Semiannual report to contract holders for the six months ended June 30, 2010

SEMIANNUAL REPORT

FOR CONTRACT HOLDERS OF SCUDDER DESTINATIONS℠

AIM Variable Insurance Funds (Invesco Variable Insurance Funds)

The Alger Portfolios (formerly 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

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES OF EACH OF THE LISTED FUNDS:

DWS VARIABLE SERIES I:

DWS Growth & Income VIP

DWS VARIABLE SERIES II:

DWS Alternative Asset Allocation Plus VIP

DWS Balanced VIP

DWS Blue Chip VIP

DWS Diversified International Equity VIP

DWS Strategic Income VIP

The following information supplements existing disclosure in the section entitled "WHO MANAGES AND OVERSEES THE FUND" of each fund's prospectus:

On January 26, 2010, the Advisor announced its intention to transition members of its Quantitative Strategies Group (the "QS Group"), including members of the fund's portfolio management team, out of the Advisor into a separate investment advisory firm named QS Investors, LLC ("QS Investors") that will be unaffiliated with the Advisor (the "Separation"). The Separation is expected to be completed during the third quarter of 2010. In order for the fund to continue to access the investment expertise offered by the members of the QS Group following the Separation, the Advisor recommended that the fund's Board approve a sub-advisory agreement between the Advisor and QS Investors (the "Sub-Advisory Agreement"). On May 4, 2010, following a review of QS Investors' capabilities, the terms of the Separation and Sub-Advisory Agreement, the fund's Board approved the Sub-Advisory Agreement. This action was taken pursuant to an order the fund and the Advisor requested and received from the Securities and Exchange Commission that permits the Advisor, with the approval of the fund's Board, to appoint subadvisors that are not affiliated with the Advisor to manage all or a portion of the fund's assets without the need for a shareholder meeting or vote. The Sub-Advisory Agreement will become effective upon the effective date of the Separation.

Effective upon the Separation, the following disclosure is added to the section entitled "Management" in the summary section of each fund's prospectus:

Subadvisor

QS Investors, LLC

Effective upon the Separation, the following disclosure replaces the first paragraph under "The Investment Advisor" in the section entitled "WHO MANAGES AND OVERSEES THE FUND" of each fund's prospectus:

Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), with headquarters at 345 Park Avenue, New York, NY 10154, is the investment advisor for the fund. Under the oversight of the Board, the Advisor or a subadvisor makes investment decisions, buys and sells securities for the fund and conducts research that leads to these purchase and sale decisions. The Advisor provides a full range of global investment advisory services to institutional and retail clients.

DWS INVESTMENTS
Deutsche Bank Group

Effective upon the Separation, the following disclosure supplements the disclosure in the section entitled "WHO MANAGES AND OVERSEES THE FUND" of each applicable fund's prospectus:

Subadvisor

QS Investors, 880 Third Avenue, New York, NY 10022, serves as subadvisor to the fund. QS Investors is registered as an investment advisor under the Investment Advisers Act of 1940, as amended. QS Investors manages and advises assets on behalf of institutional clients and retail funds, providing global expertise in research, portfolio management and quantitative analysis. QS Investors manages assets across multiple strategies, including: Global Tactical Asset Allocation & Active Currency (iGAP), US Active Quantitative Equity (AQE), International and Global Equity (Diversification Based Investing/DBI) and Multi-Asset/Strategic Asset Allocation (SAA). Under the oversight of DIMA and the fund's Board, QS Investors:

(i) **for DWS Growth & Income VIP, DWS Blue Chip VIP and DWS Diversified International Equity VIP:** makes the investment decisions and buys and sells securities for the fund;

(ii) **for DWS Alternative Asset Allocation Plus VIP and DWS Balance VIP:** renders SAA services to the fund and manages the assets attributable to the fund's iGAP strategy;

(iii) **for DWS Strategic Income VIP:** manages the assets attributable only to the fund's iGAP strategy.

DIMA pays a fee to QS Investors pursuant to an investment sub-advisory agreement between DIMA and QS Investors.

Effective upon the Separation, the following disclosure supplements the disclosure contained in the second paragraph under "Management Fee" in the section entitled "WHO MANAGES AND OVERSEES THE FUND" of each applicable fund's prospectus:

A discussion regarding the basis for the Board's approval of the sub-advisory agreement between the Advisor and QS Investors will be contained in the shareholder report for the period ended June 30, 2010.

Please Retain This Supplement for Future Reference

DWS VARIABLE SERIES II

SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUS:

DWS Global Thematic VIP

The following information supplements existing disclosure in the section entitled "WHO MANAGES AND OVERSEES THE FUND" of the fund's prospectus:

On January 26, 2010, the Advisor announced its intention to transition members of its Global Equity Team, including members of the fund's portfolio management team, out of the Advisor into a separate investment advisory firm named Global Thematic Partners, LLC ("Global Thematic Partners") that will be unaffiliated with the Advisor (the "Separation"). The Separation is expected to be completed during the third quarter of 2010. In order for the fund to continue to access the investment expertise offered by the members of the Global Equity Team following the Separation, the Advisor recommended that the fund's Board approve a sub-advisory agreement between the Advisor and Global Thematic Partners (the "Sub-Advisory Agreement"). On May 4, 2010, following a review of Global Thematic Partners' capabilities, the terms of the Separation and Sub-Advisory Agreement, the fund's Board approved the Sub-Advisory Agreement. This action was taken pursuant to an order the fund and the Advisor requested and received from the Securities and Exchange Commission that permits the Advisor, with the approval of the fund's Board, to appoint subadvisors that are not affiliated with the Advisor to manage all or a portion of the fund's assets without the need for a shareholder meeting or vote. The Sub-Advisory Agreement will become effective upon the effective date of the Separation.

Effective upon the Separation, the following disclosure is added to the section entitled "MANAGEMENT" in the summary section of the fund's prospectus:

Subadvisor

Global Thematic Partners, LLC

Effective upon the Separation, the following disclosure replaces the first paragraph under "The Investment Advisor" in the section entitled "WHO MANAGES AND OVERSEES THE FUND" of each fund's prospectus:

Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), with headquarters at 345 Park Avenue, New York, NY 10154, is the investment advisor for the fund. Under the oversight of the Board, the Advisor or a subadvisor makes investment decisions, buys and sells securities for the fund and conducts research that leads to these purchase and sale decisions. The Advisor provides a full range of global investment advisory services to institutional and retail clients.

Effective upon the Separation, the following disclosure is added to the section entitled "WHO MANAGES AND OVERSEES THE FUND" of the fund's prospectus:

Subadvisor

Global Thematic Partners, 681 Fifth Avenue, New York, NY 10022, serves as subadvisor to the fund. Global Thematic Partners is an investment advisor registered under the Investment Advisers Act of 1940, as amended. Under the oversight of DIMA and the Board, Global Thematic Partners makes the investment decisions and buys and sells securities for the fund. DIMA pays a fee to Global Thematic Partners pursuant to an investment sub-advisory agreement between DIMA and Global Thematic Partners.

Effective upon the Separation, the following disclosure supplements the disclosure contained in the second paragraph under "Management Fee" in the section entitled "WHO MANAGES AND OVERSEES THE FUND" of the fund's prospectus:

A discussion regarding the basis for the Board's approval of the sub-advisory agreement between the Advisor and Global Thematic Partners will be contained in the shareholder report for the period ending June 30, 2010.

Please Retain This Supplement for Future Reference

June 8, 2010
VS-3637

DWS INVESTMENTS
Deutsche Bank Group

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SUPPLEMENT TO THE CURRENTLY EFFECTIVE PROSPECTUSES

DWS Enhanced Commodity Strategy Fund
DWS Global Inflation Plus Fund
DWS GNMA Fund
DWS Government & Agency Securities VIP
DWS Short Duration Fund
DWS Short Duration Plus Fund
DWS Strategic Government Securities Fund
DWS Strategic Income Fund
DWS Strategic Income VIP

The following person is added to the portfolio management team as reflected in the "Portfolio Manager(s)" sub-heading of the "MANAGEMENT" section of each fund's prospectus.

John D. Ryan, Director. Portfolio Manager of the fund. Joined the fund in 2010.

The following person is added to the portfolio management team, as reflected under the "MANAGEMENT" sub-heading of the "FUND DETAILS" section of each fund's prospectus.

John D. Ryan, Director. Portfolio Manager of the fund. Joined the fund in 2010.

- Joined Deutsche Asset Management in 2010 from Northern Trust where he served as a senior portfolio manager. Previously, he served as a portfolio manager and head of credit trading for Deutsche Asset Management from 1998–2003.
- Over 18 years of investment industry experience.
- BA in Economics, University of Chicago; MBA, University of Chicago.

Please Retain This Supplement for Future Reference

July 16, 2010
DMF-3604ST

DWS INVESTMENTS
Deutsche Bank Group

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Invesco V.I. Utilities Fund

Semiannual Report to Shareholders ▪ June 30, 2010

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 website, 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 202 551 8090 or 800 732 0330, or by electronic request at the following email 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 website, invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2010, is available at our website, invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the U.S. distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

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 Distributors, Inc.

I-VIUTI-SAR-1

Fund Performance

Performance summary

Fund vs. Indexes

Cumulative total returns, 12/31/09 to 6/30/10, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	-7.99%
Series II Shares	-8.18
S&P 500 Index▼ (Broad Market Index)	-6.64
S&P 500 Utilities Index▼ (Style-Specific Index)	-7.14
Lipper VUF Utility Funds Category Average▼ (Peer Group)	-7.66

▼Lipper Inc.

The **S&P 500® Index** is an unmanaged index considered representative of the U.S. stock market.

The **S&P 500 Utilities Index** is an unmanaged index considered representative of the utilities market.

The **Lipper VUF Utility Funds Category Average** represents an average of all of the variable insurance underlying funds in the Lipper Utility Funds category.

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 the peer group, if applicable, reflects fund expenses; performance of a market index does not.

Average Annual Total Returns

As of 6/30/10

Series I Shares	
Inception (12/30/94)	5.70%
10 Years	-0.02
5 Years	2.76
1 Year	5.51
Series II Shares	
10 Years	-0.27%
5 Years	2.48
1 Year	5.15

Series II shares incepted on April 30, 2004. Performance shown prior to that date is that of Series I shares, restated to reflect the higher 12b-1 fees applicable to Series II. Series I performance reflects any applicable fee waivers or expense reimbursements. 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 adviser 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 0.94% and 1.19%, 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 1.05% and 1.30%, 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.

Invesco V.I. Utilities Fund, a series portfolio of AIM Variable Insurance Funds (Invesco 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 at 800 451 4246. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

1 Total annual Fund operating expenses after any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least April 30, 2011. See current prospectus for more information.

Schedule of Investments[a]

June 30, 2010
(Unaudited)

	Shares	Value
Common Stocks–98.12%		
Electric Utilities–45.10%		
American Electric Power Co., Inc.	77,283	$ 2,496,241
Duke Energy Corp.	123,952	1,983,232
E.ON AG (Germany)	53,357	1,436,652
Edison International	78,139	2,478,569
Entergy Corp.	41,886	2,999,875
Exelon Corp.	47,435	1,801,107
FirstEnergy Corp.	53,693	1,891,605
NextEra Energy, Inc.	26,512	1,292,725
Northeast Utilities	59,859	1,525,207
Pepco Holdings, Inc.	152,313	2,388,268
Portland General Electric Co.	127,636	2,339,568
PPL Corp.	95,357	2,379,157
Southern Co.	75,289	2,505,618
		27,517,824
Gas Utilities–8.45%		
AGL Resources Inc.	44,203	1,583,351
EQT Corp.	21,018	759,591
ONEOK, Inc.	40,857	1,767,065
Questar Corp.[b]	17,541	283,287
UGI Corp.	29,949	761,903
		5,155,197
Independent Power Producers & Energy Traders–3.25%		
NRG Energy, Inc.[b]	93,586	1,984,959
Integrated Oil & Gas–0.69%		
QEP Resources Inc.[b]	13,692	422,124
Integrated Telecommunication Services–4.52%		
AT&T Inc.	50,663	$ 1,225,538
Verizon Communications Inc.	54,675	1,531,993
		2,757,531
Multi-Utilities–31.45%		
CMS Energy Corp.	205,431	3,009,564
Dominion Resources, Inc.	77,828	3,015,057
National Grid PLC (United Kingdom)	320,668	2,361,719
PG&E Corp.	70,436	2,894,920
Public Service Enterprise Group, Inc.	65,698	2,058,318
Sempra Energy	43,756	2,047,343
Wisconsin Energy Corp.	23,501	1,192,441
Xcel Energy, Inc.	126,774	2,612,812
		19,192,174
Oil & Gas Storage & Transportation–4.66%		
El Paso Corp.	54,162	601,740
Southern Union Co.	44,355	969,600
Williams Cos., Inc. (The)	69,599	1,272,270
		2,843,610
Total Common Stocks (Cost $57,369,267)		59,873,419
Money Market Funds–1.85%		
Liquid Assets Portfolio–Institutional Class[c]	564,038	564,038
Premier Portfolio–Institutional Class[c]	564,038	564,038
Total Money Market Funds (Cost $1,128,076)		1,128,076
TOTAL INVESTMENTS–99.97% (Cost $58,497,343)		61,001,495
OTHER ASSETS LESS LIABILITIES–0.03%		18,385
NET ASSETS–100.00%		$61,019,880

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) Non-income producing security.
(c) The money market fund and the Fund are affiliated by having the same investment adviser.

Portfolio Composition

By sector, based on Net Assets
as of June 30, 2010

Utilities	89.7%
Telecommunication Services	4.5
Energy	3.9
Money Market Funds Plus Other Assets Less Liabilities	1.9

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

Statement of Assets and Liabilities

June 30, 2010
(Unaudited)

Assets:	
Investments, at value (Cost $57,369,267)	$59,873,419
Investments in affiliated money market funds, at value and cost	1,128,076
Total investments, at value (Cost $58,497,343)	61,001,495
Receivables for:	
Investments sold	130,299
Fund shares sold	8,272
Dividends	323,200
Fund expenses absorbed	5,846
Investment for trustee deferred compensation and retirement plans	33,418
Other assets	2,114
Total assets	61,504,644
Liabilities:	
Payables for:	
Investments purchased	287,444
Fund shares reacquired	88,304
Accrued fees to affiliates	39,517
Accrued other operating expenses	23,626
Trustee deferred compensation and retirement plans	45,873
Total liabilities	484,764
Net assets applicable to shares outstanding	$61,019,880
Net assets consist of:	
Shares of beneficial interest	$58,213,356
Undistributed net investment income	3,493,627
Undistributed net realized gain (loss)	(3,191,477)
Unrealized appreciation	2,504,374
	$61,019,880
Net Assets:	
Series I	$59,529,165
Series II	$ 1,490,715
Shares outstanding, $0.001 par value per share, unlimited number of shares authorized:	
Series I	4,460,536
Series II	112,468
Series I:	
Net asset value per share	$ 13.35
Series II:	
Net asset value per share	$ 13.25

Statement of Operations

For the six months ended June 30, 2010
(Unaudited)

Investment income:	
Dividends (net of foreign withholding taxes of $15,446)	$ 1,479,985
Dividends from affiliated money market funds (includes securities lending income of $8,025)	9,401
Total investment income	1,489,386
Expenses:	
Advisory fees	200,575
Administrative services fees	99,874
Custodian fees	3,838
Distribution fees — Series II	2,024
Transfer agent fees	10,627
Trustees' and officers' fees and benefits	9,954
Professional services fees	18,079
Other	4,734
Total expenses	349,705
Less: Fees waived	(39,315)
Net expenses	310,390
Net investment income	1,178,996
Realized and unrealized gain (loss) from:	
Net realized gain from:	
Investment securities	756,400
Foreign currencies	9,569
	765,969
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(7,464,782)
Foreign currencies	(5,634)
	(7,470,416)
Net realized and unrealized gain (loss)	(6,704,447)
Net increase (decrease) in net assets resulting from operations	$(5,525,451)

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, 2010 and the year ended December 31, 2009
(Unaudited)

	June 30, 2010	December 31, 2009
Operations:		
Net investment income	$ 1,178,996	$ 2,365,392
Net realized gain (loss)	765,969	(3,566,259)
Change in net unrealized appreciation (depreciation)	(7,470,416)	9,982,838
Net increase (decrease) in net assets resulting from operations	(5,525,451)	8,781,971
Distributions to shareholders from net investment income:		
Series I	—	(3,146,581)
Series II	—	(69,727)
Total distributions from net investment income	—	(3,216,308)
Distributions to shareholders from net realized gains:		
Series I	—	(793,124)
Series II	—	(19,073)
Total distributions from net realized gains	—	(812,197)
Share transactions–net:		
Series I	(5,753,037)	(14,677,265)
Series II	(74,688)	(124,013)
Net increase (decrease) in net assets resulting from share transactions	(5,827,725)	(14,801,278)
Net increase (decrease) in net assets	(11,353,176)	(10,047,812)
Net assets:		
Beginning of period	72,373,056	82,420,868
End of period (includes undistributed net investment income of $3,493,627 and $2,314,631, respectively)	$ 61,019,880	$ 72,373,056

Notes to Financial Statements

June 30, 2010
(Unaudited)

NOTE 1—Significant Accounting Policies

Invesco V.I. Utilities Fund, formerly AIM V.I. Utilities Fund, (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds), formerly 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 forty-one separate portfolios, (each constituting a "Fund"). The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund. 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 Fund's investment objectives are long-term growth of capital and secondarily, current income.

