Loan B, LIBOR plus 2.25%, 5.561%, 9/30/2014	48,590	40,047
Symbion, Inc.:		
Term Loan A, 6.149%, 8/23/2013	23,713	21,282
Term Loan B, 6.149%, 8/23/2014	23,713	21,282
Telesat Canada, Inc.:		
Term Loan, 5.9%, 9/1/2014	35,431	34,245
Term Loan B, LIBOR plus 3.0%, 6.311%, 10/31/2014	110,442	106,746
Tribune Co., Term Loan B, 5.482%, 5/24/2014	89,100	68,050
		2,046,829

Sovereign Loans 0.8%

	Principal Amount ($)(a)	Value ($)
Credit Suisse (City of Kyiv Ukraine), 144A, 8.25%, 11/26/2012	630,000	641,812
CSFB International (Exim Ukraine), 6.8%, 10/4/2012	205,000	188,805
		830,617
Total Loan Participations and Assignments (Cost $3,049,042)		**2,877,446**

Warrants 0.0%

	Shares	Value ($)
Dayton Superior Corp., 144A, Expiration Date 6/15/2009*	10	0
New ASAT (Finance) Ltd., Expiration Date 2/1/2011*	15,600	3,083
Total Warrants (Cost $0)		**3,083**

Other Investments 0.1%

	Units	Value ($)
Hercules, Inc., (Bond Unit), 6.5%, 6/30/2029 (Cost $67,308)	85,000	**69,700**

Common Stocks 0.0%

	Shares	Value ($)
GEO Specialty Chemicals, Inc.* (Cost $19,822)	2,058	**1,749**

Convertible Preferred Stock 0.0%

Consumer Discretionary

	Shares	Value ($)
ION Media Networks, Inc.:		
144A, 12.0%*	10,000	65
Series AI, 144A, 12.0%*	20,000	130
Total Convertible Preferred Stocks (Cost $4,191)		**195**

Securities Lending Collateral 9.1%

	Shares	Value ($)
Daily Assets Fund Institutional, 2.74% (e) (f) (Cost $9,166,123)	9,166,123	**9,166,123**

Cash Equivalents 4.2%

	Shares	Value ($)
Cash Management QP Trust, 2.49% (e) (Cost $4,271,307)	4,271,307	**4,271,307**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $111,000,664)†	108.3	**108,941,585**
Other Assets and Liabilities, Net	(8.3)	**(8,370,895)**
Net Assets	100.0	**100,570,690**

* *Non-income producing security.*

** *Non-income producing security. Issuer has defaulted on the payment of principal or 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	125,000	USD	105,994	93,750
Quebecor World, Inc.	9.75%	1/15/2015	45,000	USD	45,000	21,825
Radnor Holdings Corp.	11.0%	3/15/2010	25,000	USD	17,152	31
Tropicana Entertainment LLC	9.625%	12/15/2014	150,000	USD	122,979	71,250
					291,125	**186,856**

*** *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, 2008.*

**** *Annualized yield at time of purchase; not a coupon rate.*

The accompanying notes are an integral part of the financial statements.

† The cost for federal income tax purposes was $111,088,908. At June 30, 2008, net unrealized depreciation for all securities based on tax cost was $2,147,323. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $1,413,110 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,560,433.

(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, 2008 amounted to $8,760,870 which is 8.7% of net assets.*

(c) *Security issued in lieu of interest payment due 12/15/2007, which has been deferred until 9/15/2008. This security is deemed to be non-income producing.*

(d) *At June 30, 2008, this security has been pledged, in whole or in part, to cover initial margin requirements for open future contracts.*

(e) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(f) *Represents collateral held in connection with securities lending. Income earned by the Portfolio is net of borrower rebates.*

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, 2008, the Portfolio had unfunded loan commitments of $11,703 which could be extended at the option of the borrower, pursuant to the following loan agreement:

Borrower	Unfunded Loan Commitment ($)	Value ($)	Unrealized Depreciation ($)
Bausch & Lomb, Inc., Term Delay Draw, 4/11/2015	7,980	7,851	(129)
Telesat Canada, Inc., Term Loan B, 10/31/2014	3,723	3,653	(70)
Total	**11,703**	**11,504**	**(199)**

At June 30, 2008, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Australian Treasury Bond	9/15/2008	1	90,734	92,722	1,988
10 Year Canadian Government Bond	9/19/2008	34	3,940,172	3,916,819	(23,353)
10 Year US Treasury Note	9/19/2008	119	13,562,802	13,556,703	(6,099)
United Kingdom Treasury Bond	9/26/2008	34	7,183,981	7,069,591	(114,390)
Total net unrealized depreciation					**(141,854)**

At June 30, 2008, open futures contracts sold were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value ($)	Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Federal Republic of Germany Bond	9/8/2008	77	13,507,959	13,404,703	103,256
10 Year Japanese Government Bond	9/10/2008	7	8,856,841	8,929,227	(72,386)
Total net unrealized appreciation					**30,870**

At June 30, 2008, open credit default swap contracts sold were as follows:

Effective/Expiration Date	Notional Amount ($)	Cash Flows Received by the Portfolio	Underlying Debt Obligation	Unrealized Appreciation/ (Depreciation) ($)
10/3/2007–12/20/2008	50,000[1]	Fixed — 3.2%	General Motors Corp., 7.125%, 7/15/2013	(1,269)
10/4/2007–12/20/2008	55,000[2]	Fixed — 2.6%	General Motors Corp., 7.125%, 7/15/2013	(1,717)
10/23/2007–12/20/2008	100,000[3]	Fixed — 3.0%	General Motors Corp., 7.125%, 7/15/2013	(2,732)
10/4/2007–12/20/2008	50,000[4]	Fixed — 3.1%	Ford Motor Co., 6.5%, 8/1/2018	(889)
10/5/2007–12/20/2008	30,000[1]	Fixed — 3.15%	Ford Motor Co., 6.5%, 8/1/2018	(519)
10/23/2007–12/20/2008	110,000[3]	Fixed — 3.4%	Ford Motor Co., 6.5%, 8/1/2018	(1,634)
11/21/2007–12/20/2008	55,000[5]	Fixed — 4.02%	Tenet Healthcare Corp., 7.375%, 2/1/2013	1,627
2/19/2008–3/20/2009	190,000[5]	Fixed — 3.8%	HCA, Inc., 7.7%, 3/20/2009	5,018
2/26/2008–3/20/2009	150,000[5]	Fixed — 5.0%	Tenet Healthcare Corp., 7.375%, 2/1/2013	5,734
10/23/2007–12/20/2009	55,000[5]	Fixed — 4.65%	Ford Motor Co., 6.5%, 8/1/2018	(5,516)
12/11/2007–12/20/2009	60,000[5]	Fixed — 5.05%	Ford Motor Co., 6.5%, 8/1/2018	(3,594)
Total net unrealized depreciation				**(5,491)**

The accompanying notes are an integral part of the financial statements.

At June 30, 2008, open credit default swap contracts purchased were as follows:

Effective/Expiration Date	Notional Amount ($)	Cash Flows Paid by the Portfolio	Underlying Debt Obligation	Unrealized Appreciation ($)
5/6/2008–6/20/2013	50,000[5]	Fixed — 7.25%	Arco Chemical Co., 9.8%, 2/1/2020	**1,793**

Counterparty:

1 *JP Morgan Chase Securities, Inc.*

2 *Citigroup Global Markets, Inc.*

3 *Morgan Stanley Co., Inc.*

4 *Goldman Sachs & Co.*

5 *Merrill Lynch, Pierce, Fenner & Smith, Inc.*

At June 30, 2008, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)
CAD	5,780	USD	5,724	7/2/2008	56
USD	20,756	EUR	13,300	7/11/2008	172
USD	278,386	JPY	30,000,000	7/14/2008	4,352
CAD	21,000	USD	20,646	9/17/2008	73
USD	4,113,522	EUR	2,668,000	9/17/2008	70,375
USD	1,363,823	JPY	145,539,000	9/17/2008	12,653
USD	7,908,240	NOK	41,213,000	9/17/2008	120,217
USD	9,563,706	SGD	13,070,000	9/17/2008	77,926
Total unrealized appreciation					**285,824**

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)
EUR	704,000	USD	1,083,205	7/11/2008	(24,553)
GBP	2,400,000	USD	4,676,326	7/14/2008	(96,056)
AUD	3,788,000	USD	3,540,985	9/17/2008	(53,284)
CHF	3,594,000	USD	3,459,861	9/17/2008	(60,756)
GBP	1,016,000	USD	1,976,628	9/17/2008	(35,004)
SEK	4,427,000	USD	730,046	9/17/2008	(1,874)
Total unrealized depreciation					**(271,527)**

Currency Abbreviations

ARS	Argentina Peso	CHF	Swiss Franc	NOK	Norwegian Krone
AUD	Australian Dollar	EUR	Euro	SEK	Swedish Krona
BRL	Brazilian Real	GBP	British Pound	SGD	Singapore Dollar
CAD	Canadian Dollar	JPY	Japanese Yen	USD	United States Dollar

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	Investments in Securities at Value	Net Unrealized Depreciation on Other Financial Instruments††
Level 1 — Quoted Prices	$ 13,437,430	$ (110,984)
Level 2 — Other Significant Observable Inputs	94,952,223	10,400
Level 3 — Significant Unobservable Inputs	551,932	—
Total	**$ 108,941,585**	**$ (100,584)**

†† *Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as futures contracts, forward foreign currency exchange contracts, unfunded loan commitments and credit default swap contracts, which are valued at the unrealized appreciation/depreciation on the instrument.*

The following is a reconciliation of the Portfolio's assets in which significant unobservable inputs (Level 3) were used in determining fair value at June 30, 2008:

	Investments in Securities at Market Value
Balance as of January 1, 2008	$ 76,475
Total realized gains or losses	—
Change in unrealized appreciation (depreciation)	(24,692)
Amortization Premium/Discount	149
Net purchases (sales)	500,000
Net transfers in (out) of Level 3	—
Balance as of June 30, 2008	**$ 551,932**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $97,563,234) — including $8,760,870 of securities loaned	$	95,504,155
Investment in Daily Assets Fund Institutional (cost $9,166,123)*		9,166,123
Investment in Cash Management QP Trust (cost $4,271,307)		4,271,307
Total investments, at value (cost $111,000,664)		108,941,585
Foreign currency, at value (cost $197,274)		226,509
Receivable for investments sold		88,465
Interest receivable		1,567,686
Receivable for Portfolio shares sold		48,803
Net receivable on closed forward currency exchange contracts		14,442
Open credit default swap contract receivable		3,851
Foreign taxes recoverable		1,011
Unrealized appreciation on forward foreign currency exchange contracts		285,824
Other assets		1,838
Total assets		111,180,014
Liabilities		
Cash overdraft		261,580
Payable upon return of securities loaned		9,166,123
Payable for investments purchased		421,330
Payable for Portfolio shares redeemed		320,821
Payable for variation margin on open futures contracts		16,466
Unrealized depreciation on forward foreign currency exchange contracts		271,527
Unrealized depreciation on credit default swap contracts		3,698
Unrealized depreciation on unfunded loan commitments		199
Accrued management fee		36,208
Other accrued expenses and payables		111,372
Total liabilities		10,609,324
Net assets, at value	**$**	**100,570,690**
Net Assets Consist of		
Undistributed net investment income		2,736,300
Net unrealized appreciation (depreciation) on:		
Investments		(2,059,079)
Unfunded loan commitments		(199)
Credit default swaps		(3,698)
Futures		(110,984)
Foreign currency		78,683
Accumulated net realized gain (loss)		(180,334)
Paid-in capital		100,110,001
Net assets, at value	**$**	**100,570,690**
Class A		
Net Asset Value, offering and redemption price per share ($100,519,944 ÷ 9,249,896 outstandin g shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.87**
Class B		
Net Asset Value, offering and redemption price per share ($50,746 ÷ 4,675 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.85**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Interest	$	2,859,524
Interest — Cash Management QP Trust		215,915
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		30,260
Total Income		3,105,699
Expenses:		
Management fee		332,483
Administration fee		17,546
Services to shareholders		235
Custodian fee		10,337
Distribution and service fees (Class B)		7,057
Legal fees		10,542
Audit fees		29,859
Record keeping fees (Class B)		2,761
Trustees' fees and expenses		18,203
Reports to shareholders and shareholder meeting		58,753
Other		20,455
Total expenses before expense reductions		508,231
Expense reductions		(9,801)
Total expenses after expense reductions		498,430
Net investment income (loss)		**2,607,269**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		30,642
Credit default swaps		11,513
Futures		(89,794)
Foreign currency		(142,271)
Payments by affiliates (see Note I)		81
		(189,829)
Change in net unrealized appreciation (depreciation) on:		
Investments		(2,259,645)
Unfunded loan commitments		(178)
Credit default swaps		279
Futures		(249,788)
Foreign currency		202,361
		(2,306,971)
Net gain (loss)		**(2,496,800)**
Net increase (decrease) in net assets resulting from operations	**$**	**110,469**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income	$ 2,607,269	$ 5,848,274
Net realized gain (loss)	(189,829)	2,363,743
Change in net unrealized appreciation (depreciation)	(2,306,971)	(2,405,723)
Net increase (decrease) in net assets resulting from operations	110,469	5,806,294
Distributions to shareholders from:		
Net investment income:		
Class A	(6,041,956)	(5,451,249)
Class B	(489,657)	(1,430,805)
Net realized gains:		
Class A	(1,320,099)	—
Class B	(114,923)	—
Total distributions	(7,966,635)	(6,882,054)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	15,684,577	27,023,346
Reinvestment of distributions	7,362,055	5,451,249
Cost of shares redeemed	(15,399,119)	(17,567,946)
Net increase (decrease) in net assets from Class A share transactions	7,647,513	14,906,649
Class B		
Proceeds from shares sold	755,481	2,524,276
Reinvestment of distributions	604,580	1,430,805
Cost of shares redeemed	(9,329,089)	(19,503,873)
Net increase (decrease) in net assets from Class B share transactions	(7,969,028)	(15,548,792)
Increase (decrease) in net assets	(8,177,681)	(1,717,903)
Net assets at beginning of period	108,748,371	110,466,274
Net assets at end of period (including undistributed net investment income of $2,736,300 and $6,660,644, respectively)	**$ 100,570,690**	**$ 108,748,371**