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").

The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

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 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 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. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including Corporate Loans.

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. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

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 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 investment adviser.

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 adviser 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. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

H. Indemnifications — Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust 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, including the Fund's servicing agreements, 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.

The Fund may invest a large percentage of assets in securities of a limited number of companies, such that each investment may have 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. Upon the failure of the borrower to return the securities, collateral may be liquidated and the securities may be purchased on the open market to replace the loaned securities. The Fund could 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, if any.

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 (1) sales of foreign currencies, (2) currency gains or losses realized between the trade and settlement dates on securities transactions, and (3) 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 — The Fund may enter into foreign currency contracts to manage or minimize currency or exchange rate risk. The Fund may also enter into foreign currency contracts 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. A foreign currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The use of foreign currency contracts does not eliminate fluctuations in the price of the underlying securities the Fund owns or intends to acquire but establishes a rate of exchange in advance. Fluctuations in the value of these contracts are measured by the difference in the contract date and reporting date exchange rates and are recorded as unrealized appreciation (depreciation) until the contracts are closed. When the contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains (losses) on the contracts are included in the Statement of Operations. The primary risks associated with foreign currency contracts include failure of the counterparty to meet the terms of the contract and the value of the foreign currency changing unfavorably. These risks may be in excess of the amounts reflected in the Statement of Assets and Liabilities.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with Invesco Advisers, Inc. (the "Adviser" or "Invesco"). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to the Adviser 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 between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Trimark Ltd. (collectively, the "Affiliated Sub-Advisers") the Adviser, not the Fund, may pay 40% of the fees paid to the Adviser to any such Affiliated Sub-Adviser(s) that provide discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Adviser(s).

The Adviser has contractually agreed, through at least April 30, 2011, 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. In determining the Adviser'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: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. The Board of Trustees or Invesco may terminate the fee waiver arrangement at any time. To the extent that the annualized expense ratio does not exceed the expense limitation, the Adviser will retain its ability to be reimbursed for such fee waivers or reimbursements prior to each fiscal year.

Further, the Adviser has contractually agreed, through at least June 30, 2011, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash (excluding investments of cash collateral from securities lending) in such affiliated money market funds.

For the six months ended June 30, 2010, the Adviser waived advisory fees of $39,315.

At the request of the Trustees of the Trust, Invesco Ltd. agreed to reimburse expenses incurred by the Fund in connection with market timing matters in the Invesco Funds, which may include legal, audit, shareholder reporting, communications and trustee expenses. For the six months ended June 30, 2010, Invesco Ltd. did not reimburse any expenses.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco 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, 2010, Invesco was paid $24,795 for accounting and fund administrative services and reimbursed $75,079 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the six months ended June 30, 2010, 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 Distributors, Inc. ("IDI") 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 IDI 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, 2010, 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, IIS and/or IDI.

NOTE 3—Additional Valuation Information

Generally Accepted Accounting Principles ("GAAP") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP 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 significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using 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, yield curves, loss severities, default rates, discount rates, volatilities 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.

The following is a summary of the tiered valuation input levels, as of June 30, 2010. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

During the six months ended June 30, 2010, there were no significant transfers between investment levels.

	Level 1	Level 2	Level 3	Total
Equity Securities	$57,203,124	$3,798,371	$—	$61,001,495

NOTE 4—Trustees' and Officers' Fees and Benefits

"Trustees' and Officers' 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 Officers' 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 Invesco 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 Officers' 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, 2010, the Fund paid legal fees of $1,374 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, the custodian bank. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, 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.

The Fund had a capital loss carryforward as of December 31, 2009 which expires as follows:

Expiration	Capital Loss Carryforward*
December 31, 2017	$3,645,250

* 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, 2010 was $2,910,356 and $4,800,948, 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	$ 6,907,980
Aggregate unrealized (depreciation) of investment securities	(4,716,024)
Net unrealized appreciation of investment securities	$ 2,191,956

Cost of investments for tax purposes is $58,809,539.

NOTE 8—Share Information

	Summary of Share Activity			
	Six months ended June 30, 2010[a]		Year ended December 31, 2009	
	Shares	Amount	Shares	Amount
Sold:				
Series I	281,741	$ 3,950,655	609,839	$ 8,004,977
Series II	4,486	62,310	12,671	166,300
Issued as reinvestment of dividends:				
Series I	—	—	276,664	3,939,705
Series II	—	—	6,267	88,800
Reacquired:				
Series I	(692,836)	(9,703,692)	(2,046,142)	(26,621,947)
Series II	(10,006)	(136,998)	(30,065)	(379,113)
Net increase (decrease) in share activity	(416,615)	$(5,827,725)	(1,170,766)	$(14,801,278)

[a] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 57% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, 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 and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco 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.

	Net asset value, beginning of period	Net investment income[(a)]	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Distributions from net realized gains	Total Distributions	Net asset value, end of period	Total Return[(b)]	Net assets, end of period (000s omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income to average net assets	Portfolio turnover[(c)]
Series I														
Six months ended 06/30/10	$14.51	$0.24	$(1.40)	$(1.16)	$ —	$ —	$ —	$13.35	(7.99)%	$ 59,529	0.92%[(d)]	1.04%[(d)]	3.54%[(d)]	5%
Year ended 12/31/09	13.38	0.45	1.53	1.98	(0.68)	(0.17)	(0.85)	14.51	14.93	70,671	0.93	1.04	3.35	14
Year ended 12/31/08	23.97	0.52	(8.36)	(7.84)	(0.59)	(2.16)	(2.75)	13.38	(32.35)	80,704	0.93	0.96	2.53	15
Year ended 12/31/07	21.23	0.47	3.94	4.41	(0.47)	(1.20)	(1.67)	23.97	20.64	155,748	0.93	0.94	1.97	30
Year ended 12/31/06	17.83	0.47	4.06	4.53	(0.70)	(0.43)	(1.13)	21.23	25.46	139,080	0.93	0.96	2.40	38
Year ended 12/31/05	15.61	0.42	2.21	2.63	(0.41)	—	(0.41)	17.83	16.83	114,104	0.93	0.96	2.49	49
Series II														
Six months ended 06/30/10	14.43	0.22	(1.40)	(1.18)	—	—	—	13.25	(8.18)	1,491	1.17[(d)]	1.29[(d)]	3.29[(d)]	5
Year ended 12/31/09	13.30	0.41	1.52	1.93	(0.63)	(0.17)	(0.80)	14.43	14.61	1,702	1.18	1.29	3.10	14
Year ended 12/31/08	23.80	0.46	(8.28)	(7.82)	(0.52)	(2.16)	(2.68)	13.30	(32.51)	1,717	1.18	1.21	2.28	15
Year ended 12/31/07	21.12	0.41	3.91	4.32	(0.44)	(1.20)	(1.64)	23.80	20.32	3,293	1.18	1.19	1.72	30
Year ended 12/31/06	17.76	0.42	4.06	4.48	(0.69)	(0.43)	(1.12)	21.12	25.25	2,462	1.18	1.21	2.15	38
Year ended 12/31/05	15.57	0.38	2.20	2.58	(0.39)	—	(0.39)	17.76	16.55	801	1.18	1.21	2.24	49

[(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)] Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable.
[(d)] Ratios are annualized and based on average daily net assets (000's omitted) of $65,780 and $1,632 for Series I and Series II shares, respectively.

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, 2010 through June 30, 2010.

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

Actual expenses

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

Hypothetical example for comparison purposes

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

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

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

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	Beginning Account Value (01/01/10)	Ending Account Value (06/30/10)[1]	Expenses Paid During Period[2]	Ending Account Value (06/30/10)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$920.10	$4.38	$1,020.23	$4.61	0.92%
Series II	1,000.00	918.20	5.56	1,018.99	5.86	1.17

[1] The actual ending account value is based on the actual total return of the Fund for the period January 1, 2010 through June 30, 2010, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

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

Approval of Investment Advisory and Sub-advisory Contracts

The Board of Trustees (the Board) of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) is required under the Investment Company Act of 1940, as amended, to approve annually the renewal of the Invesco V.I. Utilities Fund (the Fund) investment advisory agreement with Invesco Advisers, Inc. (Invesco Advisers) and the Master Intergroup Sub-Advisory Contract for Mutual Funds (the sub-advisory contracts) with Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Trimark Ltd. (collectively, the Affiliated Sub-Advisers). During contract renewal meetings held on June 15-16, 2010, the Board as a whole, and the disinterested or "independent" Trustees, who comprise 85% of the Board, voting separately, approved the continuance of the Fund's investment advisory agreement and the sub-advisory contracts for another year, effective July 1, 2010. In doing so, the Board considered the process that it follows in reviewing and approving the Fund's investment advisory agreement and sub-advisory contracts and the information that it is provided and determined that the Fund's investment advisory agreement and the sub-advisory contracts are in the best interests of the Fund and its shareholders and that the compensation to Invesco Advisers and the Affiliated Sub-Advisers under the Fund's investment advisory agreement and sub-advisory contracts is fair and reasonable.

The Board's Fund Evaluation Process

The Board's Investments Committee has established three Sub-Committees, each of which is responsible for overseeing the management of a number of the series portfolios of the funds advised by Invesco Advisers (the Invesco Funds). The Sub-Committees meet throughout the year to review the performance of their assigned funds, including reviewing materials prepared under the direction of the independent Senior Officer, an officer of the Invesco Funds who reports directly to the independent Trustees. Over the course of each year, the Sub-Committees meet with portfolio managers for their assigned funds and other members of management to review the performance, investment objective(s), policies, strategies, limitations and investment risk of these funds. The Sub-Committees meet regularly and at designated contract renewal meetings each year to conduct a review of the performance, fees, expenses and other matters related to all their assigned funds. Each Sub-Committee recommends to the Investments Committee, which in turn recommends to the full Board, whether to approve the continuance of each Invesco Fund's investment advisory agreement and sub-advisory contracts for another year.

During the contract renewal process, the Trustees receive comparative performance and fee data regarding the Invesco Funds prepared by an independent company, Lipper, Inc. (Lipper). The Trustees also receive an independent written evaluation from the Senior Officer, which is prepared as part of his responsibility to manage the process by which the Invesco 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. The independent Trustees are assisted in their annual evaluation of the Fund's investment advisory agreement by the Senior Officer and by independent legal counsel. The independent Trustees also discuss the continuance of the investment advisory agreement and sub-advisory contracts in private sessions with the Senior Officer and counsel.

In evaluating the fairness and reasonableness of the Fund's investment advisory agreement and sub-advisory contracts, the Board considered, among other things, the factors discussed below. The Board considered the information provided to them as part of the contract renewal process as well as information provided at their meetings throughout the year as part of their ongoing oversight of the Fund, and did not identify any information that was controlling. One Trustee may weigh a particular piece of information differently than another Trustee. The Trustees recognized that the advisory arrangements and resulting advisory fees for the Fund and the other Invesco Funds are the result of years of review and negotiation between the Trustees and Invesco Advisers, 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 regarding these same arrangements throughout the year and in prior years.

The discussion below serves as 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 contracts. Unless otherwise stated, this information is current as of June 16, 2010, and may not reflect consideration of factors that became known to the Board after that date, including, for example, changes to the Fund's performance, advisory fees, expense limitations and/or fee waivers.

Factors and Conclusions and Summary of Independent Written Fee Evaluation

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

The Board reviewed the advisory services provided to the Fund by Invesco Advisers under the Fund's investment advisory agreement, the performance of Invesco Advisers in providing these services, and the credentials and experience of the officers and employees of Invesco Advisers who provide these services. The Board's review of the qualifications of Invesco Advisers to provide these services included the Board's consideration of Invesco Advisers' portfolio and product review process, various back office support functions provided by Invesco Advisers and its affiliates, and Invesco Advisers' 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 Advisers are appropriate and that Invesco Advisers 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 these individuals are competent and able to continue to carry out their responsibilities under the Fund's investment advisory agreement or sub-advisory contracts, as applicable.

In determining whether to continue the Fund's investment advisory agreement, the Board considered the prior relationship between Invesco Advisers and the Fund, as well as the Board's knowledge of Invesco Advisers' operations, and concluded that it is beneficial to maintain the current relationship, in part, because of such knowledge. The Board also considered the steps that Invesco Advisers and its affiliates continue to take to improve the services they provide to the Invesco Funds in the areas of investment performance, product line diversification, distribution, fund operations, shareholder services and compliance. The Board considered Invesco Advisers' independent credit analysis and investment risk management procedures as they apply to the Fund and the other Invesco Funds. The Board also considered the acquisition by Invesco Ltd. of the retail mutual fund business of Morgan Stanley and how that is expected to affect product line diversification. The Board also considered assurances from Invesco Advisers that it does not expect the acquisition to diminish the quality of services provided to the Invesco Funds and that it plans to increase staffing. The Board concluded that the quality and efficiency of the services Invesco Advisers and its affiliates provide to the Invesco Funds support the Board's approval of the continuance of the Fund's investment advisory agreement.

The Board reviewed the services provided by the Affiliated Sub-Advisers under the sub-advisory contracts and the credentials and experience of the officers and employees of the Affiliated Sub-Advisers who provide these services. The Board concluded that the nature, extent and quality of the services provided by the Affiliated Sub-Advisers are appropriate. The Board noted that the Affiliated Sub-Advisers, which have offices and personnel that are located in financial centers around the world, can provide research and investment analysis on the markets and economies of various countries in which the Fund invests and make recommendations on securities of companies located in such countries. The Board concluded that the sub-advisory contracts benefit the Fund and its shareholders by permitting Invesco Advisers to use the resources and talents of the Affiliated Sub-Advisers in managing the Fund.

B. Fund Performance

The Board considered Fund performance as a relevant factor in considering whether to approve the investment advisory agreement. The Board did not view Fund performance as a relevant factor in considering whether to approve the sub-advisory contracts for the Fund, as no Affiliated Sub-Adviser currently manages assets of the Fund.