Other Information		
Class A		
Shares outstanding at beginning of period	8,561,326	7,267,545
Shares sold	1,389,833	2,337,780
Shares issued to shareholders in reinvestment of distributions	674,181	483,267
Shares redeemed	(1,375,444)	(1,527,266)
Net increase (decrease) in Class A shares	688,570	1,293,781
Shares outstanding at end of period	**9,249,896**	**8,561,326**
Class B		
Shares outstanding at beginning of period	737,068	2,104,567
Shares sold	66,046	219,518
Shares issued to shareholders in reinvestment of distributions	55,517	127,295
Shares redeemed	(853,956)	(1,714,312)
Net increase (decrease) in Class B shares	(732,393)	(1,367,499)
Shares outstanding at end of period	**4,675**	**737,068**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$11.70**	**$11.80**	**$11.50**	**$12.25**	**$11.82**	**$11.10**
Income (loss) from investment operations:						
Net investment income[b]	.27	.63	.62	.65	.58	.41
Net realized and unrealized gain (loss)	(.26)	(.01)	.36	(.39)	.39	.47
Total from investment operations	.01	.62	.98	.26	.97	.88
Less distributions from:						
Net investment income	(.69)	(.72)	(.57)	(.98)	—	(.15)
Net realized gains	(.15)	—	(.11)	(.03)	(.54)	(.01)
Total distributions	(.84)	(.72)	(.68)	(1.01)	(.54)	(.16)
Net asset value, end of period	**$10.87**	**$11.70**	**$11.80**	**$11.50**	**$12.25**	**$11.82**
Total Return (%)	.18[c]**	5.43[c]	8.98	2.38	8.60	7.85
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	101	100	86	71	62	62
Ratio of expenses before expense reductions (%)	.88*	.84	.85	.88	.84	.83
Ratio of expenses after expense reductions (%)	.87*	.83	.85	.88	.84	.83
Ratio of net investment income (loss) (%)	4.90*	5.50	5.47	5.61	4.99	3.60
Portfolio turnover rate (%)	90**	147	143	120	210	160

a *For the six months ended June 30, 2008 (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,	2008[a]	2007	2006	2005	2004	2003[b]
Selected Per Share Data						
Net asset value, beginning of period	**$11.64**	**$11.74**	**$11.44**	**$12.17**	**$11.78**	**$11.44**
Income (loss) from investment operations:						
Net investment income[c]	.25	.59	.59	.61	.53	.17
Net realized and unrealized gain (loss)	(.24)	(.01)	.35	(.38)	.40	.17
Total from investment operations	.01	.58	.94	.23	.93	.34
Less distributions from:						
Net investment income	(.65)	(.68)	(.53)	(.93)	—	—
Net realized gains	(.15)	—	(.11)	(.03)	(.54)	—
Total distributions	(.80)	(.68)	(.64)	(.96)	(.54)	—
Net asset value, end of period	**$10.85**	**$11.64**	**$11.74**	**$11.44**	**$12.17**	**$11.78**
Total Return (%)	(.06)[d]**	5.07[d]	8.75[d]	1.92[d]	8.27	2.97**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.05	9	25	26	21	8
Ratio of expenses before expense reductions (%)	1.24*	1.21	1.24	1.25	1.22	1.26*
Ratio of expenses after expense reductions (%)	1.22*	1.20	1.18	1.21	1.22	1.26*
Ratio of net investment income (loss) (%)	4.55*	5.13	5.14	5.28	4.61	1.80*
Portfolio turnover rate (%)	90**	147	143	120	210	160

a *For the six months ended June 30, 2008 (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*

DWS Technology VIP

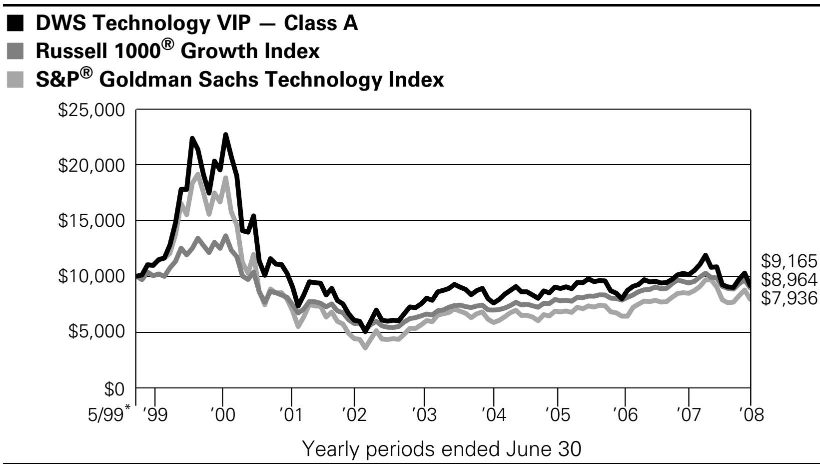
All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less than their original 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 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. While all share classes have the same underlying portfolio, their performance will differ.

The total annual Portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.91% and 1.29% for Class A and Class B 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, 2008.

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. 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.

Growth of an Assumed $10,000 Investment in DWS Technology VIP from 5/1/1999 to 6/30/2008



The Russell 1000® Growth Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values.

The S&P® Goldman Sachs Technology Index is an unmanaged capitalization-weighted index based on a universe of technology-related stocks.

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

DWS Technology VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$8,459	$8,934	$10,774	$12,757	$9,165
	Average annual total return	–15.41%	–10.66%	2.52%	4.99%	–.95%
Russell 1000 Growth Index	Growth of $10,000	$9,094	$9,404	$11,880	$14,239	$8,964
	Average annual total return	–9.06%	–5.96%	5.91%	7.32%	–1.19%
S&P Goldman Sachs Technology Index	Growth of $10,000	$8,784	$9,304	$12,325	$14,875	$7,936
	Average annual total return	–12.16%	–6.96%	7.22%	8.27%	–2.49%

DWS Technology VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class**
Class B	Growth of $10,000	$8,443	$8,908	$10,659	$12,537	$14,084
	Average annual total return	–15.57%	–10.92%	2.15%	4.63%	5.88%
Russell 1000 Growth Index	Growth of $10,000	$9,094	$9,404	$11,880	$14,239	$14,658
	Average annual total return	–9.06%	–5.96%	5.91%	7.32%	6.58%
S&P Goldman Sachs Technology Index	Growth of $10,000	$8,784	$9,304	$12,325	$14,875	$16,155
	Average annual total return	–12.16%	–6.96%	7.22%	8.27%	8.31%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced operations on May 1, 1999. Index returns began on April 30, 1999.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 845.00	$ 844.30
Expenses Paid per $1,000*	$ 4.68	$ 6.28
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,019.79	$1,018.05
Expenses Paid per $1,000*	$ 5.12	$ 6.87

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Technology VIP	1.02%	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 Technology VIP

Technology stocks produced a negative return in the first half of the year, reflecting investors' concerns that slower economic growth would lead to reduced spending by both consumers and businesses. The Russell 1000® Growth Index, the Portfolio's primary benchmark, had a total return of –9.06%. The S&P® Goldman Sachs Technology Index — the Portfolio's secondary benchmark — had a total return of –12.16% during the semiannual period, slightly underperforming the –11.91% return of the Standard and Poor's 500® (S&P 500) Index. The Class A shares of DWS Technology VIP (unadjusted for contract charges) returned –15.41%.

We added the most value in the IT services group, where our approach is to hold a smaller number of positions to focus on our highest-conviction holdings. Top performers in the sector were Visa, Inc., which we purchased at its initial public offering on March 19, and Global Payments, Inc., a transaction processing company that reported strong earnings results. We also generated positive returns in semiconductors, where the top positions were MKS Instruments, Inc., Microchip Technology, Inc. and Atheros Communications, Inc., and in software, where the Portfolio benefited from an underweight in Microsoft Inc.[1] These positives were offset by positions in the hardware, Internet and communications equipment subsectors. The most notable shortfall from an individual position was an underweight in International Business Machines Corp., which performed very well despite the difficult market environment.

We remain cautious in our overall outlook. We believe much of the technology sector's performance in the coming months is likely to be determined by macroeconomic indicators and the direction of analysts' revisions to earnings estimates. However, we welcome volatility as an opportunity to purchase discounted shares in companies whose strong organic growth and/or geographic diversification helps insulate their earnings from broader trends in the global economy.

Kelly P. Davis
Portfolio Manager
Deutsche Investment Management Americas Inc.

The Russell 1000 Growth Index is an unmanaged index that consists of those stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values.

The S&P 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.

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.*

Portfolio management market commentary is as of June 30, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	99%	99%
Cash Equivalents	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/08**	**12/31/07**
Information Technology:		
Communications Equipment	21%	16%
Semiconductors & Semiconductor Equipment	21%	16%
Software	18%	21%
Computers & Peripherals	15%	24%
Internet Software & Services	13%	14%
IT Services	7%	5%
Electronic Equipment & Instruments	1%	2%
Industrials	2%	1%
Consumer Discretionary	2%	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 193. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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-investments.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 Technology VIP

	Shares	Value ($)
Common Stocks 98.0%		
Consumer Discretionary 1.7%		
Media		
Focus Media Holding Ltd. (ADR)* (a)	34,200	948,024
Grupo Televisa SA (ADR)	44,100	1,041,642
		1,989,666
Financials 0.6%		
Real Estate Investment Trusts		
DuPont Fabros Technology, Inc. (REIT) (a)	38,000	**708,320**
Industrials 1.9%		
Commercial Services & Supplies 0.9%		
Manpower, Inc.	18,500	**1,077,440**
Electrical Equipment 1.0%		
First Solar, Inc.* (a)	2,800	763,896
Yingli Green Energy Holding Co., Ltd. (ADR)* (a)	26,700	425,064
		1,188,960
Information Technology 93.8%		
Communications Equipment 20.8%		
Ciena Corp.* (a)	62,500	1,448,125
Cisco Systems, Inc.*	167,900	3,905,354
F5 Networks, Inc.* (a)	25,600	727,552
Foundry Networks, Inc.*	159,900	1,890,018
Infinera Corp.* (a)	29,200	257,544
Juniper Networks, Inc.* (a)	138,600	3,074,148
NICE Systems Ltd. (ADR)*	40,800	1,206,456
Nokia Oyj (ADR)	67,900	1,663,550
Nortel Networks Corp.*	15,905	130,739
Polycom, Inc.*	122,900	2,993,844
QUALCOMM, Inc.	84,116	3,732,227
Research In Motion Ltd.*	19,400	2,267,860
Riverbed Technology, Inc.* (a)	16,900	231,868
Sonus Networks, Inc.* (a)	256,400	876,888
		24,406,173
Computers & Peripherals 14.5%		
Apple, Inc.*	27,700	4,638,088
Asustek Computer, Inc.	270,309	730,246
Dell, Inc.*	64,400	1,409,072
EMC Corp.*	76,200	1,119,378
Hewlett-Packard Co.	61,200	2,705,652
International Business Machines Corp.	34,000	4,030,020
SanDisk Corp.*	22,700	424,490
Seagate Technology (a)	43,800	837,894
Synaptics, Inc.* (a)	29,600	1,116,808
		17,011,648
Electronic Equipment & Instruments 1.3%		
Hon Hai Precision Industry Co., Ltd.	311,240	**1,530,674**
Internet Software & Services 12.6%		
Akamai Technologies, Inc.* (a)	57,700	2,007,383
eBay, Inc.*	71,200	1,945,896
Google, Inc. "A"*	13,300	7,001,386
SINA Corp.* (a)	14,100	599,955
Yahoo!, Inc.*	158,800	3,280,808
		14,835,428
IT Services 6.8%		
Cognizant Technology Solutions Corp. "A"*	53,500	1,739,285
Fiserv, Inc.*	29,200	1,324,804
Global Payments, Inc.	67,500	3,145,500
Visa, Inc. "A"*	22,100	1,796,951
		8,006,540
Semiconductors & Semiconductor Equipment 20.1%		
Advanced Semiconductor Engineering, Inc.	1,153,671	1,036,128
Applied Materials, Inc.	29,900	570,791
ASML Holding NV (NY Registered Shares)	32,300	788,120
Atheros Communications* (a)	32,700	981,000
Broadcom Corp. "A"*	37,800	1,031,562
Cymer, Inc.* (a)	17,900	481,152
FormFactor, Inc.* (a)	22,600	416,518
Integrated Device Technology, Inc.*	55,700	553,658
Intel Corp.	283,289	6,085,048
Intersil Corp. "A"	36,800	894,976
KLA-Tencor Corp. (a)	22,200	903,762
MediaTek, Inc.	58,700	675,939
MEMC Electronic Materials, Inc.*	9,100	560,014
Microchip Technology, Inc. (a)	57,900	1,768,266
Microsemi Corp.* (a)	29,800	750,364
MKS Instruments, Inc.*	26,900	589,110
National Semiconductor Corp. (a)	67,700	1,390,558
NVIDIA Corp.*	61,050	1,142,856
PMC-Sierra, Inc.* (a)	103,200	789,480
Taiwan Semiconductor Manufacturing Co., Ltd. (ADR)	59,706	651,392
Texas Instruments, Inc.	31,200	878,592
Varian Semiconductor Equipment Associates, Inc.* (a)	20,900	727,738
		23,667,024
Software 17.7%		
Activision, Inc.*	48,600	1,655,802
Adobe Systems, Inc.*	75,200	2,962,128
Citrix Systems, Inc.*	95,600	2,811,596
Electronic Arts, Inc.*	31,800	1,412,874
McAfee, Inc.*	39,800	1,354,394
Microsoft Corp.	123,400	3,394,734
Nintendo Co., Ltd.	1,300	731,643
Oracle Corp.*	129,500	2,719,500
Salesforce.com, Inc.* (a)	20,800	1,419,184
Symantec Corp.*	64,500	1,248,075
THQ, Inc.* (a)	29,600	599,696
VanceInfo Technologies Inc. (ADR)*	51,600	434,472
		20,744,098
Total Common Stocks (Cost $106,222,823)		**115,165,971**

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Securities Lending Collateral 15.2%		
Daily Assets Fund Institutional, 2.74% (b) (c) (Cost $17,925,994)	17,925,994	**17,925,994**
Cash Equivalents 0.8%		
Cash Management QP Trust, 2.49% (b) (Cost $936,146)	936,146	**936,146**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $125,084,963)†	114.0	**134,028,111**
Other Assets and Liabilities, Net	(14.0)	**(16,480,457)**
Net Assets	100.0	**117,547,654**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $133,378,024. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $650,087. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $18,397,941 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $17,747,854.*

(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, 2008 amounted to $17,276,968 which is 14.7% 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. Income earned by the Portfolio is net of borrower rebates.*