The Board compared the Fund's performance during the past one, three and five calendar years to the performance of all funds in the Lipper performance universe that are not managed by Invesco Advisers or an affiliated Sub-Adviser and against the Lipper VA Underlying Funds — Utility Index. The Board noted that the performance of Series I shares of the Fund was in the fourth quintile of its Lipper performance universe for the one year period, the third quintile for the three year period and the second quintile for the five year period (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that the performance of Series I shares of the Fund was below the performance of the Index for the one, three and five year periods. Although the independent written evaluation of the Fund's Senior Officer only considered Fund performance through the most recent calendar year, the Trustees also reviewed more recent Fund performance and this review did not change their conclusions.

C. Advisory and Sub-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 Advisers or an Affiliated Sub-Adviser, at a common asset level. The Board noted that the contractual advisory fee rate of Series I shares of the Fund 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, which includes using audited financial data from the most recent annual report of each fund in the expense group that was publicly available as of the end of the past calendar year.

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

Other than the mutual fund described above, the Board noted that Invesco Advisers and the Affiliated Sub-Advisers do not advise other client accounts with investment strategies comparable to those of the Fund.

The Board noted that Invesco Advisers has contractually agreed to waive fees and/or limit expenses of the Fund through at least April 30, 2011 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 also considered the effect this fee waiver would have on the Fund's total estimated expenses.

The Board also considered the services provided by the Affiliated Sub-Advisers pursuant to the sub-advisory contracts, as well as the allocation of fees between Invesco Advisers and the Affiliated Sub-Advisers pursuant to the sub-advisory contracts. The Board noted that the sub-advisory fees have no direct effect on the Fund or its shareholders, as they are paid by Invesco Advisers to the Affiliated Sub-Advisers.

After taking account of the Fund's contractual advisory and sub-advisory fee rates, the comparative advisory fee information discussed above, the advisory fee after fee waivers and expense limitations and other relevant factors, the Board concluded that the Fund's advisory and sub-advisory fees are fair and reasonable.

D. Economies of Scale and Breakpoints

The Board considered the extent to which there are economies of scale in the provision of advisory services to the Fund. The Board noted that the Fund did not benefit from breakpoints, but did share directly in economies of scale through lower fees charged by third party service providers based on the combined size of all of the Invesco Funds and other clients advised by Invesco Advisers.

E. Profitability and Financial Resources

The Board reviewed information from Invesco Advisers concerning the costs of the advisory and other services that Invesco Advisers and its affiliates provide to the Fund and the profitability of Invesco Advisers and its affiliates in providing these services. The Board reviewed with Invesco Advisers the methodology used to prepare the profitability information. The Board considered the profitability of Invesco Advisers in connection with managing the Fund and the Invesco Funds. The Board noted that Invesco Advisers continues to operate at a net profit with respect to the services Invesco Advisers and its subsidiaries provide to the Fund and the Invesco Funds. The Board also noted that Invesco Advisers continues to support the Invesco Funds with spending on regulatory compliance, attribution systems, global trading initiatives and a focus on building out the product line-up for the benefit of all shareholders of the Invesco Funds. The Board concluded that the Fund's fees are fair and reasonable, and that the level of profits realized by Invesco Advisers and its affiliates from providing services to the Fund is not excessive in light of the nature, quality and extent of the services provided and the support provided to the Invesco Funds. The Board considered whether Invesco Advisers and each Affiliated Sub-Adviser are financially sound and have the resources necessary to perform their obligations under the investment advisory agreement and sub-advisory contracts and concluded that Invesco Advisers and each Affiliated Sub-Adviser have the financial resources necessary to fulfill these obligations.

F. Collateral Benefits to Invesco Advisers and its Affiliates

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

The Board considered the benefits realized by Invesco Advisers and the Affiliated Sub-Advisers as a result of portfolio brokerage transactions executed through "soft dollar" arrangements. The Board noted that soft dollar arrangements shift the payment obligation for the research and execution services from Invesco Advisers and the Affiliated Sub-Advisers to the funds and therefore may reduce Invesco Advisers' and the Affiliated Sub-Advisers' expenses. The Board concluded that the soft dollar arrangements are appropriate. The Board also concluded that, based on their review and representations made by the Chief Compliance Officer of the Invesco Funds, these arrangements are consistent with regulatory requirements.

The Board considered that the Fund's uninvested cash and cash collateral from any securities lending arrangements may be invested in money market funds advised by Invesco Advisers pursuant to procedures approved by the Board. The Board noted that Invesco Advisers will receive advisory fees from these affiliated money market funds attributable to such investments, although Invesco Advisers has contractually agreed to waive through at least June 30, 2011, the advisory fees payable by the Fund in an amount equal to 100% of the net advisory fee Invesco Advisers receives from the affiliated money market funds with respect to the Fund's investment in the affiliated money market funds of uninvested cash, but not cash collateral. The Board concluded that the Fund's investment of uninvested cash and cash collateral from any securities lending arrangements in the affiliated money market funds is in the best interests of the Fund and its shareholders.

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- variable life insurance policies
- qualified pension plans
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The Alger Portfolios

Alger Balanced Portfolio

SEMI-ANNUAL REPORT

June 30, 2010

(Unaudited)

Table of Contents

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Dear Shareholders, *June 30, 2010*

Fundamentals and investor emotions are the two primary drivers of market performance. At times, emotions dominate short-term market performance, while fundamentals drive the market's longer term direction. We expected 2010 to be a year of "policy uncertainty" with investors frustrated by a lack of clarity in domestic fiscal policies, health care reform, regulation of financial firms, and the conflicts in Afghanistan and Iraq.

During the six-month period, investors reacted as expected to such uncertainty by continuing to reduce their U.S. equity holdings and by increasing their allocations to cash and short term bonds. Headline grabbing events such as the sovereign debt crisis in European countries and China's efforts to moderate its growth contributed to investors' flight from equities. For the six-month period, the S&P 500 Index declined 6.59%, with much of the drop occurring almost directly after the conclusion of stellar first quarter corporate earnings announcements.

We maintain our view that the stock market is fundamentally sound and attractive – corporate earnings for the second quarter, which are now largely complete, continue to be better than expected – and that stocks are in a process of consolidating 2009's gains. We think it's time to "Buy the Dips." Whether the market has significant downside near term is something that no one will really know except in hindsight. But we believe it's quite likely that the market lows in July (around 1000 for the S&P 500) will ultimately be the trough level for this phase of the market cycle. These market lows may, and likely will, be tested again in this fragile, emotional and volatile phase of the market, but we think considerable opportunity exists for significant gains during the remainder of this year and into 2011.

According to Morningstar, an unusually long, multiyear run out of U.S. equities has continued this year, underscoring that the asset class is very much out of favor with investors. Encouragingly, as a result of stock underperformance and corporate earnings outperformance, we believe valuations are very attractive. Ultimately, the many positive factors driving the ongoing corporate recovery will reconnect with a market looking forward calmly, if not optimistically. When they do, we think investors on the sideline waiting for the "all clear" signal will have missed out on a significant portion of a new bull market. This could be a costly mistake. For example, investors who cashed out during the first week of July would have recognized losses of almost 10% for 2010 (based on the S&P 500's decline). Just three weeks later, the S&P 500 was up 9% from those July seller's lows, and down only 1.7% year to date. Similarly, investors who missed the beginning months of the bull market that started in the middle of 2004 missed more than half of the overall gains during the subsequent 18-month period. The market moves fast, and long-term success is built on discipline, focus and the will to stay the course when things are uncertain.

Global Concerns Grow

Fears that the debt crisis in Greece and Turkey might spread to other countries weighed heavily on equity markets. In Turkey, government austerity plans developed to ensure that sovereign debt could be serviced sparked riots as the euro depreciated and European banks became less willing to lend to one another. The concerns are noteworthy as the combined GDP of countries with the largest debt problems—primarily Portugal, Ireland, Greece and Spain—represents an estimated 35% of the combined GDP of euro zone members. European authorities have responded rapidly and a resolution of the debt problem could go a long way in improving investors' confidence in the region. That appears to already be happening.

In July, 91 European banks were "stress tested" by European regulators. Only seven failed. While the rigor of the stress test was subject to question, the results sparked bond and equity rallies in various European countries and a decline in the cost to insure against bank defaults. More encouraging, the decline in the euro has made goods manufactured within the region more affordable, helping the region to become more competitive as an exporter. An increase in exporting activity – which is already occurring with some of the larger members of the euro zone—may help European countries grow their GDP and possibly their ability to pay down debt. In Germany, which is the largest member of the euro zone and a strong export-driven economy, combined industrial orders for April and May were 5.6% higher than for February and March. The country's manufacturing orders from businesses located outside of the euro zone, meanwhile, also picked up, and following the end of the second quarter, Germany's economic minister modestly raised the country's GDP growth estimate for 2010.

However, more important for our U.S. market outlook is China. During the first quarter of 2010, China's GDP expanded at a blistering annualized rate of 11.9%, fueling investors' hopes that the country's growth would support the ongoing global economic recovery. The World Bank dampened that exuberance in June when it lowered its estimate for China's 2010 GDP growth to 9.5% and to 8.5% for 2011. China has been adopting increasingly restrictive fiscal and economic policies since the fall of 2009 in an explicit effort to slow its economy and promote more sustainable long-term growth. Investors so far have been very pessimistic about China's ability to manage its economy, resulting in Chinese stocks underperforming equities of many other countries.

We are much more optimistic. Our research and monitoring of events and companies in China suggests that its government will soon relax economic policy to a more neutral, pro-growth, stance. China's record in fiscal and economic management for the past decade and through the most recent global financial crisis has been excellent in our view. While China has its share of challenges, we wouldn't bet against continued success. Most importantly, we think U.S. equities, especially those of companies with exposure to the positive dynamic of China's growth and influence across sectors, will benefit as this policy relaxation occurs. China's new five-year plan for its economy, with a focus on a rebalancing toward a more consumer-driven economy, will be a positive catalyst that is likely to occur before year-end.

U.S. Economic Growth Slows

Concerns that U.S. economic expansion slowed also surfaced during later portion of the six-month period. For example, retail sales rose for the seventh consecutive month in April. Yet, that trend eventually reversed, with sales declining 1.2% in May and 0.5% in June.

In real estate, sales of new and existing homes in March increased, with much of the activity driven by the April 30 expiration of the homebuyer tax incentive program. Following the expiration, a significant drop off in the housing market occurred, with a 33% decline in sales of new homes in May. June was also discouraging with sales of existing homes dropping 5.1%. While the housing market remains very weak, our analysis based on historical trends, the demographics of population growth and household formation suggests that current levels of new home construction are at an extreme low and, in the longer term, an unsustainably low level. With an overhang of foreclosed homes adding to supply, the lift may not be soon, nor uniform, across the U.S., but we think large drops in activity levels are unlikely from here. Prices, however, may be another matter, and we would not be surprised to see some further weakening due to high levels of housing inventory for sale in many (not all) markets.

Unemployment has remained stubbornly stuck at or above 9.5%, with artificial job creation from U.S. Census hiring being coupled with an increase in people unemployed but not looking for work at all – a perverse way of "lowering" the official unemployment statistic. However, while the job market continued to languish, personal income actually climbed 0.4% in May, a result of an increase in hours worked.

With a modest 0.2% increase in personal spending, Americans' savings rate climbed to 4.0%. At the same time, Americans continued to pay down their debt. Total consumer debt, which excludes mortgages, sank $9.1 billion in May to a seasonally adjusted $2.41 trillion, according to the Federal Reserve. It was the 15th drop in the last 17 months. One would hope our elected representatives (on both sides) would take note and follow suit for our U.S. Government's budget deficit and debt. In another encouraging development, business activity continued to pick up, with the Institute for Supply Management reporting growth in June, marking the 11th consecutive month of expansion in manufacturing.

Going Forward

For Alger, the current state of investor emotions overshadowing solid market fundamentals is creating attractive opportunities. Alger's research driven process, we believe, is well suited to identify such opportunities in uncertain markets while also identifying corporations that are well positioned to benefit from changes in their industries and the economy.

Portfolio Matters

The Alger Balanced Portfolio returned -2.97% for the six-month period ended June 30, 2010, compared to the Russell 1000 Growth Index, which returned -7.64% and the Barclay's Capital U.S. Government/Credit Bond Index, which returned 5.49%.

During the period, the largest sector weightings in the equity portion of the Alger Balanced Portfolio were in the Information Technology and Consumer Staples sectors. The largest sector overweight for the period was Energy and the largest sector underweight for the period was Information Technology. Relative outperformance in the Information Technology and Consumer Discretionary sectors was the most important contributor to performance. Sectors that detracted from the portfolio included Energy and Health Care.

Among the most important relative contributors were Google Inc., The Boeing Co., Gilead Sciences Inc., Microsoft Corp., and Cheesecake Factory Inc. Conversely, detracting from overall results on a relative basis were Transocean Ltd., Anadarko Petroleum Corp., Pfizer Inc., Inverness Medical Innovations Inc., and Petroleo Brasileiro SA.

As always, we strive to deliver consistently superior investment results for you, our shareholders, and we thank you for your business and your continued confidence in Alger.

Respectfully submitted,

Daniel C. Chung
Chief Investment Officer

Investors cannot 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 Portfolio. This report is not authorized for distribution to prospective investors in the Portfolios unless proceeded or accompanied by an effective prospectus for the Funds. Funds' returns represent the fiscal six-month period return of Class I-2 shares. Returns include reinvestment of dividends and distributions.

The performance data quoted represents past performance, which is not an indication or guarantee of future results.

Standard performance results can be found on the following pages. The investment return and principal value of an investment in a fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month-end, visit us at www.alger.com, or call us at (800) 992-3863.

The views and opinions of the Portfolio's management in this report are as of the date of the Shareholders 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. Moreover, the information forming the basis for such assumptions is from sources believed to be reliable; however, there is no guarantee that such information is accurate. Any securities mentioned, whether owned in a fund or otherwise, are considered in the context of the construction of an overall portfolio of securities and therefore reference to them should not be construed as a recommendation or offer to purchase or sell any such security. Inclusion of such securities in a fund 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 fund which is included in this report for a complete list of fund holdings as of June 30, 2010. Securities mentioned in the Shareholders letter, if not found in the Schedule of Investments, may have been held by the Portfolios during the six-month fiscal 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. Investing in the stock market involves gains and losses and may not be suitable for all investors. Stocks of small- and mid-sized companies are subject to greater risk than stocks of larger, more established companies owing to such factors as limited liquidity, inexperienced management, and limited financial resources. Portfolios that invest in fixed-income securities, such as the Alger 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. They are also subject to the risk of a decline in the value of the Portfolios' securities in the event of an issue's falling credit rating or actual default. The Funds that invest in mortgage and asset backed securities are subject to prepayment risk; thus the average life of the security may be less than maturity. Portfolios that participate in leveraging, such as the Alger Capital Appreciation Portfolio and Alger SMid Cap 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, Portfolio net asset values can decrease more quickly than if a Portfolio had not borrowed. For a more detailed discussion of the risks associated with a Portfolio, please see the Portfolio's Prospectus.

Before investing, carefully consider a fund's investment objective, risks, charges, and expenses. For a prospectus containing this and other information about The Alger Funds call us at (800) 992-3863 or visit us at www.alger.com. Read it carefully before investing.

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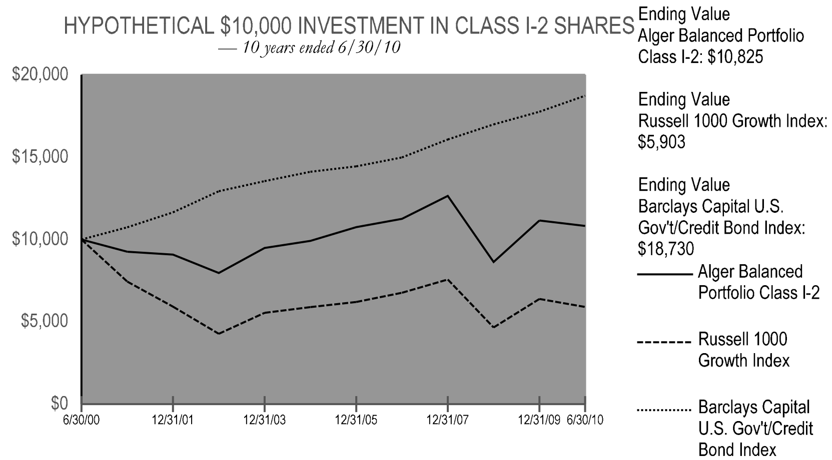
NOT FDIC INSURED. NOT BANK GUARANTEED. MAY LOSE VALUE.