ADR: American Depositary Receipt

REIT: Real Estate Investment Trust

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	**Investments in Securities at Value**
Level 1 — Quoted Prices	$ 129,323,481
Level 2 — Other Significant Observable Inputs	4,704,630
Level 3 — Significant Unobservable Inputs	—
Total	**$ 134,028,111**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $106,222,823) — including $17,276,968 of securities loaned	$	115,165,971
Investment in Daily Assets Fund Institutional (cost $17,925,994)*		17,925,994
Investment in Cash Management QP Trust (cost $936,146)		936,146
Total investments, at value (cost $125,084,963)		134,028,111
Foreign currency, at value (cost $1,585,667)		1,608,354
Interest receivable		13,848
Dividends receivable		16,293
Receivable for Portfolio shares sold		21,665
Foreign taxes recoverable		274
Other assets		3,217
Total assets		135,691,762
Liabilities		
Payable for Portfolio shares redeemed		26,517
Payable upon return of securities loaned		17,925,994
Accrued management fee		68,686
Other accrued expenses and payables		122,911
Total liabilities		18,144,108
Net assets, at value	**$**	**117,547,654**
Net Assets Consist of		
Accumulated net investment loss		(142,563)
Net unrealized appreciation (depreciation) on:		
Investments		8,943,148
Foreign currency		22,687
Accumulated net realized gain (loss)		(250,322,752)
Paid-in capital		359,047,134
Net assets, at value	**$**	**117,547,654**
Class A		
Net Asset Value, offering and redemption price per share ($114,813,658 ÷ 12,679,425 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.06**
Class B		
Net Asset Value, offering and redemption price per share ($2,733,996 ÷ 307,683 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**8.89**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $7,603)	$	406,748
Interest		970
Interest — Cash Management QP Trust		58,612
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		82,638
Total Income		548,968
Expenses:		
Management fee		462,607
Administration fee		21,621
Custodian and accounting fees		36,555
Distribution and service fees (Class B)		3,558
Record keeping fees (Class B)		1,321
Services to shareholders		233
Professional fees		31,781
Trustees' fees and expenses		16,419
Reports to shareholders and shareholder meeting		107,292
Other		11,259
Total expenses before expense reductions		692,646
Expense reductions		(6,350)
Total expenses after expense reductions		686,296
Net investment income (loss)		**(137,328)**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments (net of foreign tax of $4,535)		(3,980,292)
Written options		139,325
Foreign currency		(25,105)
		(3,866,072)
Change in net unrealized appreciation (depreciation) on:		
Investments		(19,688,385)
Foreign currency		22,696
		(19,665,689)
Net gain (loss)		**(23,531,761)**
Net increase (decrease) in net assets resulting from operations	**$**	**(23,669,089)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ (137,328)	$ (274,509)
Net realized gain (loss)	(3,866,072)	19,041,595
Net unrealized appreciation (depreciation)	(19,665,689)	2,725,297
Net increase (decrease) in net assets resulting from operations	(23,669,089)	21,492,383
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,255,710	10,492,529
Cost of shares redeemed	(17,363,159)	(42,815,094)
Net increase (decrease) in net assets from Class A share transactions	(15,107,449)	(32,322,565)
Class B		
Proceeds from shares sold	311,630	1,326,815
Cost of shares redeemed	(473,556)	(12,807,358)
Net increase (decrease) in net assets from Class B share transactions	(161,926)	(11,480,543)
Increase (decrease) in net assets	(38,938,464)	(22,310,725)
Net assets at beginning of period	156,486,118	178,796,843
Net assets at end of period (including accumulated net investment loss of $142,563 and $5,235, respectively)	**$ 117,547,654**	**$ 156,486,118**

Other Information		
Class A		
Shares outstanding at beginning of period	14,290,167	17,575,288
Shares sold	241,409	994,111
Shares redeemed	(1,852,151)	(4,279,232)
Net increase (decrease) in Class A shares	(1,610,742)	(3,285,121)
Shares outstanding at end of period	**12,679,425**	**14,290,167**
Class B		
Shares outstanding at beginning of period	325,361	1,525,054
Shares sold	33,384	127,903
Shares redeemed	(51,062)	(1,327,596)
Net increase (decrease) in Class B shares	(17,678)	(1,199,693)
Shares outstanding at end of period	**307,683**	**325,361**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$10.71**	**$ 9.37**	**$ 9.30**	**$ 9.01**	**$ 8.84**	**$ 6.02**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.01)	(.02)	(.01)[c]	(.03)	.04	(.04)
Net realized and unrealized gain (loss)	(1.64)	1.36	.08	.36	.13	2.86
Total from investment operations	(1.65)	1.34	.07	.33	.17	2.82
Less distributions from:						
Net investment income	—	—	—	(.04)	—	—
Net asset value, end of period	**$ 9.06**	**$10.71**	**$ 9.37**	**$ 9.30**	**$ 9.01**	**$ 8.84**
Total Return (%)	(15.41)**	14.30	.75[c]	3.74	1.92	46.84
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	115	153	165	199	230	257
Ratio of expenses (%)	1.02*	.91	.89	.86	.83	.86
Ratio of net investment income (loss) (%)	(.16)*	(.15)	(.12)[c]	(.36)	.43	(.50)
Portfolio turnover rate (%)	45**	91	49	135	112	66

a *For the six months ended June 30, 2008 (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 Funds. 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,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$10.53**	**$ 9.25**	**$ 9.21**	**$ 8.93**	**$ 8.80**	**$ 6.01**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.03)	(.05)	(.04)[d]	(.07)	.01	(.07)
Net realized and unrealized gain (loss)	(1.61)	1.33	.08	.36	.12	2.86
Total from investment operations	(1.64)	1.28	.04	.29	.13	2.79
Less distributions from:						
Net investment income	—	—	—	(.01)	—	—
Net asset value, end of period	**$ 8.89**	**$10.53**	**$ 9.25**	**$ 9.21**	**$ 8.93**	**$ 8.80**
Total Return (%)	(15.57)**	13.84	.43[d]	3.27	1.48[c]	46.42
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	3	3	14	16	16	11
Ratio of expenses before expense reductions (%)	1.37*	1.29	1.28	1.26	1.22	1.25
Ratio of expenses after expense reductions (%)	1.37*	1.29	1.28	1.26	1.21	1.25
Ratio of net investment income (loss) (%)	(.51)*	(.53)	(.51)[d]	(.76)	.05	(.89)
Portfolio turnover rate (%)	45**	91	49	135	112	66

a *For the six months ended June 30, 2008 (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 Funds. 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*

DWS Turner Mid Cap Growth VIP

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 redeemed, 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 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. While all share classes have the same underlying portfolio, their performance will differ.

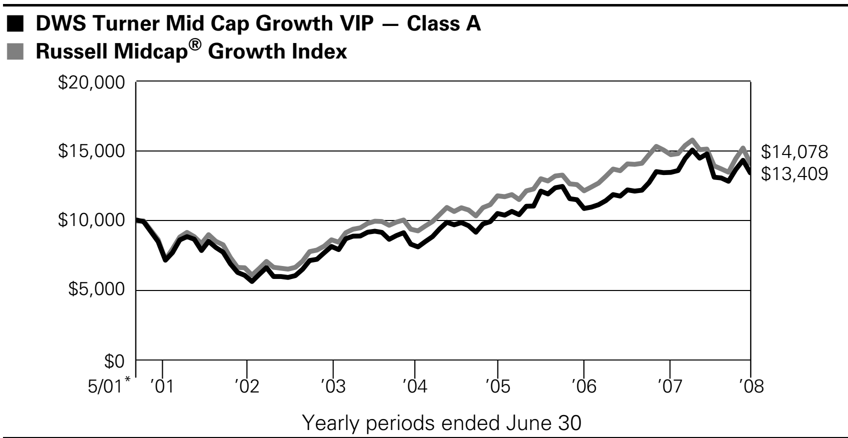
The total annual portfolio operating expense ratios, gross of any fee waivers or expense reimbursements, as stated in the fee table of the prospectus dated May 1, 2008 are 0.91% and 1.16% for Class A and Class B shares, respectively. Please see the Information About Your Portfolio's Expenses, the Financial 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, 2008.

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. Please read this Portfolio's prospectus for specific details regarding this product's investments and risk profile.

Portfolio returns shown for all periods reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Turner Mid Cap Growth VIP from 5/1/2001 to 6/30/2008



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.

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.

Comparative Results

DWS Turner Mid Cap Growth VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Portfolio*
Class A	Growth of $10,000	$9,084	$9,992	$13,531	$18,598	$13,409
	Average annual total return	–9.16%	–.08%	10.60%	13.21%	4.18%
Russell Midcap Growth Index	Growth of $10,000	$9,319	$9,358	$12,665	$17,877	$14,078
	Average annual total return	–6.81%	–6.42%	8.19%	12.32%	4.89%

DWS Turner Mid Cap Growth VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class**
Class B	Growth of $10,000	$9,131	$10,022	$13,472	$18,363	$20,004
	Average annual total return	–8.69%	.22%	10.44%	12.92%	12.25%
Russell Midcap Growth Index	Growth of $10,000	$9,319	$9,358	$12,665	$17,877	$19,191
	Average annual total return	–6.81%	–6.42%	8.19%	12.32%	11.48%

The growth of $10,000 is cumulative.

‡ *Total returns shown for periods less than one year are not annualized.*

* *The Portfolio commenced operations on May 1, 2001. Index returns began on April 30, 2001.*

** *The Portfolio commenced offering Class B shares on July 1, 2002. Index returns began on June 30, 2002.*

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. 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, 2008 to June 30, 2008).

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, 2008

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$ 908.40	$ 913.10
Expenses Paid per $1,000*	$ 4.60	$ 6.42
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/08	$1,000.00	$1,000.00
Ending Account Value 6/30/08	$1,020.04	$1,018.15
Expenses Paid per $1,000*	$ 4.87	$ 6.77

* *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 366.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Turner Mid Cap Growth VIP	.97%	1.35%

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

It has been a volatile and primarily downward ride for the stock market in the first half of 2008. Surging crude oil and energy prices, declining consumer confidence, and a financial system under severe pressure have put negative pressure on stocks. During this period, the DWS Turner Mid Cap Growth VIP underperformed its primary benchmark, the Russell Midcap® Growth Index, returning –9.16% for Class A shares (unadjusted for contract charges) versus –6.81% for the index. The majority of underperformance came in the month of January when stocks with the highest growth rates were among the worst performers.

During the six-month period, four of the Portfolio's 10 sector positions beat their corresponding index sectors. Adding the most value were the materials/processing and auto/transportation sectors. In materials/processing, overweight positions in Steel Dynamics, Inc. and The Mosaic Co. were strong performers.[1] In the auto/transportation sector, the avoidance of select airline companies helped generate positive relative performance.

The largest detractors from the Portfolio's performance occurred in the technology and consumer discretionary sectors. In technology, Omniture, Inc. and Juniper Networks Inc. were the biggest relative detractors. In consumer discretionary, VistaPrint Ltd. and Gamestop Corp.* were the largest underperformers.

Although there are many hurdles facing both the equity market and the economy, it is our belief that the accommodative actions taken by the US Federal Reserve Board (the Fed) and the US Treasury, as well as significant cash on corporate balance sheets, improving trade balances and tax rebate spending will provide enough support to keep the economy out of an official recession. However, even with this optimistic stance the ever higher ascent of the price of oil remains a serious concern. Regardless of market conditions, our focus remains on owning stocks that we believe have superior earnings prospects.

Christopher K. McHugh	Tara Hedlund
Lead Manager	Jason Schrotberger
	Portfolio Managers

Turner Investment Partners, Inc., Subadvisor to the Portfolio

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.

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, 2008, the position was sold.*

Portfolio management market commentary is as of June 30, 2008, 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 (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/08**	**12/31/07**
Common Stocks	98%	100%
Cash Equivalents	2%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/08**	**12/31/07**
Information Technology	22%	23%
Industrials	16%	19%
Energy	14%	12%
Consumer Discretionary	12%	11%
Health Care	10%	12%
Financials	8%	9%
Materials	8%	5%
Consumer Staples	4%	4%
Telecommunication Services	3%	2%
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 202. Information concerning portfolio holdings of the Portfolio as of month end will be posted to www.dws-investments.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-investments.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 99.1%		
Consumer Discretionary 11.8%		
Hotels Restaurants & Leisure 2.9%		
Darden Restaurants, Inc.	35,790	1,143,133
WMS Industries, Inc.* (a)	36,015	1,072,167
Wynn Resorts Ltd. (a)	14,010	1,139,713
		3,355,013
Household Durables 0.4%		
Pulte Homes, Inc. (a)	45,740	**440,476**
Internet & Catalog Retail 1.0%		
Priceline.com, Inc.* (a)	9,760	**1,126,890**
Media 2.0%		
Central European Media Enterprises Ltd. "A"*	11,040	999,451
Discovery Holding Co. "A"*	60,490	1,328,360
		2,327,811
Multiline Retail 1.1%		
Big Lots, Inc.* (a)	38,950	**1,216,798**
Specialty Retail 2.3%		
Guess?, Inc. (a)	40,900	1,531,705
Urban Outfitters, Inc.* (a)	36,390	1,135,004
		2,666,709
Textiles, Apparel & Luxury Goods 2.1%		
Coach, Inc.*	35,670	1,030,149
Lululemon Athletica, Inc.*	22,180	644,551
The Warnaco Group, Inc.*	18,280	805,600
		2,480,300
Consumer Staples 4.4%		
Beverages 2.1%		
Central European Distribution Corp.* (a)	14,530	1,077,400
Molson Coors Brewing Co. "B"	24,850	1,350,100
		2,427,500
Household Products 0.4%		
Church & Dwight Co., Inc. (a)	8,000	**450,800**
Personal Products 1.9%		
Alberto-Culver Co.	50,370	1,323,220
Estee Lauder Companies, Inc. "A" (a)	18,290	849,570
		2,172,790
Energy 13.8%		
Energy Equipment & Services 3.7%		
Cameron International Corp.*	17,650	976,928
Diamond Offshore Drilling, Inc. (a)	9,030	1,256,434
Nabors Industries Ltd.* (a)	28,540	1,405,024
National-Oilwell Varco, Inc.*	7,140	633,461
		4,271,847
Oil, Gas & Consumable Fuels 10.1%		
Alpha Natural Resources, Inc.*	8,350	870,821
CONSOL Energy, Inc.	23,610	2,653,056
Denbury Resources, Inc.*	35,650	1,301,225
EXCO Resources, Inc.* (a)	23,880	881,411
Pioneer Natural Resources Co.	14,310	1,120,187
Range Resources Corp.	24,634	1,614,512
Southwestern Energy Co.*	33,820	1,610,170
Ultra Petroleum Corp.*	16,210	1,591,822
		11,643,204
Financials 8.4%		
Capital Markets 3.7%		
BlackRock, Inc. (a)	5,220	923,940
Northern Trust Corp.	18,630	1,277,459
T. Rowe Price Group, Inc. (a)	36,340	2,052,120
		4,253,519
Diversified Financial Services 1.4%		
Interactive Brokers Group, Inc. "A"* (a)	31,270	1,004,705
IntercontinentalExchange, Inc.*	5,640	642,960
		1,647,665
Insurance 1.5%		
Aon Corp.	17,860	820,488
Assurant, Inc.	14,750	972,910
		1,793,398
Real Estate Investment Trusts 0.7%		
Public Storage (REIT)	10,440	**843,448**
Thrifts & Mortgage Finance 1.1%		
Hudson City Bancorp., Inc.	73,780	**1,230,650**
Health Care 10.5%		
Biotechnology 1.5%		
Alexion Pharmaceuticals, Inc.* (a)	12,050	873,625
BioMarin Pharmaceutical, Inc.* (a)	1,600	46,368
United Therapeutics Corp.*	8,970	876,818
		1,796,811
Health Care Equipment & Supplies 2.7%		
C.R. Bard, Inc.	7,700	677,215
DENTSPLY International, Inc.	24,390	897,552
Intuitive Surgical, Inc.*	5,630	1,516,722
		3,091,489
Health Care Providers & Services 2.6%		
Express Scripts, Inc.*	28,980	1,817,625
Henry Schein, Inc.*	22,180	1,143,823
		2,961,448
Life Sciences Tools & Services 3.0%		
Charles River Laboratories International, Inc.*	17,260	1,103,259
Covance, Inc.*	16,240	1,396,965
Illumina, Inc.* (a)	10,880	947,757
		3,447,981
Pharmaceuticals 0.7%		
Allergan, Inc.	16,720	**870,276**
Industrials 15.4%		
Air Freight & Logistics 1.6%		
C.H. Robinson Worldwide, Inc.	10,400	570,336
Expeditors International of Washington, Inc.	29,590	1,272,370
		1,842,706

The accompanying notes are an integral part of the financial statements.

	Shares	Value ($)
Commercial Services & Supplies 1.6%		
Covanta Holding Corp.*	32,520	867,959
Stericycle, Inc.*	19,270	996,259
		1,864,218
Construction & Engineering 1.6%		
Fluor Corp.	10,080	**1,875,686**
Electrical Equipment 2.9%		
American Superconductor Corp.* (a)	10,480	375,708
AMETEK, Inc.	32,090	1,515,290
First Solar, Inc.*	5,200	1,418,664
		3,309,662
Industrial Conglomerates 0.6%		
Walter Industries, Inc.	6,520	**709,180**
Machinery 6.5%		
AGCO Corp.* (a)	21,030	1,102,182
Cummins, Inc.	13,570	889,106
Flowserve Corp.	13,420	1,834,514
Harsco Corp.	20,090	1,093,097
Joy Global, Inc.	16,550	1,254,987
SPX Corp.	10,050	1,323,887
		7,497,773
Road & Rail 0.6%		
Ryder System, Inc. (a)	11,020	**759,058**
Information Technology 21.8%		
Communications Equipment 0.9%		
Juniper Networks, Inc.*	46,530	**1,032,035**
Internet Software & Services 4.8%		
Akamai Technologies, Inc.* (a)	29,680	1,032,567
Baidu.com, Inc. (ADR)* (a)	2,410	754,234
MercadoLibre, Inc.* (a)	16,890	582,536
Omniture, Inc.* (a)	38,160	708,631
VeriSign, Inc.* (a)	39,510	1,493,478
VistaPrint Ltd.* (a)	34,560	924,826
		5,496,272
IT Services 1.6%		
Fiserv, Inc.*	19,720	894,697
MasterCard, Inc. "A" (a)	3,760	998,355
		1,893,052
Semiconductors & Semiconductor Equipment 9.5%		
Altera Corp.	77,260	1,599,282
Atheros Communications* (a)	35,410	1,062,300
Broadcom Corp. "A"*	43,160	1,177,836
Cavium Networks, Inc.* (a)	39,450	828,450
Lam Research Corp.*	23,800	860,370
Marvell Technology Group Ltd.*	98,050	1,731,563
NVIDIA Corp.*	74,510	1,394,827
PMC-Sierra, Inc.* (a)	128,610	983,867
Varian Semiconductor Equipment Associates, Inc.* (a)	40,460	1,408,817
		11,047,312

	Shares	Value ($)
Software 5.0%		
Activision, Inc.*	53,730	1,830,581
Informatica Corp.*	29,200	439,168
McAfee, Inc.*	46,050	1,567,081
Salesforce.com, Inc.*	27,960	1,907,711
		5,744,541
Materials 7.9%		
Chemicals 3.8%		
Air Products & Chemicals, Inc.	17,510	1,731,039
Celanese Corp. "A"	23,420	1,069,357
CF Industries Holdings, Inc.	4,900	748,720
The Mosaic Co.*	6,090	881,223
		4,430,339
Containers & Packaging 1.1%		
Owens-Illinois, Inc.*	29,140	**1,214,846**
Metals & Mining 3.0%		
Agnico-Eagle Mines Ltd.	13,880	1,032,256
Cleveland-Cliffs, Inc.	9,320	1,110,851
Steel Dynamics, Inc. (a)	34,720	1,356,510
		3,499,617
Telecommunication Services 2.6%		
Wireless Telecommunication Services		
Crown Castle International Corp.*	29,580	1,145,633
Millicom International Cellular SA	9,810	1,015,335
SBA Communications Corp. "A"*	22,150	797,622
		2,958,590
Utilities 2.5%		
Electric Utilities 0.9%		
PPL Corp.	20,070	**1,049,059**
Gas Utilities 1.0%		
Questar Corp.	15,830	**1,124,563**
Independent Power Producers & Energy Traders 0.6%		
Dynegy, Inc. "A"*	89,610	**766,166**
Total Common Stocks (Cost $96,067,559)		**114,631,498**
Securities Lending Collateral 22.2%		
Daily Assets Fund Institutional, 2.74% (b) (c) (Cost $25,684,033)	25,684,033	**25,684,033**
Cash Equivalents 1.6%		
Cash Management QP Trust, 2.49% (b) (Cost $1,874,603)	1,874,603	**1,874,603**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $123,626,195)†	122.9	**142,190,134**
Other Assets and Liabilities, Net	(22.9)	**(26,518,171)**
Net Assets	100.0	**115,671,963**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $123,752,412. At June 30, 2008, net unrealized appreciation for all securities based on tax cost was $18,437,722. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $22,101,275 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,663,553.*

The accompanying notes are an integral part of the financial statements.

(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, 2008 amounted to $24,908,200 which is 21.5% 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. Income earned by the Portfolio is net of borrower rebates.*

ADR: American Depositary Receipt

REIT: Real Estate Investment Trust

The following is a summary of the inputs used as of June 30, 2008 in valuing the Portfolio's assets carried at fair value:

Valuation Inputs	**Investments in Securities at Value**
Level 1 — Quoted Prices	$ 142,190,134
Level 2 — Other Significant Observable Inputs	—
Level 3 — Significant Unobservable Inputs	—
Total	**$ 142,190,134**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

as of June 30, 2008 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $96,067,559) — including $24,908,200 of securities loaned	$ 114,631,498
Investment in Daily Assets Fund Institutional (cost $25,684,033)*	25,684,033
Investment in Cash Management QP Trust (cost $1,874,603)	1,874,603
Total investments, at value (cost $123,626,195)	142,190,134
Cash	262,523
Receivable for investments sold	3,515,374
Dividends receivable	30,429
Interest receivable	20,968
Receivable for Portfolio shares sold	3,409
Other assets	2,553
Total assets	146,025,390

Liabilities	
Payable upon return of securities loaned	25,684,033
Payable for investments purchased	4,452,267
Payable for Portfolio shares redeemed	45,310
Accrued management fee	74,138
Other accrued expenses and payables	97,679
Total liabilities	30,353,427
Net assets, at value	**$ 115,671,963**

Net Assets Consist of	
Accumulated net investment loss	(158,824)
Net unrealized appreciation (depreciation) on investments	18,563,939
Accumulated net realized gain (loss)	3,670,327
Paid-in capital	93,596,521
Net assets, at value	**$ 115,671,963**
Class A	
Net Asset Value, offering and redemption price per share ($115,652,776 ÷ 12,708,204 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 9.10**
Class B	
Net Asset Value, offering and redemption price per share ($19,187 ÷ 2,170 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 8.84**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2008 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $3,576)	$ 302,875
Interest — Cash Management QP Trust	28,857
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	112,521
Total Income	444,253
Expenses:	
Management fee	453,883
Administration fee	19,877
Services to shareholders	149
Custodian and accounting fees	35,432
Distribution and service fees (Class B)	3,792
Record keeping fees (Class B)	1,485
Professional fees	33,287
Trustees' fees and expenses	17,139
Reports to shareholders and shareholder meeting	52,235
Other	3,384
Total expenses before expense reductions	620,663
Expense reductions	(21,884)
Total expenses after expense reductions	598,779
Net investment income (loss)	**(154,526)**

Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from investments	3,807,467
Change in net unrealized appreciation (depreciation) on investments	(15,917,736)
Net gain (loss)	**(12,110,269)**
Net increase (decrease) in net assets resulting from operations	**$ (12,264,795)**

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, 2008 (Unaudited)	Year Ended December 31, 2007
Operations:		
Net investment income (loss)	$ (154,526)	$ (528,074)
Net realized gain (loss)	3,807,467	23,736,292
Change in net unrealized appreciation (depreciation)	(15,917,736)	7,277,206
Net increase (decrease) in net assets resulting from operations	(12,264,795)	30,485,424
Distributions to shareholders from:		
Net realized gains:		
Class A	(22,235,250)	(9,828,253)
Class B	(923,484)	(2,183,905)
Total distributions	(23,158,734)	(12,012,158)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	9,749,884	17,681,217
Reinvestment of distributions	22,235,250	9,828,253
Cost of shares redeemed	(10,947,861)	(33,144,770)
Net increase (decrease) in net assets from Class A share transactions	21,037,273	(5,635,300)
Class B		
Proceeds from shares sold	232,481	706,509
Reinvestment of distributions	923,484	2,183,905
Cost of shares redeemed	(5,162,641)	(24,376,442)
Net increase (decrease) in net assets from Class B share transactions	(4,006,676)	(21,486,028)
Increase (decrease) in net assets	(18,392,932)	(8,648,062)
Net assets at beginning of period	134,064,895	142,712,957
Net assets at end of period (including accumulated net investment loss of $158,824 and $4,298, respectively)	**$ 115,671,963**	**$ 134,064,895**

Other Information		
Class A		
Shares outstanding at beginning of period	10,261,710	10,696,292
Shares sold	973,660	1,504,234
Shares issued to shareholders in reinvestment of distributions	2,558,717	950,508
Shares redeemed	(1,085,883)	(2,889,324)
Net increase (decrease) in Class A shares	2,446,494	(434,582)
Shares outstanding at end of period	**12,708,204**	**10,261,710**
Class B		
Shares outstanding at beginning of period	432,386	2,410,110
Shares sold	21,793	61,336
Shares issued to shareholders in reinvestment of distributions	109,547	215,587
Shares redeemed	(561,556)	(2,254,647)
Net increase (decrease) in Class B shares	(430,216)	(1,977,724)
Shares outstanding at end of period	**2,170**	**432,386**

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Class A

Years Ended December 31,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$12.55**	**$10.92**	**$11.02**	**$ 9.86**	**$ 8.88**	**$ 5.98**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.01)	(.04)	(.01)	(.05)	(.07)	(.06)
Net realized and unrealized gain (loss)	(1.24)	2.64	.77	1.21	1.05	2.96
Total from investment operations	(1.25)	2.60	.76	1.16	.98	2.90
Less distributions from:						
Net realized gains	(2.20)	(.97)	(.86)	—	—	—
Net asset value, end of period	**$ 9.10**	**$12.55**	**$10.92**	**$11.02**	**$ 9.86**	**$ 8.88**
Total Return (%)	(9.16)[c]**	25.75	6.52	11.76	11.04	48.49
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	116	129	117	122	118	110
Ratio of expenses before expense reductions (%)	1.01*	.95	.97	1.11	1.19	1.18
Ratio of expenses after expense reductions (%)	.97*	.95	.97	1.11	1.19	1.18
Ratio of net investment income (loss) (%)	(.22)*	(.36)	(.06)	(.56)	(.82)	(.90)
Portfolio turnover rate (%)	75**	133	148	151	174	155

a *For the six months ended June 30, 2008 (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,	2008[a]	2007	2006	2005	2004	2003
Selected Per Share Data						
Net asset value, beginning of period	**$12.26**	**$10.73**	**$10.88**	**$ 9.78**	**$ 8.84**	**$ 5.97**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.03)	(.08)	(.05)	(.09)	(.10)	(.09)
Net realized and unrealized gain (loss)	(1.19)	2.58	.76	1.19	1.04	2.96
Total from investment operations	(1.22)	2.50	.71	1.10	.94	2.87
Less distributions from:						
Net realized gains	(2.20)	(.97)	(.86)	—	—	—
Net asset value, end of period	**$ 8.84**	**$12.26**	**$10.73**	**$10.88**	**$ 9.78**	**$ 8.84**
Total Return (%)	(8.69)[c]**	25.13	6.21	11.25[c]	10.63	48.07
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.02	5	26	27	23	13
Ratio of expenses before expense reductions (%)	1.39*	1.34	1.37	1.51	1.56	1.57
Ratio of expenses after expense reductions (%)	1.35*	1.34	1.37	1.48	1.56	1.57
Ratio of net investment income (loss) (%)	(.60)*	(.75)	(.46)	(.93)	(1.19)	(1.29)
Portfolio turnover rate (%)	75**	133	148	151	174	155

a *For the six months ended June 30, 2008 (Unaudited).*

b *Based on an average shares outstanding during the period.*

c *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

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 management investment company organized as a Massachusetts business trust. The Trust offers twenty-one portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). Each Portfolio (except DWS Technology VIP) is classified as a diversified open-end management investment company. DWS Technology VIP is classified as a non-diversified, open-end management investment company.

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 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 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. Certain Portfolios 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.