Definitions:

- Standard & Poor's 500 Index (S&P 500 Index) is an index of 500 leading companies in leading industries in the United States.
- Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on the total market capitalization, which represents 99% of the U.S. Equity Market.
- Russell 1000 Growth Index is an unmanaged index designed to measure the performance of the largest 1,000 companies in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values.
- Russell Midcap Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap Index measures the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 27% of the total market capitalization of the Russell 1000 companies.
- Russell 2500 Growth Index measures the performance of the small to mid-cap growth segment of the U.S. equity universe. It includes those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2500 Index measures the small to mid-cap segment of the U.S. equity universe, commonly referred to as SMid cap. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership.
- Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index measures the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 8% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.
- The Barclays Capital U.S. Government/Credit Bond Index is an index designed to track performance of government and corporate bonds.



The chart above illustrates the change in value of a hypothetical $10,000 investment made in Alger Balanced Portfolio Class I-2 shares, the Russell 1000 Growth Index (an unmanaged index of common stocks) and the Barclays Capital U.S. Gov't/Credit Bond Index (an unmanaged index of government and corporate bonds) for the ten years ended June 30, 2010. Figures for each of the Alger Balanced Portfolio Class I-2 shares, the Russell 1000 Growth Index and the Barclays Capital U.S. Gov't/Credit Bond Index include reinvestment of dividends and interest. Performance for the Alger Balanced Portfolio Class S shares will be lower from the results shown above due to differences in expenses that class bears.

PERFORMANCE COMPARISON AS OF 6/30/10

AVERAGE ANNUAL TOTAL RETURNS

	1 YEAR	5 YEARS	10 YEARS	SINCE INCEPTION
Class I-2 (Inception 9/5/89)	13.31%	1.48%	0.80%	7.19%
Russell 1000 Growth Index	13.62%	0.38%	(5.14)%	6.93%
Barclays Capital U.S. Gov't/Credit Bond Index	9.65%	5.26%	6.48%	7.19%
Class S (Inception 5/1/02)	9.86%	1.05%	n/a	2.38%
Russell 1000 Growth Index	13.62%	0.38%	n/a	1.33%
Barclay's Capital U.S. Gov't/Credit Bond Index	9.65%	5.26%	n/a	5.80%

The performance data quoted represents past performance, which is not an indication or a guarantee of future results. Investment return and principal will fluctuate and the Portfolio'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) 992-3863.

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

Portfolio Summary†

June 30, 2010*(Unaudited)*

SECTORS/SECURITY TYPES	
Consumer Discretionary	4.3%
Consumer Staples	6.6
Energy	4.6
Exchange Traded Funds	0.7
Financials	6.9
Health Care	6.3
Industrials	5.6
Information Technology	12.4
Materials	2.0
Telecommunication Services	0.4
Utilities	0.4
Total Equity Securities	50.2%
Asset Backed Securities	1.0%
Collateralized Mortgage Obligations	2.1
Convertible Corporate Bonds	3.6
Corporate Bonds	26.1
U.S. Government & Agency Mortgage Backed Obligations	4.9
U.S. Government & Agency Obligations (excluding Mortgage Backed)	10.4
Total Debt Securities	48.1%
Short-Term and Net Other Assets	1.7%
	100.0%

† *Based on net assets for the Portfolio*.

COMMON STOCKS—47.7%	SHARES	VALUE
ADVERTISING—0.1%		
Focus Media Holding Ltd.#*	10,100	$ **156,853**
AEROSPACE & DEFENSE—1.6%		
BE Aerospace Inc. *	10,300	261,929
Boeing Co., /The	4,400	276,100
General Dynamics Corp.	8,500	497,760
ITT Corp.	6,100	274,012
Lockheed Martin Corp.	7,500	558,750
		1,868,551
AIR FREIGHT & LOGISTICS—0.7%		
FedEx Corp.	3,900	273,429
United Parcel Service Inc., Cl. B	9,500	540,455
		813,884
APPLICATION SOFTWARE—0.2%		
Intuit Inc.*	6,500	**226,005**
ASSET MANAGEMENT & CUSTODY BANKS—0.3%		
Invesco Ltd.	10,500	176,715
Legg Mason Inc.	7,600	213,028
		389,743
BIOTECHNOLOGY—0.7%		
Amgen Inc. *	7,200	378,720
Celgene Corp. *	6,500	330,330
Gilead Sciences Inc. *	4,300	147,404
		856,454
BROADCASTING & CABLE TV—0.4%		
Scripps Networks Interactive Inc.	11,900	**480,046**
CABLE & SATELLITE—0.2%		
Comcast Corp., Cl. A	15,400	**253,022**
CASINOS & GAMING—0.2%		
International Game Technology	15,500	**243,350**
COAL & CONSUMABLE FUELS—0.3%		
Peabody Energy Corp.	8,000	**313,040**
COMMUNICATIONS EQUIPMENT—1.8%		
Brocade Communications Systems Inc. *	46,400	239,424
Cisco Systems Inc. *	58,300	1,242,373
Qualcomm Inc.	18,200	597,688
		2,079,485
COMPUTER HARDWARE—3.1%		
Apple Inc. *	9,800	2,465,000
Dell Inc. *	19,100	230,346
Hewlett-Packard Co.	23,500	1,017,080
		3,712,426
COMPUTER STORAGE & PERIPHERALS—0.7%		
EMC Corp. *	36,400	666,120
NetApp Inc. *	4,600	171,626
		837,746

COMMON STOCKS—(CONT.)	SHARES	VALUE
CONSTRUCTION & ENGINEERING—0.4%		
Fluor Corp.	7,200	$ 306,000
Foster Wheeler AG *	7,600	160,056
		466,056
CONSTRUCTION & FARM MACHINERY & HEAVY TRUCKS—0.7%		
Caterpillar Inc.	5,600	336,392
Deere & Co.	6,000	334,080
Joy Global Inc.	3,900	195,351
		865,823
DATA PROCESSING & OUTSOURCED SERVICES—0.4%		
Mastercard Inc.	2,600	**518,778**
DIVERSIFIED BANKS—0.4%		
Wells Fargo & Co.	15,900	**407,040**
DIVERSIFIED CHEMICALS—0.3%		
EI Du Pont de Nemours & Co.	8,700	**300,933**
DRUG RETAIL—0.8%		
CVS Caremark Corp.	17,100	501,372
Walgreen Co.	16,000	427,200
		928,572
ENVIRONMENTAL & FACILITIES SERVICES—0.2%		
Republic Services Inc.	7,300	**217,029**
EXCHANGE TRADED FUNDS—0.7%		
iPATH S&P 500 VIX Short-Term Futures ETN *	4,200	131,124
iShares FTSE/Xinhua China 25 Index Fund	11,600	453,908
ProShares UltraShort 20+ Year Treasury *	5,453	193,472
		778,504
FERTILIZERS & AGRICULTURAL CHEMICALS—0.6%		
CF Industries Holdings Inc.	2,500	158,625
Monsanto Co.	5,800	268,076
Potash Corporation of Saskatchewan Inc.	3,000	258,720
		685,421
FOOD RETAIL—0.2%		
Kroger Co., /The	14,100	**277,629**
FOOTWEAR—0.4%		
NIKE Inc., Cl. B	6,900	**466,095**
FOREST PRODUCTS—0.2%		
Weyerhaeuser Company	7,800	**274,560**
GENERAL MERCHANDISE STORES—0.4%		
Target Corp.	8,500	**417,945**
GOLD—0.5%		
Goldcorp Inc.	8,900	390,265
Yamana Gold Inc.	23,300	239,990
		630,255
HEALTH CARE EQUIPMENT—1.1%		
Beckman Coulter Inc.	5,200	313,508
Boston Scientific Corp. *	40,700	236,060

COMMON STOCKS—(CONT.)	SHARES	VALUE
HEALTH CARE EQUIPMENT—(CONT.)		
Covidien PLC	4,500	$ 180,810
Medtronic Inc.	7,300	264,771
Zimmer Holdings Inc. *	5,400	291,870
		1,287,019
HEALTH CARE SUPPLIES—0.2%		
Inverness Medical Innovations Inc.*	9,200	**245,272**
HOME ENTERTAINMENT SOFTWARE—0.4%		
Electronic Arts Inc. *	13,500	194,400
Take-Two Interactive Software Inc. *	32,200	289,800
		484,200
HOMEBUILDING—0.5%		
Toll Brothers Inc.*	33,700	**551,332**
HOTELS RESORTS & CRUISE LINES—0.1%		
Carnival Corp.	4,700	**142,128**
HOUSEHOLD PRODUCTS—0.8%		
Procter & Gamble Co., /The	15,800	**947,684**
HYPERMARKETS & SUPER CENTERS—1.2%		
Costco Wholesale Corp.	5,300	290,599
Wal-Mart Stores Inc.	23,700	1,139,259
		1,429,858
INDUSTRIAL CONGLOMERATES—1.3%		
3M Co.	7,700	608,223
General Electric Co.	22,000	317,240
McDermott International Inc. *	13,200	285,912
Tyco International Ltd.	9,600	338,208
		1,549,583
INDUSTRIAL GASES—0.2%		
Praxair Inc.	2,900	**220,371**
INTEGRATED OIL & GAS—1.9%		
Chevron Corp.	10,400	705,744
Exxon Mobil Corp.	20,100	1,147,107
Petroleo Brasileiro SA #	10,500	360,360
		2,213,211
INTEGRATED TELECOMMUNICATION SERVICES—0.4%		
Verizon Communications Inc.	16,000	**448,320**
INTERNET RETAIL—0.7%		
Amazon.com Inc. *	3,100	338,706
Expedia Inc.	19,900	373,722
		712,428
INTERNET SOFTWARE & SERVICES—2.2%		
eBay Inc. *	25,350	497,114
Google Inc., Cl. A *	1,800	800,909
IAC/InterActiveCorp. *	31,850	699,745
Yahoo! Inc. *	36,800	508,944
		2,506,712

COMMON STOCKS—(CONT.)	SHARES	VALUE
INVESTMENT BANKING & BROKERAGE—1.1%		
Charles Schwab Corp., /The	21,100	$ 299,198
Goldman Sachs Group Inc., /The	2,000	262,540
Lazard Ltd., Cl. A	11,000	293,810
Morgan Stanley	16,900	392,249
		1,247,797
IT CONSULTING & OTHER SERVICES—1.3%		
Cognizant Technology Solutions Corp., Cl. A *	6,900	345,414
International Business Machines Corp.	9,500	1,173,060
		1,518,474
LEISURE PRODUCTS—0.2%		
Coach Inc.	6,500	**237,575**
LIFE & HEALTH INSURANCE—0.3%		
Prudential Financial Inc.	6,500	**348,790**
LIFE SCIENCES TOOLS & SERVICES—0.6%		
Charles River Laboratories International Inc. *	3,500	119,735
Thermo Fisher Scientific Inc. *	10,700	524,835
		644,570
MANAGED HEALTH CARE—0.5%		
Aetna Inc.	7,700	203,126
UnitedHealth Group Inc.	13,600	386,240
		589,366
METAL & GLASS CONTAINERS—0.2%		
Owens-Illinois Inc.*	9,200	**243,340**
MOVIES & ENTERTAINMENT—0.5%		
Regal Entertainment Group, Cl. A	9,600	125,184
Viacom Inc., Cl. B	16,000	501,920
		627,104
OFFICE REITS—0.2%		
Digital Realty Trust Inc.	5,000	**288,400**
OIL & GAS DRILLING—0.2%		
Transocean Ltd.*	5,283	**244,761**
OIL & GAS EQUIPMENT & SERVICES—1.0%		
Cameron International Corp. *	12,800	416,256
Schlumberger Ltd.	10,500	581,070
Weatherford International Ltd. *	8,500	111,690
		1,109,016
OIL & GAS EXPLORATION & PRODUCTION—1.0%		
Anadarko Petroleum Corp.	6,700	241,803
Chesapeake Energy Corp.	18,100	379,195
Devon Energy Corp.	3,100	188,852
Nexen Inc.	6,200	121,954
Plains Exploration & Production Co. *	10,100	208,161
		1,139,965
OIL & GAS STORAGE & TRANSPORTATION—0.2%		
Enterprise Products Partners LP	8,000	**282,960**

COMMON STOCKS—(CONT.)	SHARES	VALUE
OTHER DIVERSIFIED FINANCIAL SERVICES—1.3%		
Bank of America Corp.	52,600	$ 755,862
JPMorgan Chase & Co.	18,900	691,929
		1,447,791
PACKAGED FOODS & MEATS—0.5%		
Kraft Foods Inc., Cl. A	21,300	**596,400**
PHARMACEUTICALS—3.2%		
Abbott Laboratories	19,800	926,244
Johnson & Johnson	14,200	838,652
Merck & Co., Inc.	8,700	304,239
Mylan Inc. *	22,700	386,808
Pfizer Inc.	60,020	855,885
Shire PLC #	5,300	325,314
		3,637,142
PROPERTY & CASUALTY INSURANCE—0.3%		
Travelers Cos., Inc., /The	7,800	**384,150**
RAILROADS—0.2%		
CSX Corp.	3,800	**188,594**
RESEARCH & CONSULTING SERVICES—0.3%		
FTI Consulting Inc.*	7,200	**313,848**
RESTAURANTS—0.6%		
Cheesecake Factory Inc., /The *	8,700	193,662
McDonald's Corp.	7,600	500,612
		694,274
RETAIL REITS—0.1%		
Macerich Co., /The	4,300	**160,476**
SEMICONDUCTOR EQUIPMENT—0.3%		
Lam Research Corp.*	8,400	**319,704**
SEMICONDUCTORS—0.7%		
Intel Corp.	41,500	**807,175**
SOFT DRINKS—1.9%		
Coca-Cola Co., /The	15,800	791,896
Hansen Natural Corp. *	11,000	430,210
PepsiCo Inc.	14,600	889,870
		2,111,976
SPECIALIZED FINANCE—0.8%		
CME Group Inc.	1,328	373,898
Hong Kong Exchanges and Clearing Ltd.	18,400	290,166
IntercontinentalExchange Inc. *	1,900	214,757
		878,821
SYSTEMS SOFTWARE—1.3%		
Microsoft Corp.	65,350	**1,503,704**
TOBACCO—1.2%		
Altria Group Inc.	25,200	505,008
Philip Morris International Inc.	19,200	880,128
		1,385,136

COMMON STOCKS—(CONT.)	SHARES	VALUE
TRUCKING—0.2%		
Hertz Global Holdings Inc.*	27,000	**$ 255,420**
TOTAL COMMON STOCKS		
(Cost $62,605,157)		**55,410,092**

CONVERTIBLE PREFERRED STOCK—0.9%	SHARES	VALUE
ELECTRIC UTILITIES—0.4%		
PPL Corp., 9.50%, 7/1/2013*	8,000	**415,080**
MULTI-LINE INSURANCE—0.5%		
Hartford Financial Services Group Inc., 7.25%, 4/1/2013	28,000	**647,920**
TOTAL CONVERTIBLE PREFERRED STOCK		
(Cost $1,125,900)		**1,063,000**

MANDATORY CONVERTIBLE PREFERRED STOCK—0.7%	SHARES	VALUE
OTHER DIVERSIFIED FINANCIAL SERVICES—0.7%		
Citigroup Inc., 7.50%, 12/15/2012*(a)	7,000	**791,000**
(Cost $715,925)		

PREFERRED STOCKS—0.9%	SHARES	VALUE
DIVERSIFIED BANKS—0.9%		
HSBC Holdings PLC, 8.0%%, 12/15/2015	40,000	**1,006,000**
(Cost $1,000,000)		

CONVERTIBLE CORPORATE BONDS—3.6%	PRINCIPAL AMOUNT	VALUE
GOLD—0.7%		
AngloGold Ashanti Holdings Finance PLC, 3.50%, 5/22/14L2(b)	650,000	**737,749**
MULTI-UTILITIES—0.5%		
CMS Energy Corp., 5.50%, 6/15/29L2	500,000	**583,750**
OIL & GAS EQUIPMENT & SERVICES—0.3%		
Cameron International Corp., 2.50%, 6/15/26L2	275,000	**309,375**
OIL & GAS EXPLORATION & PRODUCTION—0.6%		
Bill Barrett Corp., 5.00%, 3/15/28L2	400,000	399,000
Quicksilver Resources Inc., 1.88%, 11/1/24L2	350,000	349,125
		748,125
SEMICONDUCTORS—0.8%		
Intel Corp., 3.25%, 8/1/39L2(b)	850,000	**961,563**
STEEL—0.3%		
Allegheny Technologies Inc., 4.25%, 6/1/14L2	275,000	**355,094**
WIRELESS TELECOMMUNICATION SERVICES—0.4%		
SBA Communications Corp., 4.00%, 10/1/14L2	350,000	**448,875**
TOTAL CONVERTIBLE CORPORATE BONDS		
(Cost $3,841,648)		**4,144,531**

CORPORATE BONDS—26.1%	PRINCIPAL AMOUNT	VALUE
AEROSPACE & DEFENSE—0.8%		
Bombardier Inc., 7.75%, 3/15/20[L2(b)]	$ 650,000	$ 677,624
L-3 Communications Corp., 4.75%, 7/15/20[L2]	350,000	353,390
		1,031,014
APPLICATION SOFTWARE—0.6%		
Adobe Systems Inc., 4.75%, 2/1/20[L2]	650,000	**671,441**
CABLE & SATELLITE—1.3%		
Cablevision Systems Corp., 7.75%, 4/15/18[L2]	150,000	150,750
Comcast Corp., 5.70%, 7/1/19[L2]	625,000	688,276
DirecTV Holdings LLC/DirecTV Financing Co., Inc., 4.75%, 10/1/14[L2]	650,000	689,057
		1,528,083
COAL & CONSUMABLE FUELS—0.1%		
Patriot Coal Corp., 8.25%, 4/30/18[L2]	175,000	**169,313**
COMMUNICATIONS EQUIPMENT—0.3%		
Cisco Systems Inc., 4.95%, 2/15/19[L2]	350,000	**385,377**
COMPUTER HARDWARE—0.6%		
Hewlett-Packard Co., 6.13%, 3/1/14[L2]	600,000	**689,854**
CONSTRUCTION MATERIALS—0.3%		
Owens Corning, 9.00%, 6/15/19[L2]	250,000	**296,065**
CONSUMER FINANCE—2.7%		
American Express Credit Corp., 7.30%, 8/20/13[L2]	600,000	679,804
Capital One Capital V, 10.25%, 8/15/39[L2]	1,300,000	1,379,626
MBNA Capital A, 8.28%, 12/1/26[L2]	650,000	638,625
SLM Corp., 8.00%, 3/25/20[L2]	650,000	571,736
		3,269,791
DIVERSIFIED BANKS—0.9%		
Bank of Montreal, 2.13%, 6/28/13[L2]	350,000	353,253
Royal Bank of Scotland Group PLC, 6.40%, 10/21/19[L2]	650,000	660,009
		1,013,262
DIVERSIFIED METALS & MINING—0.3%		
Anglo American Capital PLC, 9.38%, 4/8/14[L2(b)]	350,000	**418,741**
ELECTRIC UTILITIES—1.2%		
Enel Finance International SA, 5.13%, 10/7/19[L2(b)]	650,000	654,090
Florida Power Corp., 5.80%, 9/15/17[L2]	600,000	683,844
		1,337,934
HEALTH CARE DISTRIBUTORS—0.6%		
AmerisourceBergen Corp., 4.88%, 11/15/19[L2]	650,000	**674,705**
HEALTH CARE FACILITIES—0.6%		
Omega Healthcare Investors Inc., 7.00%, 4/1/14[L2]	650,000	**651,625**
HEALTH CARE SERVICES—0.6%		
HCA Inc., 7.25%, 9/15/20[L2]	650,000	**656,500**
HOMEBUILDING—2.2%		
Lennar Corp., 6.95%, 6/1/18[L2(b)]	1,350,000	1,181,251
Lennar Corp., 12.25%, 6/1/17[L2]	650,000	744,250

CORPORATE BONDS—(CONT.)	PRINCIPAL AMOUNT	VALUE
HOMEBUILDING—(CONT.)		
Meritage Homes Corp., 7.15%, 4/15/20[L2(b)]	$ 650,000	$ 585,000
		2,510,501
HOTELS RESORTS & CRUISE LINES—0.2%		
Wyndham Worldwide Corp., 7.38%, 3/1/20[L2]	175,000	**179,832**
HYPERMARKETS & SUPER CENTERS—0.6%		
Wal-Mart Stores Inc., 3.63%, 7/8/20[L2]	650,000	**649,402**
INDUSTRIAL CONGLOMERATES—0.4%		
Tyco International Finance SA, 8.50%, 1/15/19[L2]	320,000	**414,329**
INTEGRATED TELECOMMUNICATION SERVICES—0.6%		
Cellco Partnership / Verizon Wireless Capital LLC, 7.38%, 11/15/13[L2]	600,000	**703,946**
LIFE & HEALTH INSURANCE—1.0%		
Lincoln National Corp., 7.00%, 6/15/40[L2]	350,000	369,824
Lincoln National Corp., 8.75%, 7/1/19[L2]	350,000	429,654
Prudential Financial Inc., 8.88%, 6/15/38[L2]	350,000	372,750
		1,172,228
LIFE SCIENCES TOOLS & SERVICES—0.6%		
Life Technologies Corp., 3.38%, 3/1/13[L2]	350,000	357,987
Life Technologies Corp., 4.40%, 3/1/15[L2]	350,000	362,411
		720,398
METAL & GLASS CONTAINERS—0.2%		
Ball Corp., 7.13%, 9/1/16[L2]	250,000	**262,813**
MORTGAGE REITS—0.7%		
Reckson Operating Partnership LP, 7.75%, 3/15/20[L2(b)]	825,000	**810,150**
MOVIES & ENTERTAINMENT—0.1%		
Time Warner Cable Inc., 8.25%, 2/14/14[L2]	125,000	**147,873**
MULTI-LINE INSURANCE—0.2%		
Genworth Financial Inc., 7.70%, 6/15/20[L2]	175,000	**175,110**
MULTI-UTILITIES—0.8%		
Consolidated Edison Co., of New York Inc., 5.30%, 12/1/16[L2]	875,000	**974,164**
OIL & GAS EXPLORATION & PRODUCTION—0.9%		
Devon Energy Corp., 6.30%, 1/15/19[L2]	350,000	406,153
Plains Exploration & Production Co., 7.63%, 4/1/20[L2]	650,000	633,750
		1,039,903
OIL & GAS STORAGE & TRANSPORTATION—0.4%		
Williams Cos Inc., /The, 8.75%, 1/15/20[L2]	350,000	**414,079**
OTHER DIVERSIFIED FINANCIAL SERVICES—1.8%		
Bank of America Corp., 5.63%, 7/1/20[L2]	350,000	353,449
Citigroup Inc., 8.50%, 5/22/19[L2]	600,000	716,431
JPMorgan Chase & Co., 7.90%, 12/30/49[L2]	1,000,000	1,034,099
		2,103,979
PACKAGED FOODS & MEATS—0.1%		
Kraft Foods Inc., 6.75%, 2/19/14[L2]	125,000	**143,824**

CORPORATE BONDS—(CONT.)	PRINCIPAL AMOUNT	VALUE
PHARMACEUTICALS—1.1%		
AstraZeneca PLC, 5.40%, 6/1/14[L2]	$ 600,000	$ 674,527
Roche Holdings Inc., 5.00%, 3/1/14[L2(b)]	600,000	666,129
		1,340,656
PROPERTY & CASUALTY INSURANCE—1.7%		
CNA Financial Corp., 7.35%, 11/15/19[L2]	650,000	691,893
Liberty Mutual Group Inc., 7.80%, 3/15/37[L2(b)]	700,000	581,000
XL Group PLC, 6.50%, 12/31/49[L2]	1,000,000	700,000
		1,972,893
SEMICONDUCTORS—0.3%		
Analog Devices Inc., 5.00%, 7/1/14[L2]	350,000	**378,644**
SOFT DRINKS—0.7%		
Coco-Cola Co., /The, 4.88%, 3/15/19[L2]	700,000	**776,822**
SPECIALIZED REITS—0.6%		
Host Hotels & Resorts LP, 7.13%, 11/1/13[L2]	650,000	**658,125**
TOTAL CORPORATE BONDS		
(Cost $29,044,279)		**30,343,376**

MUNICIPAL BOND—0.6%	PRINCIPAL AMOUNT	VALUE
MUNICIPAL BONDS—0.6%		
State of Hawaii, 5.10%, 2/1/24[L2]		
(Cost $656,513)	650,000	**683,859**

COLLATERALIZED MORTGAGE OBLIGATIONS—2.1%	PRINCIPAL AMOUNT	VALUE
ASSET BACKED SECURITIES—2.1%		
American Tower Trust, 2007-1A, 5.96%, 4/15/37[L2(b)]	1,500,000	1,610,744
LB-UBS Commercial Mortgage Trust, 5.05%, 7/15/37[L2]	850,000	834,480
		2,445,224
TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS		
(Cost $2,343,086)		**2,445,224**

ASSET BACKED SECURITIES—1.0%	PRINCIPAL AMOUNT	VALUE
MULTI-UTILITIES—0.4%		
CenterPoint Energy Transition Bond Co., LLC, 2005A, 4.97%, 8/1/14[L2]	451,976	**471,247**
OTHER DIVERSIFIED FINANCIAL SERVICES—0.6%		
Nissan Auto Receivables Owner Trust, 2005A, 3.20%, 2/15/13[L2]	650,000	**664,685**
TOTAL ASSET BACKED SECURITIES		
(Cost $1,102,823)		**1,135,932**

U.S. GOVERNMENT & AGENCY MORTGAGE BACKED OBLIGATIONS—4.3% (c)	PRINCIPAL AMOUNT	VALUE
COLLATERALIZED MORTGAGE BACKED OBLIGATIONS—3.8%		
Federal National Mortgage Association REMICS, 6.00%, 4/25/35 +,L2	$ 1,800,000	**$ 2,007,680**
Federal Home Loan Mortgage Corp REMICS, 6.00%, 8/15/29 +,L2	1,880,000	**1,911,843**
Government National Mortgage Association REMICS, 5.00%, 5/16/29 +,L2	426,726	**432,498**
		4,352,021
FEDERAL NATIONAL MORTGAGE ASSOCIATION—0.5%		
Federal National Mortgage Association, 5.00%, 4/01/18 L2	579,050	**624,657**
TOTAL U.S. GOVERNMENT & AGENCY MORTGAGE BACKED OBLIGATIONS (Cost $4,705,794)		**4,976,678**

U.S. GOVERNMENT & AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED)—10.4% (c)	PRINCIPAL AMOUNT	VALUE
FEDERAL HOME LOAN BANK—0.2%		
Federal Home Loan Banks, 5.38%, 6/08/12 L2	200,000	**217,847**
FEDERAL NATIONAL MORTGAGE ASSOCIATION—2.7%		
Federal National Mortgage Association,		
4.63%, 5/01/13 L2	1,400,000	1,512,857
5.00%, 2/13/17 L2	1,400,000	1,593,519
		3,106,376
U.S. GOVERNMENT NOTE/BOND—7.5%		
U.S. Treasury Bonds L2 5.25%, 11/15/28 L2	1,000,000	**1,203,750**

U.S. GOVERNMENT & AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED)—(CONT.)	PRINCIPAL AMOUNT	VALUE
U.S. GOVERNMENT NOTE/BOND—(CONT.)		
U.S. Treasury Notes		
5.00%, 8/15/11 L2	$ 1,285,000	$ 1,351,609
1.13%, 1/15/12 L2	1,400,000	1,413,509
1.50%, 12/31/13 L2	1,400,000	1,412,032
4.50%, 2/15/16 L2	640,000	724,450
4.75%, 8/15/17 L2	640,000	740,050
3.50%, 2/15/18 L2	150,000	160,371
3.38%, 11/15/19 L2	1,650,000	1,709,168
		7,511,189
TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) (Cost $11,425,472)		**12,039,162**
Total Investments (Cost $118,566,597)(d)	98 .3%	114,038,854
Other Assets in Excess of Liabilities	1 .7	1,991,207
NET ASSETS	100.0%	**$ 116,030,061**

‡ *Securities classified as Level 1 for ASC 820 disclosure purposes based on valuation inputs unless otherwise noted. See Notes 2 and 8 to the Financial Statements.*

\+ *Real Estate Mortgage Investment Conduit*
* *Non-income producing security.*
\# *American Depository Receipts.*
(a) *These securities are required to be converted on the date listed; they generally may be converted prior to this date at the option of the holder.*
(b) *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 7.7% of the net assets of the Fund.*
(c) *Securities issued by these agencies, except for United States Treasury Notes and Bonds, are neither guaranteed nor issued by the United States Government.*
(d) *At June 30, 2010, the net unrealized depreciation on investments, based on cost for federal income tax purposes of $118,705,430 amounted to $4,666,576 which consisted of aggregate gross unrealized appreciation of $7,700,823 and aggregate gross unrealized depreciation of $12,367,399.*
L2 *Security classified as Level 2 for ASC 820 disclosure purposes based on valuation inputs.*

See Notes to Financial Statements.

ASSETS:		
Investments in securities, at value (Identified cost)* see accompanying schedule of investments	$	114,038,854
Receivable for investment securities sold		4,217,190
Receivable for shares of beneficial interest sold		8,986
Dividends and interest receivable		736,214
Prepaid expenses		17,833
Total Assets		119,019,077
LIABILITIES:		
Payable for investment securities purchased		2,264,443
Bank overdraft		482,146
Payable for shares of beneficial interest redeemed		120,687
Accrued investment advisory fees		72,352
Accrued transfer agent fees		5,922
Accrued distribution fees		59
Accrued administrative fees		2,970
Accrued shareholder servicing fees		981
Accrued other expenses		39,456
Total Liabilities		2,989,016
NET ASSETS	**$**	**116,030,061**
Net Assets Consist of:		
Paid in capital		147,908,427
Undistributed net investment income		1,463,292
Accumulated net realized loss		(28,813,893)
Net unrealized depreciation on investments		(4,527,765)
NET ASSETS	**$**	**116,030,061**
Net Asset Value Per Share		
Class I-2		$10.21
Class S		$10.86
Net Assets By Class		
Class I-2		115,782,158
Class S		247,903
Shares of Benefical Interest Outstanding— Note 6 (Par Value $.001)		
Class I-2		11,343,315
Class S		22,833
*Identified Cost	$	118,566,597

See Notes to Financial Statements.