The Portfolios adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), which governs the application of generally accepted accounting principles that require fair value measurements of the Portfolios' assets and liabilities. Fair value is an estimate of the price the Portfolios would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Various inputs are used in determining the value of the Portfolios' investments. These inputs are summarized in the three broad levels as follows:

- Level 1 — quoted prices in active markets for identical securities
- Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Portfolios' own assumptions in determining the fair value of investments)

For Level 1 inputs, the Portfolios use unadjusted quoted prices in active markets for assets or liabilities with sufficient frequency and volume to provide pricing information as the most reliable evidence of fair value. The Portfolios' Level 2 valuation techniques include inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 observable inputs may include quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active in which there are few transactions, the prices are not current, or price quotations vary substantially over time or among market participants. Inputs that are observable for the asset or liability in Level 2 include such factors as interest rates, yield curves, prepayment speeds, credit risk, and default rates for similar liabilities. For Level 3 valuation techniques, the Portfolios use unobservable inputs that reflect assumptions market participants would be expected to use in pricing the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available and are developed based on the best information available under the circumstances. In developing unobservable inputs, market participant assumptions are used if they are reasonably available without undue cost and effort.

The Portfolios may record changes to valuations based on the amount that might reasonably be expected to receive for a security upon its current sale consistent with the fair value measurement objective. Each determination is based on a consideration of all relevant factors, which are likely to vary from one pricing context to another. Examples of such factors may include, but are not limited to the type of the security, the existence of any contractual restrictions on the security's disposition, the price and extent of public trading in similar securities of the issue or of comparable companies, quotations or evaluated prices from broker-dealers and/or pricing services, information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange-traded securities), an analysis of the company's financial statements, an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold, and with respect to debt securities, the maturity, coupon, creditworthiness, currency denomination, and the movement of the market in which the security is normally traded. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value determined upon sale of those investments.

New Accounting Pronouncement. In March 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 161 ("FAS 161") Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133. FAS 161 requires enhanced disclosure about an entity's derivative and hedging activities. FAS 161 is effective for fiscal years beginning after November 15, 2008. Management is currently evaluating the impact the adoption of FAS 161 will have on the Portfolios' financial statement disclosures.

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 gain/appreciation and loss/depreciation on investments.

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.

Interest Rate Swap Contracts. 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. DWS Balanced VIP and DWS Strategic Income VIP may enter into futures contracts as part of each Portfolio's global tactical asset allocation strategy.

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.DWS Balanced VIP and DWS Strategic Income VIP may enter into forward currency contracts as part of each Portfolio's global tactical asset allocation strategy.

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.

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 and Assignments. DWS Balanced VIP, DWS High Income VIP and DWS Strategic Income VIP may invest in Loan Participations and Assignments. Loan Participations and Assignments are portions of loans originated by banks and sold in pieces to investors. These US dollar-denominated fixed and floating rate loans ("Loans") in which the Portfolio invests, are arranged between the borrower and one or more financial institutions ("Lenders"). These Loans may take the form of Senior Loans, which are corporate obligations often issued in connection with recapitalizations, acquisitions, leveraged buy-outs and refinancings, and Sovereign Loans, which are debt instruments between a foreign sovereign entity and one or more financial institutions. 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 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, or 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. Assignments typically result in the Portfolio having a direct contractual relationship with the borrower, and the Portfolio may enforce compliance by the borrower with the terms of the loan agreement. All Loan Participations and Assignments involve interest rate risk, liquidity risk and credit risk, including the potential default or insolvency of the borrower.

Mortgage Dollar Rolls. DWS Core Fixed Income VIP, DWS Government & Agency Securities VIP and DWS Balanced VIP 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. DWS Balanced VIP, DWS Core Fixed Income VIP, DWS Government & Agency Securities VIP, DWS High Income VIP and DWS Strategic Income VIP 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.

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.

Additionally, based on the Portfolios' understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which they invest, the Portfolios will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2007, 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*	1,788,000	12/31/2009
	1,388,000	12/31/2011
DWS Core Fixed Income VIP	3,813,000	12/31/2014
	50,000	12/31/2015
DWS Government & Agency Securities VIP	14,000	12/31/2013
	1,337,000	12/31/2014
	924,000	12/31/2015

Portfolio	Capital Loss Carryforward ($)	Expiration Date
DWS High Income VIP	16,114,000	12/31/2008
	22,935,000	12/31/2009
	55,108,000	12/31/2010
	13,877,000	12/31/2011
	3,844,000	12/31/2014
	858,000	12/31/2015
DWS Mid Cap Growth VIP	20,155,000	12/31/2011
DWS Small Cap Growth VIP	11,300,000	12/31/2009
	72,000,000	12/31/2010
	4,100,000	12/31/2011
DWS Technology VIP	73,056,000	12/31/2009
	93,499,000	12/31/2010
	71,517,000	12/31/2011

* *Certain of these losses may be subject to limitations under sections 381–384 of the Internal Revenue Code.*

The Portfolios have reviewed the tax positions for the open tax years as of December 31, 2007 and have determined that no provision for income tax is required in the Portfolios' financial statements. The Portfolios' federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

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. Net investment income of DWS Money Market VIP is declared as a daily dividend and is distributed to shareholders monthly. DWS Money Market VIP may take into account capital gains and losses in its daily dividend declarations. DWS Money Market VIP may also make additional distributions for tax purposes if necessary.

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, investments in futures, 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 will be determined at the end of the current fiscal year.

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 Portfolios' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolios that have not yet been made. However, based on experience, the Portfolios expect the risk of loss to be remote.

Real Estate Investment Trusts. DWS Dreman Small Mid Cap VIP and DWS Small Cap Growth VIP periodically recharacterize distributions received from a Real Estate Investment Trust ("REIT") investment based on information provided by the REIT into the following categories: ordinary income, long-term and short-term capital gains, and return of capital. If information is not available timely from a REIT, the recharacterization will be estimated and a recharacterization will be made in the following year when such information becomes available. Distributions received from REITs in excess of income are recorded as either a reduction of cost of investments or realized gains. The Portfolios distinguish between dividends on a tax basis and a financial reporting basis and only distributions in excess of tax basis earnings and profits are reported in the financial statements as a tax return of capital.

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, 2008, 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	482,852,310	518,892,158
US Treasury Obligations	129,144,512	147,027,202
mortgage dollar roll transactions	32,010,000	24,043,516
DWS Blue Chip VIP	137,792,804	175,500,715
DWS Core Fixed Income VIP excluding US Treasury Obligations	69,282,526	66,122,780
US Treasury Obligations	263,937,362	282,659,991
DWS Davis Venture Value VIP	25,003,109	74,566,756
DWS Dreman High Return Equity VIP	97,230,070	194,251,142
DWS Dreman Small Mid Cap Value VIP	89,726,731	118,691,858
DWS Global Thematic VIP	137,741,267	140,372,880
DWS Government & Agency Securities VIP excluding US Treasury Obligations and mortgage dollar roll transactions	545,627,694	493,140,327
US Treasury Obligations	49,272,668	37,713,140
mortgage dollar roll transactions	359,207,292	396,772,858
DWS High Income VIP	63,238,748	82,618,861
DWS International Select Equity VIP	137,955,901	152,864,216
DWS Janus Growth & Income VIP excluding US Treasury Obligations	32,973,117	49,270,517
US Treasury Obligations	2,328,908	—
DWS Large Cap Value VIP	83,952,028	91,998,532
DWS Mid Cap Growth VIP	14,197,301	21,930,354
DWS Small Cap Growth VIP	48,390,263	64,878,792
DWS Strategic Income VIP excluding US Treasury Securities	45,367,089	36,118,859
US Treasury Securities	44,821,533	48,627,745
DWS Technology VIP	56,864,675	74,228,916
DWS Turner Mid Cap Growth VIP	88,379,252	96,097,124

For the six months ended June 30, 2008, transactions for written options on securities were as follows for DWS Technology VIP:

	Number of Contracts	Premium
Outstanding, beginning of period	—	$ —
Options written	1,271	139,325
Options closed	—	—
Options expired	1,271	139,325
Outstanding, end of period	**—**	**$ —**

C. Related Parties

Management Agreement. Under the Amended and Restated 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.

Prior to May 1, 2008, in addition to portfolio management services, the Advisor provided certain administrative services in accordance with the Investment Management Agreement. For the period from January 1, 2008 through April 30, 2008, the fees pursuant to the Investment Management Agreement were equivalent to the annual rates shown below of each Portfolio's average daily net assets, computed and 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%
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%

Portfolio	Annual Management Fee Rate
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%
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%

Portfolio	Annual Management Fee Rate
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%
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%

Effective May 1, 2008, under the Amended and Restated Investment Management Agreement with the Advisor, the fees were equivalent to the annual rates shown below of each Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
DWS Balanced VIP	
$0–$250 million	.370%
next $750 million	.345%
over $1 billion	.310%
DWS Blue Chip VIP	
$0–$250 million	.550%
next $750 million	.520%
next $1.5 billion	.500%
next $2.5 billion	.480%
next $2.5 billion	.450%
next $2.5 billion	.430%
next $2.5 billion	.410%
over $12.5 billion	.390%
DWS Core Fixed Income VIP	
$0–$250 million	.500%
next $750 million	.470%
next $1.5 billion	.450%
next $2.5 billion	.430%
next $2.5 billion	.400%
next $2.5 billion	.380%
next $2.5 billion	.360%
over $12.5 billion	.340%

Portfolio	Annual Management Fee Rate
DWS Davis Venture Value VIP	
$0–$250 million	.865%
next $250 million	.840%
next $500 million	.815%
next $1.5 billion	.790%
over $2.5 billion	.765%
DWS Dreman High Return Equity VIP	
$0–$250 million	.665%
next $750 million	.635%
next $1.5 billion	.615%
next $2.5 billion	.595%
next $2.5 billion	.565%
next $2.5 billion	.555%
next $2.5 billion	.545%
over $12.5 billion	.535%
DWS Dreman Small Mid Cap Value 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	.540%
next $2.5 billion	.530%
over $12.5 billion	.520%
DWS Global Thematic VIP	
$0–$250 million	.915%
next $500 million	.865%
next $750 million	.815%
next $1.5 billion	.765%
over $3 billion	.715%
DWS Government & Agency Securities VIP	
$0–$250 million	.450%
next $750 million	.430%
next $1.5 billion	.410%
next $2.5 billion	.400%
next $2.5 billion	.380%
next $2.5 billion	.360%
next $2.5 billion	.340%
over $12.5 billion	.320%
DWS High Income VIP	
$0–$250 million	.500%
next $750 million	.470%
next $1.5 billion	.450%
next $2.5 billion	.430%
next $2.5 billion	.400%
next $2.5 billion	.380%
next $2.5 billion	.360%
over $12.5 billion	.340%

Portfolio	Annual Management Fee Rate
DWS International Select Equity VIP	
$0–$1.5 billion	.650%
next $1.75 billion	.635%
next $1.75 billion	.620%
over $5 billion	.605%
DWS Janus Growth & Income VIP	
$0–$250 million	.665%
next $750 million	.640%
next $1.5 billion	.615%
over $2.5 billion	.590%
DWS Mid Cap Growth VIP	
$0–$250 million	.665%
next $750 million	.635%
next $1.5 billion	.615%
next $2.5 billion	.595%
next $2.5 billion	.565%
next $2.5 billion	.555%
next $2.5 billion	.545%
over $12.5 billion	.535%
DWS Money Market VIP	
$0–$500 million	.285%
next $500 million	.270%
next $1.0 billion	.255%
over $2.0 billion	.240%
DWS Small Cap Growth VIP	
$0–$250 million	.550%
next $750 million	.525%
over $1 billion	.500%
DWS Strategic Income VIP	
$0–$250 million	.550%
next $750 million	.520%
next $1.5 billion	.500%
next $2.5 billion	.480%
next $2.5 billion	.450%
next $2.5 billion	.430%
next $2.5 billion	.410%
over $12.5 billion	.390%
DWS Technology VIP	
$0–$250 million	.665%
next $750 million	.635%
next $1.5 billion	.615%
next $2.5 billion	.595%
next $2.5 billion	.565%
next $2.5 billion	.555%
next $2.5 billion	.545%
over $12.5 billion	.535%
DWS Turner Mid Cap Growth VIP	
$0–$250 million	.715%
next $250 million	.700%
next $500 million	.685%
over $1 billion	.670%

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%

Aberdeen Asset Management Inc. 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 subadvisor 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, LLC serves as subadvisor to DWS Janus Growth & Income VIP and is paid by the Advisor for its services.

Turner Investment Partners, Inc. serves as subadvisor to DWS Turner Mid Cap Growth VIP and is paid by the Advisor for its services.

Davis Selected Advisers, L.P., serves as subadvisor to DWS Davis Venture Value VIP and is paid by the Advisor for its services.

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, 2008 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 and interest) as follows:

Portfolio	Annual Rate
DWS Balanced VIP	
Class A	.51%
Class B	.89%
DWS Davis Venture Value VIP	
Class A	.86%
Class B	1.26%
DWS Government & Agency Securities VIP	
Class A	.63%
DWS Small Cap Growth VIP	
Class A	.72%
Class B	1.09%

For the period from January 1, 2008 through September 30, 2008, the Advisor, the underwriter and accounting agent have 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 and interest expense) as follows:

Portfolio	Annual Rate
DWS Core Fixed Income VIP	
Class A	.70%
DWS Government & Agency Securities VIP	
Class B	1.04%
DWS Mid Cap Growth VIP	
Class B	1.34%
DWS Strategic Income VIP	
Class A	.83%
Class B	1.23%

Portfolio	Annual Rate
DWS Turner Mid Cap Growth VIP	
Class A	.94%
Class B	1.34%

For the period from January 1, 2008 through April 30, 2009, the Advisor, the underwriter and accounting agent have 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 and interest expense) as follows:

Portfolio	Annual Rate
DWS Global Thematic VIP	
Class A	1.05%
Class B	1.45%
DWS Mid Cap Growth VIP	
Class A	.94%

For the period from January 1, 2008 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 and interest expenses) as follows:

Portfolio	Annual Rate
DWS Dreman High Return Equity VIP	
Class A	.78%
Class B	1.11%
DWS Money Market VIP	
Class A	.44%
Class B	.79%

Effective May 1, 2008 through September 30, 2008, the Advisor, the underwriter and accounting agent have 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 and interest expense) as follows:

Portfolio	Annual Rate
DWS Davis Venture Value VIP	
Class B	1.29%
DWS Government & Agency Securities VIP	
Class A	.64%

Effective May 1, 2008 through April 30, 2009, the Advisor, the underwriter and accounting agent have 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 and interest expense) as follows:

Portfolio	Annual Rate
DWS Davis Venture Value VIP	
Class A	.89%

Effective April 29, 2008 through September 30, 2008, the Advisor and Administrator have voluntarily agreed to waive their fees or 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 Janus Growth & Income VIP	
Class B	1.15%

Effective May 1, 2008 through June 30, 2008, the Advisor and Administrator have voluntarily agreed to waive their fees or 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 Small Cap Growth VIP	
Class B	1.09%

Accordingly, for the six months ended June 30, 2008, 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	1,035,685	48,196	.41%
DWS Blue Chip VIP	662,703	—	.62%
DWS Core Fixed Income VIP	701,049	—	.57%
DWS Davis Venture Value VIP	1,312,440	266,455	.73%
DWS Dreman High Return Equity VIP	2,515,287	—	.70%
DWS Dreman Small Mid Cap Value VIP	1,568,753	—	.70%
DWS Global Thematic VIP	706,967	261,047	.61%
DWS Government & Agency Securities VIP	561,015	6,769	.51%
DWS High Income VIP	682,533	—	.57%
DWS International Select Equity VIP	794,872	—	.72%
DWS Janus Growth & Income VIP	555,003	—	.72%
DWS Large Cap Value VIP	699,216	—	.65%
DWS Mid Cap Growth VIP	157,167	40,788	.53%
DWS Money Market VIP	667,344	839	.35%
DWS Small Cap Growth VIP	458,699	28,876	.58%
DWS Strategic Income VIP	332,483	3,428	.61%
DWS Technology VIP	462,607	—	.72%
DWS Turner Mid Cap Growth VIP	453,883	15,827	.74%

In addition, for the six months ended June 30, 2008, the Advisor waived record keeping expenses of Class B shares of each Portfolio as follows:

Portfolio	Waived ($)
DWS Dreman High Return Equity VIP	2,605
DWS Money Market VIP	74
DWS Small Cap Growth VIP	645

Administration Fee. Pursuant to an Administrative Services Agreement, DIMA provides most administrative services to DWS Large Cap Value VIP. 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 six months ended June 30, 2008, DIMA received an Administration Fee of $107,572, of which $17,599 is unpaid.

Effective May 1, 2008, the Portfolios noted below 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 Portfolios pay DIMA an annual fee ("Administration Fee") of 0.10% of the Portfolios' average daily net assets, computed and accrued daily and payable monthly. For the period from May 1, 2008 through June 30, 2008, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2008 ($)
DWS Balanced VIP	79,656	38,567
DWS Blue Chip VIP	33,626	16,135
DWS Core Fixed Income VIP	38,082	18,425
DWS Davis Venture Value VIP	45,241	21,632
DWS Dreman High Return Equity VIP	111,593	52,544
DWS Dreman Small Mid Cap Value VIP	76,095	37,019
DWS Global Thematic VIP	24,879	11,867
DWS Government & Agency Securities VIP	35,710	17,206

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2008 ($)
DWS High Income VIP	39,956	19,289
DWS International Select Equity VIP	36,420	17,630
DWS Janus Growth & Income VIP	25,424	12,180
DWS Mid Cap Growth VIP	7,143	3,474
DWS Money Market VIP	60,204	29,600
DWS Small Cap Growth VIP	24,388	11,797
DWS Strategic Income VIP	17,546	8,501
DWS Technology VIP	21,621	10,429
DWS Turner Mid Cap Growth VIP	19,877	9,804

Service Provider Fees. DWS Investments Fund Accounting Corporation ("DIFA"), 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. DIFA receives no fee for its services to each Portfolio, other than the Portfolios noted below. In turn, DIFA has delegated certain fund accounting functions to a third-party service provider. Effective May 1, 2008, these fees are now paid under the Administrative Services Agreement. For the period from January 1, 2008 through April 30, 2008, DIFA received a fee for its services as follows:

Portfolio	Total Aggregated ($)
DWS Davis Venture Value VIP	35,807
DWS Dreman High Return Equity VIP	41,598
DWS Global Thematic VIP	69,798
DWS Janus Growth & Income VIP	26,015
DWS Mid Cap Growth VIP	19,890
DWS Technology VIP	28,837
DWS Turner Mid Cap Growth VIP	25,773

DWS Investments Service Company ("DISC"), an affiliate of the Advisor, is the transfer agent, dividend-paying agent and shareholder service agent for each Portfolio. Pursuant to a sub-transfer agency agreement between DISC and DST Systems, Inc. ("DST"), DISC has delegated certain transfer agent, dividend-paying agent and shareholder service agent functions to DST. DISC compensates DST out of the shareholder servicing fee it receives from each Portfolio. For the six months ended June 30, 2008, the amounts charged to each Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Unpaid at June 30, 2008 ($)
DWS Balanced VIP Class A	236	236	—
DWS Balanced VIP Class B	66	—	66
DWS Blue Chip VIP Class A	207	—	146
DWS Blue Chip VIP Class B	39	—	39
DWS Core Fixed Income VIP Class A	111	—	92
DWS Core Fixed Income VIP Class B	84	—	70
DWS Davis Venture Value VIP Class A	96	96	—
DWS Davis Venture Value VIP Class B	39	—	39
DWS Dreman High Return Equity VIP Class A	357	—	357
DWS Dreman High Return Equity VIP Class B	169	160	—
DWS Dreman Small Mid Cap Value VIP Class A	372	—	308
DWS Dreman Small Mid Cap Value VIP Class B	143	—	136
DWS Global Thematic VIP Class A	183	183	—
DWS Global Thematic VIP Class B	65	—	65
DWS Government & Agency Securities VIP Class A	525	525	—
DWS Government & Agency Securities VIP Class B	44	—	38
DWS High Income VIP Class A	224	—	162
DWS High Income VIP Class B	67	—	67
DWS International Select Equity VIP Class A	102	—	102
DWS International Select Equity VIP Class B	37	—	37

Portfolio	Total Aggregated ($)	Waived ($)	Unpaid at June 30, 2008 ($)
DWS Janus Growth & Income VIP Class A	72	—	61
DWS Janus Growth & Income VIP Class B	36	7	22
DWS Large Cap Value VIP Class A	178	—	148
DWS Large Cap Value VIP Class B	67	—	65
DWS Mid Cap Growth VIP Class A	121	121	—
DWS Mid Cap Growth VIP Class B	39	—	39
DWS Money Market VIP Class A	361	361	—
DWS Money Market VIP Class B	42	42	—
DWS Small Cap Growth VIP Class A	273	273	—
DWS Small Cap Growth VIP Class B	108	108	—
DWS Strategic Income VIP Class A	145	145	—
DWS Strategic Income VIP Class B	43	—	39
DWS Technology VIP Class A	137	—	119
DWS Technology VIP Class B	105	—	105
DWS Turner Mid Cap Growth VIP Class A	55	55	—
DWS Turner Mid Cap Growth VIP Class B	41	—	34

Distribution Service Agreement. Under the Portfolios' Class B 12b-1 plans, DWS Investments Distributors, Inc. ("DIDI") 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, 2008, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Unpaid at June 30, 2008 ($)
DWS Balanced VIP	5,497	—	—
DWS Blue Chip VIP	8,047	—	—
DWS Core Fixed Income VIP	75,319	—	9,795
DWS Davis Venture Value VIP	16,636	—	—
DWS Dreman High Return Equity VIP	28,207	—	260
DWS Dreman Small Mid Cap Value VIP	44,389	—	7,729
DWS Global Thematic VIP	10,825	—	1,631
DWS Government & Agency Securities VIP	8,790	—	1,625
DWS High Income VIP	7,739	—	—
DWS International Select Equity VIP	11,439	—	68
DWS Janus Growth & Income VIP	3,511	—	—
DWS Large Cap Value VIP	5,912	—	—
DWS Mid Cap Growth VIP	1,376	—	45
DWS Money Market VIP	10,265	—	—
DWS Small Cap Growth VIP	4,718	—	—
DWS Strategic Income VIP	7,057	—	—
DWS Technology VIP	3,558	—	593
DWS Turner Mid Cap Growth VIP	3,792	—	—

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, 2008, 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 ($)	Unpaid at June 30, 2008 ($)
DWS Balanced VIP	1,911	—
DWS Blue Chip VIP	4,302	1,534
DWS Core Fixed Income VIP	4,613	923
DWS Davis Venture Value VIP	3,442	670
DWS Dreman High Return Equity VIP	4,138	1,227
DWS Dreman Small Mid Cap Value VIP	3,028	640

Portfolio	Amount ($)	Unpaid at June 30, 2008 ($)
DWS Global Thematic VIP	5,725	3,364
DWS Government & Agency Securities VIP	2,498	—
DWS High Income VIP	11,661	9,735
DWS International Select Equity VIP	1,380	310
DWS Janus Growth & Income VIP	1,910	1,910
DWS Large Cap Value VIP	7,969	87
DWS Mid Cap Growth VIP	2,722	304
DWS Money Market VIP	1,824	1,824
DWS Small Cap Growth VIP	1,936	1,936
DWS Strategic Income VIP	3,500	3,500
DWS Technology VIP	3,542	1,080
DWS Turner Mid Cap Growth VIP	4,214	937

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 and Vice Chairperson.

In connection with the board consolidation on April 1, 2008, of the two DWS Funds Boards of Trustees, certain Independent Board Members retired prior to their normal retirement date, and received a one-time retirement benefit. DIMA has agreed to reimburse the Portfolios for the cost of this benefit. During the period ended June 30, 2008, each Portfolio paid its allocated portion, as follows, of the retirement benefit to the non-continuing Independent Board Members, and each Portfolio was reimbursed by DIMA for this payment.

Portfolio	Amount ($)
DWS Balanced VIP	24,750
DWS Blue Chip VIP	11,186
DWS Core Fixed Income VIP	12,990
DWS Davis Venture Value VIP	14,728
DWS Dreman High Return Equity VIP	37,816
DWS Dreman Small Mid Cap Value VIP	22,361
DWS Global Thematic VIP	7,090
DWS Government & Agency Securities VIP	10,950
DWS High Income VIP	11,933
DWS International Select Equity VIP	11,048
DWS Janus Growth & Income VIP	7,668
DWS Large Cap Value VIP	10,691
DWS Mid Cap Growth VIP	2,215
DWS Money Market VIP	19,388
DWS Small Cap Growth VIP	7,592
DWS Strategic Income VIP	5,355
DWS Technology VIP	6,311
DWS Turner Mid Cap Growth VIP	5,807

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

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, 2008, the Portfolios' custodian fee was reduced under the arrangement as follows:

Portfolio	Amount ($)
DWS Balanced VIP	4,021
DWS Blue Chip VIP	25
DWS Core Fixed Income VIP	699
DWS Davis Venture Value VIP	268
DWS Dreman High Return Equity VIP	749
DWS Dreman Small Mid Cap Value VIP	598
DWS Government & Agency Securities VIP	115
DWS High Income VIP	1,471
DWS Janus Growth & Income VIP	122
DWS Large Cap Value VIP	188
DWS Mid Cap Growth VIP	46
DWS Money Market VIP	405
DWS Small Cap Growth VIP	115
DWS Strategic Income VIP	873
DWS Technology VIP	39
DWS Turner Mid Cap Growth VIP	195

G. Ownership of the Portfolios

At June 30, 2008, 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 40%, 24% 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 100%.

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 61% 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 100%.

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 43%, 32% and 10%. 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 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 77% and 20%. 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 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 66% and 24%. Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 27%, 26% and 15%.

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%, 23% and 12%. Five

Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 22%, 20%, 18%, 17% and 10%.

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 26%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 52% and 48%.

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 40%, 33% and 13%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 50% and 46%.

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 34%, 32% and 27%. 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 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 55%, 24% and 21%. 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 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 100%.

DWS Large 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 45%, 28% and 16%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 54% and 46%.

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 31%. 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 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 42%, 21% and 12%. 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 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 50%, 23% and 20%. 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 66% and 32%. One Participating Insurance Company was the owner of record of 10% or more of the outstanding Class B shares of the Portfolio, owning 100%.

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 63% and 31%. Two Participating Insurance Companies were owners of record of 10% or more of the outstanding Class B shares of the Portfolio, each owning 53% and 39%.

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 84% and 16%. 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%.

H. Line of Credit

The Series and other affiliated funds (the "Participants") share in a $490 million revolving credit facility provided by a syndication of banks. The Portfolios may borrow 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 on 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.

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, 2008, Dreman High Return Equity VIP had a $50,000 outstanding loan. Interest expense incurred on the borrowing was $3,800 for the six months ended June 30, 2008. The average dollar amount of the borrowings was $865,000, the weighted average interest rate on these borrowings was 2.84% and the Portfolio had a loan outstanding for fifty days throughout the period.

At June 30, 2008, DWS Government & Agency Securities VIP had a $450,000 outstanding loan. Interest expense incurred on the borrowing was $1,531 for the six months ended June 30, 2008. The average dollar amount of the borrowings was $2,862,500, the weighted average interest rate on these borrowings was 2.41% and the Portfolio had a loan outstanding for eight days throughout the period.

At June 30, 2008, DWS High Income VIP had a $2,850,000 outstanding loan. Interest expense incurred on the borrowing was $2,010 for the six months ended June 30, 2008. The average dollar amount of the borrowings was $3,762,500, the weighted average interest rate on these borrowings was 2.40% and the Portfolio had a loan outstanding for eight days throughout the period.

I. Payments Made by Affiliates

During the six months ended June 30, 2008, the Advisor fully reimbursed DWS Balanced VIP and DWS Strategic Income VIP $11,599 and $81, respectively, for losses incurred on trades executed incorrectly. 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.

In addition, during the six months ended June 30, 2008, the Advisor fully reimbursed DWS International Select Equity VIP $354,782 for losses incurred on trades executed incorrectly.