Statement of Operations (Unaudited)

For the six months ended June 30, 2010

INCOME:		
Dividends (net of foreign withholding taxes*)	$	558,020
Interest		1,506,879
Other		20
Total Income		2,064,919
EXPENSES		
Advisory fees—Note 3		442,120
Distribution fees Class S—Note 3		342
Shareholder servicing fees		981
Administrative fees—Note 3		17,124
Custodian fees		12,860
Interest expenses		162
Transfer agent fees and expenses—Note 3		14,821
Printing fees		9,875
Professional fees		18,504
Registration fees		20,533
Trustee fees—Note 3		6,447
Miscellaneous		13,404
Total Expenses		557,173
Less, expense reimbursements—Note 3		(24,908)
Net Expenses		532,265
NET INVESTMENT INCOME		1,532,654
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, OPTIONS AND FOREIGN CURRENCY TRANSACTIONS:		
Net realized gain on investments and options		1,071,276
Net realized loss on foreign currency transactions		(2)
Net change in unrealized appreciation (depreciation) on investments and foreign currency		(6,050,115)
Net realized and unrealized loss on investments, options and foreign currency		(4,978,841)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$**	**(3,446,187)**
*Foreign withholding taxes	$	962

See Notes to Financial Statements.

	For the Six Months Ended June 30, 2010 (Unaudited)	For the Year Ended December 31, 2009
Net investment income	$ 1,532,654	$ 3,121,265
Net realized gain (loss) on investments, options and foreign currency transactions	1,071,274	(12,805,562)
Net change in unrealized appreciation (depreciation) on investments, options and foreign currency	(6,050,115)	40,357,012
Net increase (decrease) in net assets resulting from operations	(3,446,187)	30,672,715
Dividends and distributions to shareholders from:		
Net investment income		
Class I-2	(3,115,203)	(3,885,030)
Class S	(5,389)	(7,319)
Net realized gains		
Class I-2	—	—
Class S	—	—
Total dividends and distributions to shareholders	(3,120,592)	(3,892,349)
Increase (decrease) from shares of beneficial interest transactions:		
Class I-2	(5,427,890)	(17,726,993)
Class S	(8,154)	22,064
Net decrease from shares of beneficial interest transactions—Note 6	(5,436,044)	(17,704,929)
Total increase (decrease)	(12,002,823)	9,075,437
Net Assets:		
Beginning of period	128,032,884	118,957,447
END OF PERIOD	**$ 116,030,061**	**$ 128,032,884**
Undistributed net investment income	$ 1,463,292	$ 3,051,230

See Notes to Financial Statements.

	Class I-2					
	Six months ended 6/30/2010(i)	Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007	Year ended 12/31/2006	Year ended 12/31/2005
Net asset value, beginning of period	$ 10.79	$ 8.64	$ 14.61	$ 14.11	$ 14.44	$ 13.55
INCOME FROM INVESTMENT OPERATIONS:						
Net investment income(ii)	0.13	0.25	0.26	0.26	0.24	0.20
Net realized and unrealized gain (loss) on investments	(0.43)	2.21	(4.35)	1.41	0.39	0.92
Total from investment operations	(0.30)	2.46	(4.09)	1.67	0.63	1.12
Dividends from net investment income	(0.28)	(0.31)	(0.33)	(0.31)	(0.22)	(0.23)
Distributions from net realized gains	—	—	(1.55)	(0.86)	(0.74)	—
Net asset value, end of period	$ 10.21	$ 10.79	$ 8.64	$ 14.61	$ 14.11	$ 14.44
Total return	(2.97)%	29.25%	(31.76)%	12.37%	4.72%	8.42%
RATIOS/SUPPLEMENTAL DATA:						
Net assets, end of period (000's omitted)	$ 115,782	$ 127,756	$ 118,759	$ 224,090	$ 254,579	$ 292,412
Ratio of gross expenses to average net assets	0.88%	0.89%	0.85%	0.84%	0.86%	0.81%
Ratio of expense reimbursements to average net assets	(0.04)%	(0.04)%	(0.04)%	(0.04)%	0.00%	0.00%
Ratio of net expenses to average net assets	0.84%	0.85%	0.81%	0.80%	0.86%	0.81%
Ratio of net investment income to average net assets	2.47%	2.60%	2.19%	1.79%	1.71%	1.29%
Portfolio turnover rate	35.06%	104.04%	76.32%	103.77%	288.73%	218.77%

See Notes to Financial Statements.

THE ALGER PORTFOLIOS
Financial Highlights for a share outstanding throughout the period

	Class S					
	Six months ended 6/30/2010(i)	Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007	Year ended 12/31/2006	Year ended 12/31/2005
Net asset value, beginning of period	$ 11.75	$ 9.43	$ 15.46	$ 14.30	$ 14.61	$ 13.71
INCOME FROM INVESTMENT OPERATIONS:						
Net investment income (loss)(ii)	(0.19)	0.23	0.24	0.19	0.20	0.14
Net realized and unrealized gain (loss) on investments	(0.47)	2.39	(4.72)	1.83	0.40	0.96
Total from investment operations	(0.66)	2.62	(4.48)	2.02	0.60	1.10
Dividends from net investment income	(0.23)	(0.30)	—	—	(0.17)	(0.20)
Distributions from net realized gains	—	—	(1.55)	(0.86)	(0.74)	—
Net asset value, end of period	$ 10.86	$ 11.75	$ 9.43	$ 15.46	$ 14.30	$ 14.61
Total return	(5.75)%	28.50%	(31.90)%	14.49%	4.46%	8.15%
RATIOS/SUPPLEMENTAL DATA:						
Net assets, end of period (000's omitted)	$ 248	$ 277	$ 198	$ 363	$ 31,528	$ 43,583
Ratio of gross expenses to average net assets	6.60%	1.30%	1.10%	1.12%	1.11%	1.06%
Ratio of expense reimbursements to average net assets	(0.04)%	(0.04)%	(0.04)%	(0.04)%	0.00%	0.00%
Ratio of net expenses to average net assets	6.56%	1.26%	1.06%	1.08%	1.11%	1.06%
Ratio of net investment income to average net assets	(3.25)%	2.18%	1.96%	1.48%	1.43%	1.05%
Portfolio turnover rate	35.06%	104.04%	76.32%	103.77%	288.73%	218.77%

(i) *Unaudited. Ratios have been annualized; total return and portfolio turnover rate have not been annualized.*
(ii) *Amount was computed based on average shares outstanding during the period.*

NOTE 1 — General:

The Alger Portfolios (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: the Alger Capital Appreciation Portfolio, Alger Large Cap Growth Portfolio, Alger Mid Cap Growth Portfolio, Alger SMid Cap Growth Portfolio, Alger Small Cap Growth Portfolio, Alger Growth & Income Portfolio, and Alger Balanced Portfolio (collectively the "Portfolios" and individually "Portfolio"). These financial statements include only the Alger Balanced Portfolio (the "Portfolio"). The Portfolio's investment objective is 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 I-2 shares 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 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). Equity securities and option contracts 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 ask price or, in the absence of a recent bid or ask price, the equivalent as obtained from one or more of the major market makers for the securities to be valued.

Debt securities generally trade in the over-the-counter market. Securities with remaining maturities of more than sixty days at the time of acquisition are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service, which considers the yield or price of bonds of comparable quality, coupon, maturity and type, as well as prices quoted by dealers who make markets in such securities.

Short-term securities held by the Portfolio having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value. Shares of mutual funds are valued at the net asset value of the underlying mutual fund.

Securities for which market quotations are not readily available 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 foreign 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 may result in adjustments to the closing prices to reflect what the investment adviser, 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.

Financial Accounting Standards Board Accounting Standards Codification 820 – Fair Value Measurements and Disclosures ("ASC 820") defines fair value 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. ASC 820 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 Portfolio'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 Portfolio's, own assumptions in determining the fair value of investments)

The Portfolio's, valuation techniques are consistent with the market approach whereby prices and other relevant information generated by market transactions involving identical or comparable assets are used to measure fair value. Inputs for Level 1 include exchange listed prices and broker quotes in an active market. Inputs for Level 2 include the last trade price in the case of a halted security, a broker quote in an inactive market, an exchange listed price which has been adjusted for fair value factors, and prices of closely related securities. Additional Level 2 inputs include an evaluated price which is based upon on a compilation of observable market information such as spreads for fixed income and preferred securities. Inputs for Level 3 include derived prices from unobservable market information which can include cash flows and other information obtained from a company's financial statements, or from market indicators such as benchmarks and indices.

(b) Security Transactions and Investment Income: Security transactions are recorded on a trade date basis. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

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

(c) Foreign Currency Transactions: The books and records of the Portfolio are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated

into U.S. dollars at the prevailing rates of exchange on the valuation date. Purchases and sales of investment securities and income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of such transactions.

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

(d) 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 of loss 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 "current 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, 2010.

(f) Dividends to Shareholders: Dividends and distributions 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 have no impact on the net asset values of the Portfolio and were 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 Subchapter M 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.

Financial Accounting Standards Board Accounting Standards Codification 740 – Income Taxes ("ASC 740") requires the Portfolio to measure and recognize in its financial statements the benefit of a tax position taken (or expected to be taken) on an income tax return if such position will more likely than not be sustained upon examination based on the technical merits of the position. The Portfolio files income tax returns in the U.S. Federal jurisdiction, as well as the New York State and New York City jurisdictions. Based upon their review of tax positions for the Portfolio's open tax years of 2006-2009 in these jurisdictions, the Portfolio has determined that ASC 740 did not have a material impact on the Portfolio's financial statements for the six months ended June 30, 2010.

(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 and transfer agency fees.

(i) Estimates: These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates. These unaudited interim financial statements reflect all

adjustments which are, in the opinion of management, necessary to a fair statement of results for the interim period presented. All such adjustments are of a normal recurring nature.

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 rate:

	Advisory Fee	Administration Fee
Alger Balanced Portfolio	.710%	.0275%

As part of the settlement with the New York State Attorney General (see Note 10—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 each Portfolio pay Fred Alger & Company, Incorporated, the Fund's distributor (the "Distributor"), a fee at the annual rate of .25% of the respective average daily net assets of the Class S shares of the designated Portfolio to compensate the Distributor for its activities and expenses incurred in distributing the Class S shares. The fees paid may be more or less than the expenses incurred by the Distributor.

(c) Brokerage Commissions: During the six months ended June 30, 2010, the Portfolio paid the Distributor $9,743, 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. Effective June 1, 2010, Alger Management modified the shareholder administrative agreement from a per account basis to 0.10% of average daily net assets. During the six months ended June 30, 2010, the Portfolio incurred fees of $1,016, for these services provided by Alger Management which are included in transfer agent fees and expenses in the Statement of Operations.

(e) Trustee Fees: From January 1, 2010 through February 8, 2010, each Portfolio paid each Trustee who is not affiliated with Alger Management or its affiliates $500 for each meeting attended, to a maximum of $2,000 per annum. The Chairman of the Board of Trustees received 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 received an additional $50 from each Portfolio for each audit committee meeting attended, to a maximum of $200 per annum.

Effective February 9, 2010 each Portfolio pays each trustee who is not affiliated with

Alger Management or its affiliates $750 for each meeting attended, to a maximum of $3,000 per annum, plus travel expenses incurred for attending the meeting. The chairman of the Board of Trustees receives an additional annual fee of $15,000 which is paid, pro rata, by all funds managed by Alger Management. Additionally, each member of the audit committee receives an additional $75 for each audit committee meeting attended, to a maximum of $300 per annum.

(f) Interfund Loans: The Portfolio, along with other funds advised by Alger Management, may borrow money from and lend money to each other for temporary or emergency purposes. To the extent permitted under its investment restrictions, the Portfolio may lend uninvested cash in an amount up to 15% of its net assets to other Portfolios, and the Portfolio may borrow in an amount up to 10% of its net assets from other Portfolios. If the Portfolio has borrowed from other Portfolios and has aggregate borrowings from all sources that exceed 10% of the Portfolio's total assets, the Portfolio will secure all of its loans from other Portfolios. The interest rate charged on interfund loans is equal to the average of the overnight time deposit rate and bank loan rate available to the Portfolios.

During the six months ended June 30, 2010, the Portfolio incurred interest expense of $67, in connection with interfund loans.

(g) Other Transactions With Affiliates: Certain trustees and officers of the Trust are directors and officers of Alger Management and the Distributor.

NOTE 4 — Securities Transactions:

Purchases and sales of securities, other than U.S. Government and short-term securities, for the six months ended June 30, were as follows:

	PURCHASES	SALES
Alger Balanced Portfolio	$41,301,566	$48,309,035

NOTE 5 — Borrowing:

The Portfolio may borrow from its custodian on an uncommitted basis. The Portfolio pays the custodian a market rate of interest, generally based upon the London Inter-Bank Offer Rate. The Portfolio may also borrow from other portfolios advised by Alger Management, as discussed in Note 3 (f). For the six months ended June 30, the Portfolio had the following borrowings:

	AVERAGE DAILY BORROWING	WEIGHTED AVERAGE INTEREST RATE
Alger Balanced Portfolio	$ 9,259	2.32%

The highest amount borrowed during the six months ended June 30, 2010 for the Portfolio was as follows:

	HIGHEST BORROWING
Alger Balanced Portfolio	$488,486

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. During the six months ended June 30, 2010 and the year ended December 31, 2009, transactions of shares of beneficial interest were as follows:

	FOR THE SIX MONTHS ENDED JUNE 30, 2010		FOR THE YEAR ENDED DECEMBER 31, 2009	
	SHARES	AMOUNT	SHARES	AMOUNT
Alger Balanced Portfolio				
Class I-2:				
Shares sold	344,508	$ 3,737,437	843,697	$ 8,050,600
Dividends reinvested	285,275	3,115,202	438,986	3,885,030
Shares redeemed	(1,127,126)	(12,280,529)	(3,183,478)	(29,662,623)
Net decrease	**(497,343)**	**$ (5,427,890)**	**(1,900,795)**	**$ (17,726,993)**
Class S:				
Shares sold	56	$ 698	4,947	$ 46,643
Dividends reinvested	454	5,390	760	7,319
Shares redeemed	(1,218)	(14,242)	(3,249)	(31,898)
Net increase (decrease)	**(708)**	**$ (8,154)**	**2,458**	**$ 22,064**

NOTE 7 — Income Tax Information:

The tax character of distributions paid during the six months ended June 30, 2010 and the year ended December 31, 2009 was as follows:

	SIX MONTHS ENDED JUNE 30, 2010	YEAR ENDED DECEMBER 31, 2009
Alger Balanced Portfolio		
Distributions paid from:		
Ordinary Income	$ 3,120,592	$ 3,892,349
Long-term capital gain	—	—
Total distributions paid	$ 3,120,592	$ 3,892,349

As of December 31, 2009, the components of accumulated gains and losses on a tax basis were as follows:

Alger Balanced Portfolio	
Undistributed ordinary income	$ 3,120,126
Undistributed long-term gains	—
Net accumulated earnings	3,120,126
Capital loss carryforwards	(28,795,525)
Post-October losses	(972,161)
Temporary differences	(47,545)
Net unrealized appreciation	1,383,518
Total accumulated losses	$ (25,311,587)

At December 31, 2009, the Portfolio, for federal income tax purposes, had capital loss carryforwards which expire as set forth in the table below. These amounts may be applied against future net realized gains until the earlier of their utilization or expiration.

Expiration Dates		Alger Balanced Portfolio
2016	$	5,011,864
2017		23,783,661
Total		28,795,525

Net capital losses incurred after October 31 and within the taxable year are deemed to arise on the first business day of the portfolio's next taxable year.

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, the tax treatment of premium/discount on debt securities, and the tax treatment of partnership investments.

Permanent differences, primarily from the tax treatment of premium/discount on debt securities, and partnership investments sold by the Portfolio, resulted in the following reclassifications among the Portfolio's components of net assets at December 31, 2009:

Alger Balanced Portfolio		
Undistributed net investment income	$	(52,737)
Accumulated net realized loss	$	(1,912)
Paid in capital	$	54,649

NOTE 8 — Fair Value Measurements:

On Jan. 21, 2010, the Financial Accounting Standards Board issued an Accounting Standards Update (the amendment), Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements, which provides guidance on how investment assets and liabilities are to be valued and disclosed. Specifically, the amendment requires reporting entities to disclose the input and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 or Level 3 positions. The amendment also requires that transfers between all levels (including Level 1 and Level 2) be disclosed on a gross basis (i.e., transfers out must be disclosed separately from transfers in), and the reason(s) for the transfer. Additionally purchases, sales, issuances and settlements must be disclosed on a gross basis in the Level 3 rollforward. The effective date of the amendment is for interim and annual periods beginning after Dec. 15, 2009, however, the requirement to provide the Level 3 activity for purchases, sales, issuances and settlements on a gross basis will be effective for interim and annual periods beginning after Dec. 15, 2010. At this time the Fund is evaluating the implications of the amendment to provide the Level 3 activity on a gross basis.

The major categories of securities and their respective fair value inputs are detailed in each Portfolio's Schedule of Investments. The following is a summary of the inputs used as of June 30, 2010 in valuing the Portfolios' investments carried at fair value. There were no significant transfers of investment assets between Levels 1 and 2 as of June 30, 2010.

Alger Balanced Portfolio	TOTAL FUND	LEVEL 1	LEVEL 2	LEVEL 3
COMMON STOCKS				
Consumer Discretionary	$ 4,982,152	$ 4,982,152	—	—
Consumer Staples	7,677,255	7,677,255	—	—
Energy	5,302,953	5,302,953	—	—
Exchange Traded Funds	778,504	778,504	—	—
Financials	5,553,008	5,553,008	—	—
Health Care	7,259,823	7,259,823	—	—
Industrials	6,538,788	6,538,788	—	—
Information Technology	14,514,409	14,514,409	—	—
Materials	2,354,880	2,354,880	—	—
Telecommunication Services	448,320	448,320	—	—
TOTAL COMMON STOCKS	**$ 55,410,092**	**$ 55,410,092**	**—**	**—**
CONVERTIBLE CORPORATE BONDS				
Energy	$ 1,057,500	—	$ 1,057,500	—
Information Technology	961,563	—	961,563	—
Materials	1,092,843	—	1,092,843	—
Telecommunication Services	448,875	—	448,875	—
Utilities	583,750	—	583,750	—
TOTAL CONVERTIBLE CORPORATE BONDS	**$ 4,144,531**	**—**	**$ 4,144,531**	**—**
CONVERTIBLE PREFERRED STOCK				
Financials	$ 647,920	$ 647,920	—	—
Utilities	415,080	415,080	—	—
TOTAL CONVERTIBLE PREFERRED STOCK	**$ 1,063,000**	**$ 1,063,000**	**—**	**—**
CORPORATE BONDS				
Consumer Discretionary	$ 4,366,289	—	$ 4,366,289	—
Consumer Staples	1,570,048	—	1,570,048	—
Energy	1,623,295	—	1,623,295	—
Financials	11,175,538	—	11,175,538	—
Health Care	4,043,884	—	4,043,884	—
Industrials	1,445,343	—	1,445,343	—
Information Technology	2,125,316	—	2,125,316	—
Materials	977,619	—	977,619	—
Telecommunication Services	703,946	—	703,946	—
Utilities	2,312,098	—	2,312,098	—
TOTAL CORPORATE BONDS	**$ 30,343,376**	**—**	**$ 30,343,376**	**—**
MANDATORY CONVERTIBLE PREFERRED STOCK				
Financials	$ 791,000	$ 791,000	—	—
MUNICIPAL BOND				
Municipal Bonds	$ 683,859	—	$ 683,859	—
PREFERRED STOCKS				
Financials	$ 1,006,000	$ 1,006,000	—	—
COLLATERALIZED MORTGAGE OBLIGATIONS				
Asset Backed Securities	$ 2,445,224	—	$ 2,445,224	—
ASSET BACKED SECURITIES				
Asset Backed Securities	$ 664,685	—	$ 664,685	—
Utilities	471,247	—	471,247	—
TOTAL ASSET BACKED SECURITIES	**$ 1,135,932**	**—**	**$ 1,135,932**	**—**

Alger Balanced Portfolio	TOTAL FUND	LEVEL 1	LEVEL 2	LEVEL 3
U.S. GOVERNMENT & AGENCY MORTGAGE BACKED OBLIGATIONS				
Collateralized Mortgage Backed Obligations	$ 4,352,021	—	$ 4,352,021	—
Federal National Mortgage Association	624,657	—	624,657	—
TOTAL U.S. GOVERNMENT & AGENCY MORTGAGE BACKED OBLIGATIONS	**$ 4,976,678**	**—**	**$ 4,976,678**	**—**
U.S. GOVERNMENT & AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED)				
Federal Home Loan Bank	$ 217,847	—	$ 217,847	—
Federal National Mortgage Association	3,106,376	—	3,106,376	—
U.S. Treasury Bonds	1,203,750	—	1,203,750	—
U.S. Treasury Notes	7,511,189	—	7,511,189	—
TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED)	**$ 12,039,162**	**—**	**$ 12,039,162**	**—**
TOTAL INVESTMENTS IN SECURITIES	**$ 114,038,854**	**$ 58,270,092**	**$ 55,768,762**	**—**

NOTE 9 — Derivatives:

Financial Accounting Standards Board Accounting Standards Codification 815 – Derivatives and Hedging ("ASC 815") requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements.

Forward currency contracts—In connection with portfolio purchases and sales of securities denominated in foreign currencies, the Portfolio may enter into forward currency contracts. Additionally, the Portfolio may enter into such contracts to economically hedge certain other foreign currency denominated investments. These contracts are valued at the current cost of covering or offsetting such contracts, and the related realized and unrealized foreign exchange gains and losses are included in the statement of operations. In the event that counterparties fail to settle these currency contracts or the related foreign security trades, the Portfolio could be exposed to foreign currency fluctuations.

Options—In order to produce incremental earnings or protect against changes in the value of portfolio securities, the Portfolio may buy and sell put and call options, write covered call options on portfolio securities and write cash-secured put options.

The Portfolio purchases put options or writes covered call options for speculative purposes or to economically hedge against adverse movements in the value of portfolio holdings. The Portfolio will segregate assets to cover its obligations under option contracts.

For the year ended December 31, 2009, there were no derivative transactions.

NOTE 10 — Litigation:

In October 2006, Alger Management, the Distributor and Alger Shareholder Services, Inc. entered into a settlement with the office of the New York State Attorney General, and in January 2007, the Manager and Distributor entered into a settlement with the Securities and Exchange Commission (the "SEC") in connection with practices in the mutual fund industry identified as "market timing" and "late trading." As part of these settlements, without admitting or denying liability, the firms consented to the payment of $30 million to reimburse fund shareholders; a fine of $10 million; and certain other remedial measures including a reduction in management fees of $1 million per year for five years. The $40 million was paid into an SEC Fair Fund for distribution to investors.

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 the Manager and the Distributor had violated the West Virginia Uniform Securities Act (the "WVUSA"), and ordered the Manager and the Distributor 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 the Manager were served with similar orders. The Manager and the Distributor 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 the Manager, certain mutual funds managed by the Manager (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 under the caption number 1:04-MD-15863 (JFM). After a number of the claims in the Alger lawsuits were dismissed by the court, the Alger-related class and derivative suits were settled in principle, but such settlement remains subject to court approval. On May 19, 2010 the court preliminarily approved the settlement of the Alger-related lawsuits, subject to the hearing in due course of objections to the settlement, if any, by former or present shareholders entitled to raise such objections.

NOTE 11 — Subsequent Event:

Management of each Portfolio has evaluated events that have occurred subsequent to June 30, 2010. No such events have been identified which require recognition and disclosure.

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, 2010 and ending December 31, 2009.

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, 2010	Ending Account Value June 30, 2010	Expenses Paid During the Six Months Ended June 30, 2010(a)	Ratio of Expenses to Average Net Assets For the Six Months Ended June 30, 2010(b)
Alger Balanced Portfolio					
Class I-2	Actual	$ 1,000.00	$ 970.30	$ 4.17	0.84%
	Hypothetical(c)	1,000.00	1,020.97	4.28	0.84
Class S	Actual	1,000.00	942.50	32.12	6.56
	Hypothetical(c)	1,000.00	992.14	32.94	6.56

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

Privacy Policy

Your Privacy Is Our Priority
At Fred Alger & Company, Incorporated ("Alger") we value the confidence you have placed in us. In trusting us with your assets, you provide us with personal and financial data. Alger is committed to maintaining the confidentiality of the personal nonpublic information ("personal information") entrusted to us by our customers. Your privacy is very important to us, and we are dedicated to safeguarding your personal information as we serve your financial needs.

Our Privacy Policy
We believe you should know about Alger's Privacy Policy and how we collect and protect your personal information. This Privacy Policy ("Policy") describes our practices and policy for collecting, sharing and protecting the personal information of our prospective, current and former customers. The Policy is applicable to Alger and its affiliate, Fred Alger Management, Inc., as well as the following funds: The Alger Funds, The Alger Institutional Funds, The Alger Portfolios, Alger China-U.S. Growth Fund and The Alger Funds II. We are proud of our Policy and hope you will take a moment to read about it.

Information We Collect
The type of personal information we collect and use varies depending on the Alger products or services you select.

We collect personal information that enables us to serve your financial needs, develop and offer new products and services, and fulfill legal and regulatory requirements. Depending on the products or services you request, we obtain personal information about you from the following sources:

- Information, such as your name, address and social security number, provided on applications and other forms we receive from you or your representative;
- Information from your communications with Alger employees or from your representative, which may be provided to us by telephone, in writing or through Internet transactions; and
- Information about your transactions, such as the purchase and redemption of fund shares, account balances and parties to the transactions, which we receive from our affiliates or other third parties.

Sharing of Personal Information
We may share your personal information with our affiliates so that they may process and service your transactions.

However, Alger never sells customer lists to any third party. Further, we do not disclose personal information to nonaffiliated third parties, except as required by law or as permitted by law to service your account, such as follows:

- To third-party service providers that assist us in servicing your accounts (e.g. securities clearinghouses);
- To governmental agencies and law enforcement officials (e.g. valid subpoenas, court orders); and
- To financial institutions that perform marketing services on our behalf or with whom we have joint marketing agreements that provide for the confidentiality of personal information.

Our Security Practices
We protect your personal information by maintaining physical, electronic and procedural safeguards. When you visit Alger's Internet sites your information is protected by our systems that utilize 128-bit data encryption, Secure Socket Layer (SSL) protocol, user names, passwords and other precautions. We have implemented safeguards to ensure that access to customer information is limited to employees, such as customer service representatives, who require such information to carry out their job responsibilities. Our employees are aware of their strict responsibility to respect the confidentiality of your personal information.

Thank you for choosing to invest with Alger. We value your relationship with us and assure you we will abide by our policy to protect your information.

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 Portfolio's most recent month end portfolio holdings are available approximately sixty days after month end on the Fund's website at www.alger.com. The Portfolio also files its complete schedule of portfolio holdings with the SEC for the first and third quarter of each fiscal year on Form N-Q. Forms N-Q are available online on the 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.

THE ALGER PORTFOLIOS

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Distributor

Fred Alger & Company, Incorporated
111 Fifth Avenue
New York, NY 10003

Transfer Agent and Dividend Disbursing Agent

Boston Financial Data Services, Inc.
P.O. Box 8480
Boston, MA 02266

This report is submitted for the general information of the shareholders of The Alger American Fund. It is not authorized for distribution to prospective investors unless accompanied by an effective Prospectus for the Trust, which contains information concerning the Trust's investment policies, fees and expenses as well as other pertinent information.

ALGER

Inspired by Change, Driven by Growth.

ALGER

Inspired by Change, Driven by Growth.

A pooled funding vehicle for:

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

The Alger Portfolios

Alger Capital Appreciation Portfolio

SEMI-ANNUAL REPORT

June 30, 2010

(Unaudited)

Table of Contents

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Alger is pleased to provide you with the ability to access regulatory materials online. When documents such as prospectuses and annual and semi-annual reports are available, we'll send you an e-mail notification with a convenient link that will take you directly to the fund information on our website. To sign up for this free service, simply enroll at **www.icsdelivery.com/alger**

Dear Shareholders, June 30, 2010

Fundamentals and investor emotions are the two primary drivers of market performance. At times, emotions dominate short-term market performance, while fundamentals drive the market's longer term direction. We expected 2010 to be a year of "policy uncertainty" with investors frustrated by a lack of clarity in domestic fiscal policies, health care reform, regulation of financial firms, and the conflicts in Afghanistan and Iraq.

During the six-month period, investors reacted as expected to such uncertainty by continuing to reduce their U.S. equity holdings and by increasing their allocations to cash and short term bonds. Headline grabbing events such as the sovereign debt crisis in European countries and China's efforts to moderate its growth contributed to investors' flight from equities. For the six-month period, the S&P 500 Index declined 6.59%, with much of the drop occurring almost directly after the conclusion of stellar first quarter corporate earnings announcements.

We maintain our view that the stock market is fundamentally sound and attractive – corporate earnings for the second quarter, which are now largely complete, continue to be better than expected – and that stocks are in a process of consolidating 2009's gains. We think it's time to "Buy the Dips." Whether the market has significant downside near term is something that no one will really know except in hindsight. But we believe it's quite likely that the market lows in July (around 1000 for the S&P 500) will ultimately be the trough level for this phase of the market cycle. These market lows may, and likely will, be tested again in this fragile, emotional and volatile phase of the market, but we think considerable opportunity exists for significant gains during the remainder of this year and into 2011.

According to Morningstar, an unusually long, multiyear run out of U.S. equities has continued this year, underscoring that the asset class is very much out of favor with investors. Encouragingly, as a result of stock underperformance and corporate earnings outperformance, we believe valuations are very attractive. Ultimately, the many positive factors driving the ongoing corporate recovery will reconnect with a market looking forward calmly, if not optimistically. When they do, we think investors on the sideline waiting for the "all clear" signal will have missed out on a significant portion of a new bull market. This could be a costly mistake. For example, investors who cashed out during the first week of July would have recognized losses of almost 10% for 2010 (based on the S&P 500's decline). Just three weeks later, the S&P 500 was up 9% from those July seller's lows, and down only 1.7% year to date. Similarly, investors who missed the beginning months of the bull market that started in the middle of 2004 missed more than half of the overall gains during the subsequent 18-month period. The market moves fast, and long-term success is built on discipline, focus and the will to stay the course when things are uncertain.

Global Concerns Grow

Fears that the debt crisis in Greece and Turkey might spread to other countries weighed heavily on equity markets. In Turkey, government austerity plans developed to ensure that sovereign debt could be serviced sparked riots as the euro depreciated and European banks became less willing to lend to one another. The concerns are noteworthy as the combined GDP of countries with the largest debt problems—primarily Portugal, Ireland, Greece and Spain—represents an estimated 35% of the combined GDP of euro zone members. European authorities have responded rapidly and a resolution of the debt problem could go a long way in improving investors' confidence in the region. That appears to already be happening.

In July, 91 European banks were "stress tested" by European regulators. Only seven failed. While the rigor of the stress test was subject to question, the results sparked bond and equity rallies in various European countries and a decline in the cost to insure against bank defaults. More encouraging, the decline in the euro has made goods manufactured within the region more affordable, helping the region to become more competitive as an exporter. An increase in exporting activity – which is already occurring with some of the larger members of the euro zone—may help European countries grow their GDP and possibly their ability to pay down debt. In Germany, which is the largest member of the euro zone and a strong export-driven economy, combined industrial orders for April and May were 5.6% higher than for February and March. The country's manufacturing orders from businesses located outside of the euro zone, meanwhile, also picked up, and following the end of the second quarter, Germany's economic minister modestly raised the country's GDP growth estimate for 2010.