Proxy Voting

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 are available on our Web site — www.dws-investments.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

DWS Balanced VIP

A Special Meeting of Shareholders of the DWS Balanced VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	20,770,789.0534	774,684.6944
Henry P. Becton, Jr.	20,713,588.4670	831,885.2808
Dawn-Marie Driscoll	20,753,641.1835	791,832.5643
Keith R. Fox	20,761,299.5516	784,147.1962
Paul K. Freeman	20,770,140.6943	775,333.0535
Kenneth C. Froewiss	20,731,381.4223	814,092.3255
Richard J. Herring	20,739,766.1693	805,707.5785
William McClayton	20,762,059.7812	783,413.9666
Rebecca W. Rimel	20,765,038.8049	780,434.9429
William N. Searcy, Jr.	20,756,377.7680	789,095.9798
Jean Gleason Stromberg	20,748,961.9276	796,511.8202
Robert H. Wadsworth	20,760,073.4291	785,400.3187
Axel Schwarzer	20,737,621.1281	807,852.6197

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	19,149,806.1204	623,849.4496	1,771,818.1777

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	19,145,257.8074	662,095.2581	1,738,120.6823

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	19,051,257.7275	715,391.7517	1,778,824.2686

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	19,168,014.0748	597,404.4285	1,780,055.2444

5. Approval of the Sub-Advisory Agreement Between DIMA and DeAMi.

Number of Votes:	Affirmative	Against	Abstain
	18,992,143.2708	691,370.1346	1,861,960.3423

DWS Blue Chip VIP

A Special Meeting of Shareholders of the DWS Blue Chip VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	16,564,183.3641	680,802.8757
Henry P. Becton, Jr.	16,565,532.3622	679,453.8776
Dawn-Marie Driscoll	16,567,006.0584	677,980.1814
Keith R. Fox	16,544,046.3018	700,939.9380
Paul K. Freeman	16,567,772.0617	677,214.1781
Kenneth C. Froewiss	16,567,146.6861	677,839.5537
Richard J. Herring	16,565,756.1793	679,230.0605
William McClayton	16,547,811.0670	697,145.1728
Rebecca W. Rimel	16,566,326.9431	678,659.2967
William N. Searcy, Jr.	16,563,547.8619	681,438.3779
Jean Gleason Stromberg	16,566,855.7292	678,130.5106
Robert H. Wadsworth	16,560,293.7802	684,692.4596
Axel Schwarzer	16,562,156.5509	682,829.2398

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	15,738,417.8481	436,721.4020	1,069,846.9896

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	15,773,981.6516	410,037.8081	1,060,966.7801

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	15,735,064.4375	470,136.1702	1,039,785.6321

4. Approval of anAmended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	15,739,399.7509	478,247.2811	1,027,339.2078

DWS Core Fixed Income VIP

A Special Meeting of Shareholders of the DWS Core Fixed Income VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	21,305,521.0327	465,641.3861
Henry P. Becton, Jr.	21,271,470.0126	499,692.4062
Dawn-Marie Driscoll	21,311,752.7307	459,409.6881
Keith R. Fox	21,287,685.4860	483,476.9328
Paul K. Freeman	21,312,609.2358	458,553.1830
Kenneth C. Froewiss	21,312,609.2358	458,553.1830
Richard J. Herring	21,304,806.7206	466,355.6982
William McClayton	21,287,653.3731	483,509.0457
Rebecca W. Rimel	21,286,899.0512	484,263.3676
William N. Searcy, Jr.	21,304,781.5605	466,380.8583
Jean Gleason Stromberg	21,298,530.1126	472,632.3062
Robert H. Wadsworth	21,277,282.0220	493,880.3968
Axel Schwarzer	21,287,076.7705	484,085.6483

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	20,575,836.2847	244,105.0285	951,221.1055

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	20,528,630.1799	299,424.2022	943,108.0365

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	20,543,681.9187	298,620.0678	928,890.4323

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	20,584,050.7533	270,645.0076	916,466.6578

DWS Davis Venture Value VIP

A Special Meeting of Shareholders of the DWS Davis Venture Value VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	22,345,200.4010	169,408.5698
Henry P. Becton, Jr.	22,346,100.6236	168,508.3472
Dawn-Marie Driscoll	22,321,725.3799	192,883.5909
Keith R. Fox	22,346,100.6236	168,508.3472
Paul K. Freeman	22,345,670.6536	168,938.3172
Kenneth C. Froewiss	22,346,100.6236	168,508.3472
Richard J. Herring	22,346,100.6236	168,508.3472
William McClayton	22,327,720.8118	186,888.1590
Rebecca W. Rimel	22,345,402.9910	169,205.9798
William N. Searcy, Jr.	22,338,247.4109	176,361.5599
Jean Gleason Stromberg	22,345,402.9910	169,205.9798
Robert H. Wadsworth	22,343,145.8423	171,463.1285
Axel Schwarzer	22,338,774.9991	175,833.9717

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	22,065,099.9828	98,677.9852	350,831.0027

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	22,085,037.0033	104,821.7237	324,750.2438

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	22,043,076.7904	112,511.5849	359,020.5954

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	22,064,424.1604	134,374.1346	315,810.6758

DWS Dreman High Return Equity VIP

A Special Meeting of Shareholders of the DWS Dreman High Return Equity VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	55,277,580.3160	2,180,238.7498
Henry P. Becton, Jr.	55,262,926.8699	2,194,892.1959
Dawn-Marie Driscoll	55,211,171.0565	2,246,648.0093
Keith R. Fox	55,262,029.0061	2,195,790.0597
Paul K. Freeman	55,241,287.0825	2,216,531.9833
Kenneth C. Froewiss	55,260,155.5549	2,197,663.5109
Richard J. Herring	55,280,310.9392	2,117,508.1266
William McClayton	55,251,289.8348	2,206,529.2310
Rebecca W. Rimel	55,256,005.2554	2,201,813.8104
William N. Searcy, Jr.	55,254,443.9716	2,203,375.0942
Jean Gleason Stromberg	55,222,912.7356	2,234,906.3302
Robert H. Wadsworth	55,256,416.6909	2,201,402.3749
Axel Schwarzer	55,224,843.0373	2,232,976.0285

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	52,414,273.4185	1,440,368.7753	3,603,176.8720

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	52,263,476.2613	1,523,232.1584	3,671,110.6459

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	52,317,611.3012	1,483,771.0252	3,656,436.7393

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	52,539,975.1413	1,360,937.4019	3,556,906.5225

DWS Dreman Small Mid Cap Value VIP

A Special Meeting of Shareholders of the DWS Dreman Small Mid Cap Value VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	24,071,835.9263	842,159.1915
Henry P. Becton, Jr.	24,059,978.4146	854,016.7032
Dawn-Marie Driscoll	24,044,025.7515	869,969.3663
Keith R. Fox	24,076,141.1788	837,853.9390
Paul K. Freeman	24,084,989.7974	829,005.3204
Kenneth C. Froewiss	24,078,113.8262	835,881.2916
Richard J. Herring	24,081,524.3657	832,470.7521
William McClayton	24,082,766.7348	831,228.3830
Rebecca W. Rimel	24,083,275.0289	830,720.0889
William N. Searcy, Jr.	24,060,850.7272	853,144.3906
Jean Gleason Stromberg	24,077,332.4359	836,662.6819
Robert H. Wadsworth	24,071,395.4430	842,599.6748
Axel Schwarzer	24,059,995.7945	853,999.3233

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	22,922,212.2487	660,466.7247	1,331,316.1444

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	22,865,363.2306	723,315.1720	1,325,316.7152

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	22,831,901.5082	766,393.8175	1,315,699.7921

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	22,889,821.2485	729,374.9453	1,294,798.9239

DWS Global Thematic VIP

A Special Meeting of Shareholders of the DWS Global Thematic VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	For	Withheld
John W. Ballantine	9,758,690.0477	522,199.9141
Henry P. Becton, Jr.	9,743,085.9168	537,804.0450
Dawn-Marie Driscoll	9,743,085.9168	537,804.0450
Keith R. Fox	9,760,859.0996	520,030.8622
Paul K. Freeman	9,773,612.4808	507,277.4810
Kenneth C. Froewiss	9,763,925.7220	516,964.2398
Richard J. Herring	9,763,925.7220	516,964.2398
William McClayton	9,763,925.7220	516,964.2398
Rebecca W. Rimel	9,763,123.7702	517,766.1916
William N. Searcy, Jr.	9,768,376.8064	512,513.1554
Jean Gleason Stromberg	9,772,810.5289	508,079.4329
Robert H. Wadsworth	9,766,471.5080	514,418.4538
Axel Schwarzer	9,768,376.8064	512,513.1554

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	9,231,554.4017	364,777.9064	684,557.6537

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	9,259,314.9536	380,887.2147	640,687.7934

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	9,181,918.6906	446,156.9364	652,814.3347

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	9,280,055.4863	385,618.9100	615,215.5653

DWS Government & Agency Securities VIP

A Special Meeting of Shareholders of the DWS Government & Agency Securities VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	16,041,830.4109	404,184.0999
Henry P. Becton, Jr.	16,039,509.7993	406,504.7115
Dawn-Marie Driscoll	16,044,321.4110	401,693.0998
Keith R. Fox	16,044,040.8568	401,973.6540
Paul K. Freeman	16,043,847.1512	402,167.3596
Kenneth C. Froewiss	16,043,936.0691	402,078.4417
Richard J. Herring	16,043,913.8117	402,100.6991
William McClayton	16,043,951.9389	402,062.5719
Rebecca W. Rimel	16,041,693.1139	404,321.3969
William N. Searcy, Jr.	16,043,929.8202	402,084.6906
Jean Gleason Stromberg	16,044,130.6028	401,883.9080
Robert H. Wadsworth	16,042,053.6442	403,960.8666
Axel Schwarzer	16,041,812.9728	404,201.5380

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	15,758,048.0114	77,679.9359	610,286.5634

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	15,766,013.6150	79,494.2529	600,506.6429

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	15,729,689.3928	99,477.8871	616,847.2309

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	15,741,330.2015	81,433.1608	623,251.1485

DWS High Income VIP

A Special Meeting of Shareholders of the DWS High Income VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	31,955,608.7284	982,452.4984
Henry P. Becton, Jr.	31,955,799.1197	982,262.1071
Dawn-Marie Driscoll	31,954,089.4533	983,971.7735
Keith R. Fox	31,959,054.7311	979,006.4957
Paul K. Freeman	31,960,966.1188	977,095.1080
Kenneth C. Froewiss	31,962,337.7230	975,723.5038
Richard J. Herring	31,963,817.4211	974,243.8057
William McClayton	31,960,932.8549	977,128.3719
Rebecca W. Rimel	31,963,577.6945	974,483.5323
William N. Searcy, Jr.	31,958,575.2633	979,485.9635
Jean Gleason Stromberg	31,954,476.7835	983,584.4433
Robert H. Wadsworth	31,954,465.8483	983,595.3785
Axel Schwarzer	31,955,872.7676	982,188.4592

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	31,037,960.0377	538,196.7746	1,361,904.4143

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	31,035,404.3161	550,266.8393	1,352,390.0713

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	31,144,102.6096	470,697.7689	1,323,260.8483

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	31,223,972.0991	447,233.2250	1,266,855.9026

DWS International Select Equity VIP

A Special Meeting of Shareholders of the DWS International Select Equity VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	14,659,218.9885	300,984.1063
Henry P. Becton, Jr.	14,647,676.4108	312,526.6840
Dawn-Marie Driscoll	14,648,637.3172	311,565.7776
Keith R. Fox	14,648,842.3756	311,360.7192
Paul K. Freeman	14,658,930.8484	301,272.2464
Kenneth C. Froewiss	14,648,842.3756	311,360.7192
Richard J. Herring	14,648,842.3756	311,360.7192
William McClayton	14,659,218.9885	300,984.1063
Rebecca W. Rimel	14,644,983.8953	315,219.1995
William N. Searcy, Jr.	14,653,873.9150	306,329.1798
Jean Gleason Stromberg	14,653,173.6973	307,029.3975
Robert H. Wadsworth	14,653,332.2296	306,870.8652
Axel Schwarzer	14,656,478.3773	303,724.7175

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	14,290,440.9923	190,913.6931	478,848.4093

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	14,303,131.2567	174,288.6003	482,783.2376

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	14,287,273.2134	200,782.5330	472,147.3484

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	14,312,309.9114	155,967.0381	155,967.0381

DWS Janus Growth & Income VIP

A Special Meeting of Shareholders of the DWS Janus Growth & Income VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	13,652,399.6179	84,893.8819
Henry P. Becton, Jr.	13,652,612.7041	84,680.7957
Dawn-Marie Driscoll	13,659,193.0650	78,100.4348
Keith R. Fox	13,659,193.0650	78,100.4348
Paul K. Freeman	13,659,193.0650	78,100.4348
Kenneth C. Froewiss	13,659,193.0650	78,100.4348
Richard J. Herring	13,659,193.0650	78,100.4348
William McClayton	13,659,193.0650	78,100.4348
Rebecca W. Rimel	13,658,533.5209	78,759.9789
William N. Searcy, Jr.	13,658,353.9869	78,939.5129
Jean Gleason Stromberg	13,651,867.6295	85,425.8703
Robert H. Wadsworth	13,652,612.7041	84,680.7957
Axel Schwarzer	13,658,820.0746	78,473.4252

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	13,489,276.0169	60,792.1999	187,225.2829

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	13,490,652.2294	64,272.4094	182,368.8609

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	13,486,783.1120	66,907.2116	183,603.1761

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	13,483,952.1478	68,818.5964	184,522.7556

DWS Large Cap Value VIP

A Special Meeting of Shareholders of the DWS Large Cap Value VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	12,191,893.5400	146,637.5368
Henry P. Becton, Jr.	12,172,381.1893	166,149.8875
Dawn-Marie Driscoll	12,175,845.2539	162,685.8229
Keith R. Fox	12,176,827.2173	161,703.8595
Paul K. Freeman	12,191,893.5400	146,637.5368
Kenneth C. Froewiss	12,180,597.5570	157,933.5198
Richard J. Herring	12,180,597.5570	157,933.5198
William McClayton	12,191,531.0332	147,000.0436
Rebecca W. Rimel	12,178,887.7318	159,643.3450
William N. Searcy, Jr.	12,190,754.5733	147,776.5035
Jean Gleason Stromberg	12,188,678.0016	149,853.0752
Robert H. Wadsworth	12,188,733.0485	149,798.0283
Axel Schwarzer	12,190,842.8283	147,688.2485

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	12,039,146.1800	80,950.8189	218,434.0779

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	12,009,152.2902	109,588.0857	219,790.7009

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	12,032,671.8472	83,388.2273	222,471.0022

DWS Mid Cap Growth VIP

A Special Meeting of Shareholders of the DWS Mid Cap Growth VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	3,615,261.1602	245,776.1536
Henry P. Becton, Jr.	3,615,261.1602	245,776.1536
Dawn-Marie Driscoll	3,611,269.1166	249,768.1972
Keith R. Fox	3,607,782.3143	253,254.9995
Paul K. Freeman	3,612,152.9307	248,884.3831
Kenneth C. Froewiss	3,612,152.9307	248,884.3831
Richard J. Herring	3,615,261.1602	245,776.1536
William McClayton	3,607,782.3143	253,254.9995
Rebecca W. Rimel	3,615,261.1602	245,776.1536
William N. Searcy, Jr.	3,610,890.5438	250,146.7700
Jean Gleason Stromberg	3,612,152.9307	248,884.3831
Robert H. Wadsworth	3,610,581.3171	250,455.9967
Axel Schwarzer	3,611,269.1166	249,768.1972

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	3,503,758.0070	54,254.1880	303,025.1187

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	3,502,502.2790	58,384.6134	300,150.4213

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	3,508,398.7103	50,057.8332	302,580.7703

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	3,497,770.5700	51,636.1877	311,630.5560

DWS Money Market VIP

A Special Meeting of Shareholders of the DWS Money Market VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	368,173,604.7206	9,340,411.7093
Henry P. Becton, Jr.	367,791,257.4032	9,722,759.0267
Dawn-Marie Driscoll	367,693,056.2173	9,820,960.2126
Keith R. Fox	368,288,472.7061	9,225,543.7238
Paul K. Freeman	368,173,643.1866	9,340,373.2433
Kenneth C. Froewiss	367,938,697.9977	9,575,318.4322
Richard J. Herring	368,289,291.6725	9,224,724.7574
William McClayton	367,746,231.9706	9,767,784.4593
Rebecca W. Rimel	367,134,869.8581	10,379,146.5718
William N. Searcy, Jr.	368,293,018.6970	9,220,997.7329
Jean Gleason Stromberg	367,533,885.3126	9,980,131.1173
Robert H. Wadsworth	367,536,550.1058	9,977,466.3241
Axel Schwarzer	368,365,750.2746	9,148,266.1553

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	356,253,936.3587	7,686,421.4399	13,573,658.6311

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	353,798,958.5146	9,954,851.6659	13,760,206.2492

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	355,048,722.8171	8,391,953.9347	14,073,339.6781

3.B. Approval of a Revised Fundamental Investment Policy Regarding Concentration.

Number of Votes:	Affirmative	Against	Abstain
	353,973,911.1784	7,997,337.9357	15,542,767.3157

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	355,389,609.5977	8,345,317.5207	13,779,089.3113

DWS Small Cap Growth VIP

A Special Meeting of Shareholders of the DWS Small Cap Growth VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	11,534,253.6411	459,031.3537
Henry P. Becton, Jr.	11,534,238.5056	459,046.4892
Dawn-Marie Driscoll	11,534,253.6411	459,031.3537
Keith R. Fox	11,532,112.8381	461,172.1567
Paul K. Freeman	11,534,238.5056	459,046.4892
Kenneth C. Froewiss	11,534,253.6411	459,031.3537
Richard J. Herring	11,534,253.6411	459,031.3537
William McClayton	11,527,455.4273	465,829.5675
Rebecca W. Rimel	11,531,892.9405	461,392.0543
William N. Searcy, Jr.	11,532,105.1210	461,179.8738
Jean Gleason Stromberg	11,527,235.5298	466,049.4650
Robert H. Wadsworth	11,526,943.8218	466,341.1730
Axel Schwarzer	11,534,238.5056	459,046.4892

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	11,051,570.7171	250,248.9283	691,465.3494

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	11,034,348.8589	267,661.8981	691,274.2377

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	10,995,040.0712	307,497.6241	690,747.2995

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	11,062,773.7617	256,419.4074	674,091.8257

DWS Strategic Income VIP

A Special Meeting of Shareholders of the DWS Strategic Income VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	9,222,824.1650	60,600.3018
Henry P. Becton, Jr.	9,221,122.0002	62,302.4666
Dawn-Marie Driscoll	9,223,014.8986	60,409.5682
Keith R. Fox	9,223,014.8986	60,409.5682
Paul K. Freeman	9,223,014.8986	60,409.5682
Kenneth C. Froewiss	9,223,014.8986	60,409.5682
Richard J. Herring	9,223,014.8986	60,409.5682
William McClayton	9,223,014.8986	60,409.5682
Rebecca W. Rimel	9,220,974.3987	62,450.0681
William N. Searcy, Jr.	9,222,676.5634	60,747.9034
Jean Gleason Stromberg	9,221,988.5528	61,435.9140
Robert H. Wadsworth	9,222,136.1544	61,288.3124
Axel Schwarzer	9,222,824.1650	60,600.3018

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	9,119,389.0560	23,978.2651	140,057.1457

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	9,114,239.0814	28,251.2148	140,934.1706

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	9,108,253.3362	32,973.7632	142,197.3674

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	9,127,757.9814	17,410.4613	138,256.0240

DWS Technology VIP

A Special Meeting of Shareholders of the DWS Technology VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	13,864,287.3408	730,785.5220
Henry P. Becton, Jr.	13,864,288.7133	730,784.1495
Dawn-Marie Driscoll	13,858,771.2668	736,301.5960
Keith R. Fox	13,864,594.1272	730,478.7356
Paul K. Freeman	13,858,972.4940	736,100.3688
Kenneth C. Froewiss	13,862,631.7906	732,441.0722
Richard J. Herring	13,866,414.1881	728,658.6747
William McClayton	13,864,757.2654	730,315.5974
Rebecca W. Rimel	13,852,319.9013	742,752.9615
William N. Searcy, Jr.	13,869,069.9088	726,002.9540
Jean Gleason Stromberg	13,848,469.8160	746,603.0468
Robert H. Wadsworth	13,863,726.6512	731,346.2116
Axel Schwarzer	13,861,650.3623	733,422.5005

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	13,267,449.2591	436,789.5820	890,834.0217

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	13,163,581.2151	474,121.1433	957,370.5044

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	13,034,711.3760	612,897.0924	947,464.3943

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	13,113,337.6446	532,416.1935	949,319.0245

DWS Turner Mid Cap Growth VIP

A Special Meeting of Shareholders of the DWS Turner Mid Cap Growth VIP of DWS Variable Series II (the "Portfolio") was held on March 31, 2008 at the offices of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, New York 10154. At the Meeting, the following matters were voted on by the Shareholders (the resulting votes are presented below):

1. Election of the Board of Trustees.

	Number of Votes:	
Trustee	**For**	**Withheld**
John W. Ballantine	10,089,936.2723	593,232.5105
Henry P. Becton, Jr.	10,089,936.2723	593,232.5105
Dawn-Marie Driscoll	10,089,936.2723	593,232.5105
Keith R. Fox	10,086,300.2831	596,868.4997
Paul K. Freeman	10,089,936.2723	593,232.5105
Kenneth C. Froewiss	10,089,936.2723	593,232.5105
Richard J. Herring	10,089,936.2723	593,232.5105
William McClayton	10,089,936.2723	593,232.5105
Rebecca W. Rimel	10,089,530.6316	593,638.1512
William N. Searcy, Jr.	10,089,936.2723	593,232.5105
Jean Gleason Stromberg	10,089,530.6316	593,638.1512
Robert H. Wadsworth	10,087,288.7366	595,880.0462
Axel Schwarzer	10,037,601.8293	645,566.9535

2.A. Approval of an Amended and Restated Investment Management Agreement.

Number of Votes:	Affirmative	Against	Abstain
	9,551,074.4437	308,842.2801	823,252.0588

2.B. Approval of a Subadviser Approval Policy.

Number of Votes:	Affirmative	Against	Abstain
	9,647,669.9233	226,620.7944	808,878.0649

3.A. Approval of a Revised Fundamental Investment Policy Regarding Commodities.

Number of Votes:	Affirmative	Against	Abstain
	9,657,233.9697	210,311.8476	815,622.9653

4. Approval of an Amended and Restated Declaration of Trust.

Number of Votes:	Affirmative	Against	Abstain
	9,659,514.4854	193,369.6241	830,284.6731

Summary of Management Fee Evaluation by Independent Fee Consultant

October 26, 2007

Pursuant to an Order entered into by Deutsche Investment Management Americas and affiliates (collectively, "DeAM") with the Attorney General of New York, I, Thomas H. Mack, have been appointed the Independent Fee Consultant for the DWS Scudder Funds. My duties include preparing an annual written evaluation of the management fees DeAM charges the Funds, considering among other factors the management fees charged by other mutual fund companies for like services, management fees DeAM charges other clients for like services, DeAM's costs of supplying services under the management agreements and related profit margins, possible economies of scale if a Fund grows larger, and the nature and quality of DeAM's services, including fund performance. This report summarizes my evaluation for 2007, including my qualifications, the evaluation process for each of the DWS Scudder Funds, consideration of certain complex-level factors, and my conclusions.

Qualifications

For more than 30 years I have served in various professional capacities within the investment management business. I have held investment analysis and advisory positions, including securities analyst, portfolio strategist and director of investment policy with a large investment firm. I have also performed business management functions, including business development, financial management and marketing research and analysis.

Since 1991, I have been an independent consultant within the asset management industry. I have provided services to over 125 client organizations, including investment managers, mutual fund boards, product distributors and related organizations. Over the past several years I have completed a number of assignments for mutual fund boards, specifically including assisting boards with management contract renewal.

I hold a Master of Business Administration degree, with highest honors, from Harvard University; and Master of Science and Bachelor of Science (highest honors) degrees from the University of California at Berkeley. I am an independent director and audit committee financial expert for two closed-end mutual funds, serve on the board of directors of a private market research company, and have served in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Scudder Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 136 Fund portfolios in the DWS Scudder Fund family. For each Fund, I considered each of the key factors mentioned above, as well as any other relevant information. In doing so I worked closely with the Funds' Independent Directors in their annual contract renewal process, as well as in their approval of contracts for several new funds (documented separately).

In evaluating each Fund's fees, I reviewed comprehensive materials provided by or on behalf of DeAM, including expense information prepared by Lipper Analytical, comparative performance information, profitability data, manager histories, and other materials. I also accessed certain additional information from the Lipper, Strategic Insight, and Morningstar databases and drew on my industry knowledge and experience.

To facilitate evaluating this considerable body of information, I prepared for each Fund a document summarizing the key data elements in each area as well as additional analytics discussed below. This made it possible to consider each key data element in the context of the others.

In the course of contract renewal, DeAM agreed to implement a number of fee and expense adjustments requested by the Independent Directors which will favorably impact future fees and expenses, and my evaluation includes the effects of these changes.

Fees and Expenses Compared with Other Funds

The competitive fee and expense evaluation for each fund focused on two primary comparisons:

The Fund's contractual management fee (the advisory fee plus the administration fee where applicable) compared with those of a group of typically 12–15 funds in the same Lipper investment category (e.g. Large Capitalization Growth) having similar distribution arrangements and being of similar size.

The Fund's total expenses compared with a broader universe of funds from the same Lipper investment category and having similar distribution arrangements.

These two comparisons provide a view of not only the level of the fee compared with funds of similar scale but also the total expense the Fund bears for all the services it receives, in comparison with the investment choices available in the Fund's investment category and distribution channel. The principal figure-of-merit used in these comparisons was the subject Fund's percentile ranking against peers.

DeAM's Fees for Similar Services to Others

DeAM provided management fee schedules for all of its US domiciled fund and non-fund investment management accounts in any of the investment categories where there is a DWS Scudder Fund. These similar products included the other DWS Scudder Funds, non-fund pooled accounts, institutional accounts and sub-advisory accounts. Using this information, I calculated for each Fund the fee that would be charged to each similar product, at the subject Fund's asset level.

Evaluating information regarding non-fund products is difficult because there are varying levels of services required for different types of accounts, with mutual funds generally requiring considerably more regulatory and administrative types of service as well as having more frequent cash flows than other types of accounts. Also, while mutual fund fees for similar fund products can be expected to be similar, there will be some differences due to different pricing conditions in different distribution channels (e.g. retail funds versus those used in variable insurance products), differences in underlying investment processes and other factors.

Costs and Profit Margins

DeAM provided a detailed profitability analysis for each Fund. After making some adjustments so that the presentation would be more comparable to the available industry figures, I reviewed profit margins from investment management alone, from investment management plus other fund services (excluding distribution) provided to the Funds by DeAM (principally shareholder services), and DeAM profits from all sources, including distribution. A later section comments on overall profitability.

Economies of Scale

Economies of scale — an expected decline in management cost per dollar of fund assets as fund assets grow — are very rarely quantified and documented because of inherent difficulties in collecting and analyzing relevant data. However, in virtually every investment category that I reviewed, larger funds tend to have lower fees and lower total expenses than smaller funds. To see how each DWS Scudder Fund compares with this industry observation, I reviewed:

The trend in Fund assets over the last five years and the accompanying trend in total expenses. This shows if the Fund has grown and, if so, whether total expense (management fees as well as other expenses) have declined as a percent of assets.

Whether the Fund has break-points in its management fee schedule, the extent of the fee reduction built into the schedule and the asset levels where the breaks take effect, and in the case of a sub-advised Fund how the Fund's break-points compare with those of the sub-advisory fee schedule.

How the Fund's contractual fee schedule compares with trends in the industry data. To accomplish this, I constructed a chart showing how actual latest-fiscal-year contractual fees of the Fund and of other similar funds relate to average fund assets, with the subject Fund's contractual fee schedule superimposed.

Quality of Service — Performance

The quality-of-service evaluation focused on investment performance, which is the principal result of the investment management service. Each Fund's performance was reviewed over the past 1, 3, 5 and 10 years, as applicable, and compared with that of other funds in the same investment category and with a suitable market index.

In addition, I calculated and reviewed risk-adjusted returns relative to an index of similar mutual funds' returns and a suitable market index. The risk-adjusted returns analysis provides a way of determining the extent to which the Fund's return comparisons are mainly the product of investment value-added (or lack thereof) or alternatively taking considerably more or less risk than is typical in its investment category.

I also received and considered the history of portfolio manager changes for each Fund, as this provided an important context for evaluating the performance results.

Complex-Level Considerations

While this evaluation was conducted mainly at the individual fund level, there are some issues relating to the reasonableness of fees that can alternatively be considered across the whole fund complex:

I reviewed DeAM's profitability analysis for all DWS Scudder funds, with a view toward determining if the allocation procedures used were reasonable and how profit levels compared with public data for other investment managers.

I considered whether DeAM and affiliates receive any significant ancillary or "fall-out" benefits that should be considered in interpreting the direct profitability results. These would be situations where serving as the investment manager of the Funds is beneficial to another part of the Deutsche Bank organization.

I considered how aggregated DWS Scudder Fund expenses had varied over the years, by asset class and in the context of trends in asset levels.

I reviewed the structure of the DeAM organization, trends in staffing levels, and information on compensation of investment management and other professionals compared with industry data.

Findings

Based on the process and analysis discussed above, which included reviewing a wide range of information from management and external data sources and considering among other factors the fees DeAM charges other clients, the fees charged by other fund managers, DeAM's costs and profits associated with managing the Funds, economies of scale, possible fall-out benefits, and the nature and quality of services provided, in my opinion the management fees charged the DWS Scudder Funds are reasonable.

Thomas H. Mack

Thomas H. Mack

DWS Investments is part of Deutsche Bank's Asset Management division and, within the US, represents the retail 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 INVESTMENTS
Deutsche Bank Group

This report must be preceded or accompanied by the current prospectus. Read it carefully before investing.

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