However, more important for our U.S. market outlook is China. During the first quarter of 2010, China's GDP expanded at a blistering annualized rate of 11.9%, fueling investors' hopes that the country's growth would support the ongoing global economic recovery. The World Bank dampened that exuberance in June when it lowered its estimate for China's 2010 GDP growth to 9.5% and to 8.5% for 2011. China has been adopting increasingly restrictive fiscal and economic policies since the fall of 2009 in an explicit effort to slow its economy and promote more sustainable long-term growth. Investors so far have been very pessimistic about China's ability to manage its economy, resulting in Chinese stocks underperforming equities of many other countries.

We are much more optimistic. Our research and monitoring of events and companies in China suggests that its government will soon relax economic policy to a more neutral, pro-growth, stance. China's record in fiscal and economic management for the past decade and through the most recent global financial crisis has been excellent in our view. While China has its share of challenges, we wouldn't bet against continued success. Most importantly, we think U.S. equities, especially those of companies with exposure to the positive dynamic of China's growth and influence across sectors, will benefit as this policy relaxation occurs. China's new five-year plan for its economy, with a focus on a rebalancing toward a more consumer-driven economy, will be a positive catalyst that is likely to occur before year-end.

U.S. Economic Growth Slows

Concerns that U.S. economic expansion slowed also surfaced during later portion of the six-month period. For example, retail sales rose for the seventh consecutive month in April. Yet, that trend eventually reversed, with sales declining 1.2% in May and 0.5% in June.

In real estate, sales of new and existing homes in March increased, with much of the activity driven by the April 30 expiration of the homebuyer tax incentive program. Following the expiration, a significant drop off in the housing market occurred, with a 33% decline in sales of new homes in May. June was also discouraging with sales of existing homes dropping 5.1%. While the housing market remains very weak, our analysis based on historical trends, the demographics of population growth and household formation suggests that current levels of new home construction are at an extreme low and, in the longer term, an unsustainably low level. With an overhang of foreclosed homes adding to supply, the lift may not be soon, nor uniform, across the U.S., but we think large drops in activity levels are unlikely from here. Prices, however, may be another matter, and we would not be surprised to see some further weakening due to high levels of housing inventory for sale in many (not all) markets.

Unemployment has remained stubbornly stuck at or above 9.5%, with artificial job creation from U.S. Census hiring being coupled with an increase in people unemployed but not looking for work at all – a perverse way of "lowering" the official unemployment statistic. However, while the job market continued to languish, personal income actually climbed 0.4% in May, a result of an increase in hours worked.

With a modest 0.2% increase in personal spending, Americans' savings rate climbed to 4.0%. At the same time, Americans continued to pay down their debt. Total consumer debt, which excludes mortgages, sank $9.1 billion in May to a seasonally adjusted $2.41 trillion, according to the Federal Reserve. It was the 15th drop in the last 17 months. One would hope our elected representatives (on both sides) would take note and follow suit for our U.S. Government's budget deficit and debt. In another encouraging development, business activity continued to pick up, with the Institute for Supply Management reporting growth in June, marking the 11th consecutive month of expansion in manufacturing.

Going Forward

For Alger, the current state of investor emotions overshadowing solid market fundamentals is creating attractive opportunities. Alger's research driven process, we believe, is well suited to identify such opportunities in uncertain markets while also identifying corporations that are well positioned to benefit from changes in their industries and the economy.

Portfolio Matters

The Alger Capital Appreciation Portfolio returned -9.52% for the six-month period ended June 30, 2010, compared to the Russell 3000 Growth Index return of -7.24%.

During the period, the largest sector weightings in the Alger Capital Appreciation Portfolio were in the Information Technology and Health Care sectors. The largest sector overweight for the period was in Information Technology and the largest sector underweight for the period was in Consumer Staples. Relative outperformance in Materials and Consumer Staples sectors was the most important contributor to performance. Sectors that detracted from performance included Health Care and Consumer Discretionary.

Among the most important relative contributors were Microsoft Corp., Las Vegas Sands Corp., Monsanto Co., Patriot Coal Corp., and Intel Corp. Conversely, detracting from overall results on a relative basis were Marvell Technology Group Ltd., Pfizer Inc., Hewlett-Packard Co., Baxter International Inc., and MasterCard Inc.

As always, we strive to deliver consistently superior investment results for you, our shareholders, and we thank you for your business and your continued confidence in Alger.

Respectfully submitted,

Daniel C. Chung
Chief Investment Officer

Investors cannot 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 Portfolio. This report is not authorized for distribution to prospective investors in the Portfolios unless proceeded or accompanied by an effective prospectus for the Funds. Funds' returns represent the fiscal six-month period return of Class I-2 shares. Returns include reinvestment of dividends and distributions.

The performance data quoted represents past performance, which is not an indication or guarantee of future results.

Standard performance results can be found on the following pages. The investment return and principal value of an investment in a fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month-end, visit us at www.alger.com, or call us at (800) 992-3863.

The views and opinions of the Portfolio's management in this report are as of the date of the Shareholders 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. Moreover, the information forming the basis for such assumptions is from sources believed to be reliable; however, there is no guarantee that such information is accurate. Any securities mentioned, whether owned in a fund or otherwise, are considered in the context of the construction of an overall portfolio of securities and therefore reference to them should not be construed as a recommendation or offer to purchase or sell any such security. Inclusion of such securities in a fund 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 fund which is included in this report for a complete list of fund holdings as of June 30, 2010. Securities mentioned in the Shareholders letter, if not found in the Schedule of Investments, may have been held by the Portfolios during the six-month fiscal 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. Investing in the stock market involves gains and losses and may not be suitable for all investors. Stocks of small- and mid-sized companies are subject to greater risk than stocks of larger, more established companies owing to such factors as limited liquidity, inexperienced management, and limited financial resources. Portfolios that invest in fixed-income securities, such as the Alger 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. They are also subject to the risk of a decline in the value of the Portfolios' securities in the event of an issue's falling credit rating or actual default. The Funds that invest in mortgage and asset backed securities are subject to prepayment risk; thus the average life of the security may be less than maturity. Portfolios that participate in leveraging, such as the Alger Capital Appreciation Portfolio and Alger SMid Cap 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, Portfolio net asset values can decrease more quickly than if a Portfolio had not borrowed. For a more detailed discussion of the risks associated with a Portfolio, please see the Portfolio's Prospectus.

Before investing, carefully consider a fund's investment objective, risks, charges, and expenses. For a prospectus containing this and other information about The Alger Funds call us at (800) 992-3863 or visit us at www.alger.com. Read it carefully before investing.

Fred Alger & Company, Incorporated, Distributor. Member NYSE Euronext, SIPC.

NOT FDIC INSURED. NOT BANK GUARANTEED. MAY LOSE VALUE.

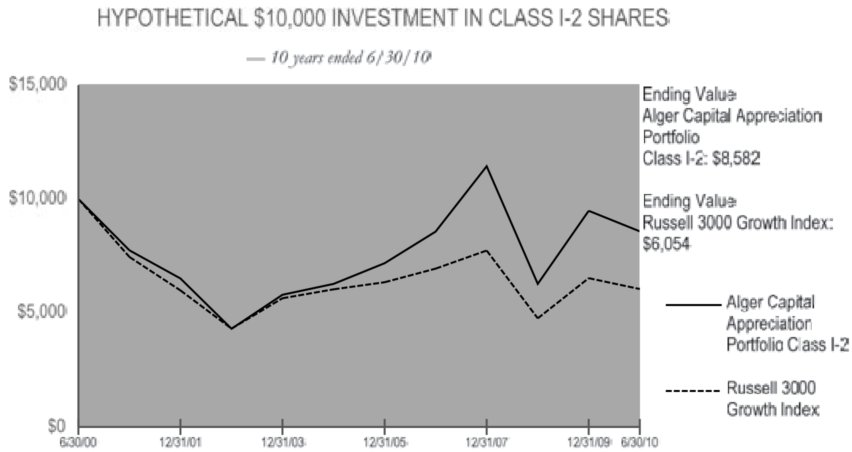
Definitions:

- Standard & Poor's 500 Index (S&P 500 Index) is an index of 500 leading companies in leading industries in the United States.
- Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on the total market capitalization, which represents 99% of the U.S. Equity Market.

- Russell 1000 Growth Index is an unmanaged index designed to measure the performance of the largest 1,000 companies in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values.
- Russell Midcap Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap Index measures the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 27% of the total market capitalization of the Russell 1000 companies.
- Russell 2500 Growth Index measures the performance of the small to mid-cap growth segment of the U.S. equity universe. It includes those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2500 Index measures the small to mid-cap segment of the U.S. equity universe, commonly referred to as SMid cap. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership.
- Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index measures the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 8% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.
- The Barclays Capital U.S. Government/Credit Bond Index is an index designed to track performance of government and corporate bonds.

ALGER CAPITAL APPRECIATION PORTFOLIO
Portfolio Highlights Through June 30, 2010 *(Unaudited)*



The chart above illustrates the change in value of a hypothetical $10,000 investment made in Alger Capital Appreciation Portfolio Class I-2 shares and the Russell 3000 Growth Index (an unmanaged index of common stocks) for the ten years ended June 30, 2010. Figures for the Alger Capital Appreciation Portfolio Class I-2 shares and the Russell 3000 Growth Index include reinvestment of dividends. Performance for Alger Capital Appreciation Portfolio Class S shares will be lower from the results shown above due to differences in expenses that class bears.

PERFORMANCE COMPARISON AS OF 6/30/10

AVERAGE ANNUAL TOTAL RETURNS				
	1 YEAR	5 YEARS	10 YEARS	SINCE INCEPTION
Class I-2 (Inception 1/25/95)	15.29%	6.23%	(1.52)%	11.63%
Russell 3000 Growth Index	13.96%	0.44%	(4.89)%	5.85%
Class S (Inception 5/1/02)	14.92%	5.95%	n/a	4.46%
Russell 3000 Growth Index	13.96%	0.44%	n/a	1.44%

The performance data quoted represents past performance, which is not an indication or a guarantee of future results. Investment return and principal will fluctuate and the Portfolio'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) 992-3863.

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

Portfolio Summary†

June 30, 2010 *(Unaudited)*

SECTORS	
Consumer Discretionary	8.0%
Consumer Staples	4.9
Energy	9.8
Financials	6.4
Health Care	12.5
Industrials	11.0
Information Technology	39.3
Materials	2.7
Telecommunication Services	0.2
Short-Term and Net Other Assets	5.2
	100.0%

† *Based on net assets for the Portfolio*.

COMMON STOCKS—94.8%	SHARES	VALUE
ADVERTISING—0.4%		
Focus Media Holding Ltd.#*	63,500	$ **986,155**
AEROSPACE & DEFENSE—1.5%		
Goodrich Corp.	20,400	1,351,500
Lockheed Martin Corp.	14,900	1,110,050
United Technologies Corp.	19,200	1,246,272
		3,707,822
AIR FREIGHT & LOGISTICS—1.8%		
FedEx Corp.	18,500	1,297,035
United Parcel Service Inc., Cl. B	54,100	3,077,749
		4,374,784
APPLICATION SOFTWARE—1.7%		
Adobe Systems Inc. *	91,700	2,423,631
Nice Systems Ltd. #*	26,100	665,289
Synopsys Inc. *	49,100	1,024,717
		4,113,637
AUTO PARTS & EQUIPMENT—0.9%		
Lear Corp.*	34,600	**2,290,520**
BIOTECHNOLOGY—1.8%		
Amgen Inc. *	50,900	2,677,340
Human Genome Sciences Inc. *	68,400	1,549,944
		4,227,284
COAL & CONSUMABLE FUELS—1.5%		
Peabody Energy Corp.	93,800	**3,670,394**
COMMUNICATIONS EQUIPMENT—2.7%		
Cisco Systems Inc. *	165,600	3,528,936
Qualcomm Inc.	88,300	2,899,772
		6,428,708
COMPUTER HARDWARE—10.2%		
Apple Inc. *	49,100	12,350,123
Hewlett-Packard Co.	276,700	11,975,576
		24,325,699
COMPUTER STORAGE & PERIPHERALS—0.9%		
EMC Corp.*	120,900	**2,212,470**
CONSTRUCTION & FARM MACHINERY & HEAVY TRUCKS—1.1%		
ArvinMeritor Inc. *	99,500	1,303,450
Cummins Inc.	19,000	1,237,470
		2,540,920
DATA PROCESSING & OUTSOURCED SERVICES—2.0%		
Mastercard Inc.	24,700	**4,928,391**
DEPARTMENT STORES—0.9%		
Kohl's Corp.*	45,400	**2,156,500**
FERTILIZERS & AGRICULTURAL CHEMICALS—0.2%		
Mosaic Co., /The	10,600	**413,188**

COMMON STOCKS—(CONT.)	SHARES	VALUE
GOLD—1.1%		
Yamana Gold Inc.	278,200	**$ 2,865,460**
HEALTH CARE EQUIPMENT—3.3%		
Baxter International Inc.	69,900	2,840,736
Covidien PLC	106,600	4,283,188
Insulet Corp. *	62,700	943,635
		8,067,559
HEALTH CARE FACILITIES—0.4%		
Health Management Associates Inc., Cl. A*	114,500	**889,665**
HEALTH CARE SERVICES—1.1%		
Medco Health Solutions Inc.*	48,200	**2,654,856**
HOME ENTERTAINMENT SOFTWARE—1.2%		
Activision Blizzard Inc.	276,400	**2,899,436**
HOME IMPROVEMENT RETAIL—0.9%		
Lowe's Companies, Inc.	109,500	**2,235,990**
HOTELS RESORTS & CRUISE LINES—0.6%		
Wyndham Worldwide Corporation	76,800	**1,546,752**
HOUSEHOLD APPLIANCES—0.8%		
Stanley Black & Decker Inc.	39,400	**1,990,488**
HUMAN RESOURCE & EMPLOYMENT SERVICES—0.2%		
Towers Watson & Co.	13,600	**528,360**
HYPERMARKETS & SUPER CENTERS—2.0%		
Wal-Mart Stores Inc.	97,700	**4,696,439**
INDUSTRIAL CONGLOMERATES—2.9%		
3M Co.	32,400	2,559,276
Tyco International Ltd.	127,800	4,502,394
		7,061,670
INDUSTRIAL MACHINERY—1.1%		
Ingersoll-Rand PLC	79,400	**2,738,506**
INDUSTRIAL REITS—0.1%		
Dupont Fabros Technology Inc.	9,800	**240,688**
INTEGRATED OIL & GAS—3.4%		
Chevron Corp.	80,700	5,476,302
ConocoPhillips	48,600	2,385,774
		7,862,076
INTERNET RETAIL—1.4%		
Amazon.com Inc. *	15,070	1,646,548
Expedia Inc.	81,800	1,536,204
		3,182,752
INTERNET SOFTWARE & SERVICES—8.6%		
eBay Inc. *	82,283	1,613,570
Google Inc., Cl. A *	8,900	3,960,055
GSI Commerce Inc. *	121,500	3,499,200
IAC/InterActiveCorp. *	189,100	4,154,527
Sina Corp. *	107,100	3,776,346

COMMON STOCKS—(CONT.)	SHARES	VALUE
INTERNET SOFTWARE & SERVICES—(CONT.)		
Yahoo! Inc. *	258,500	$ 3,575,055
		20,578,753
INVESTMENT BANKING & BROKERAGE—0.2%		
Morgan Stanley	17,700	**410,817**
IT CONSULTING & OTHER SERVICES—1.1%		
International Business Machines Corp.	22,200	**2,741,256**
LEISURE PRODUCTS—0.6%		
Phillips-Van Heusen Corp.	33,800	**1,563,926**
LIFE & HEALTH INSURANCE—0.7%		
Lincoln National Corp.	11,300	274,477
MetLife Inc.	37,900	1,431,104
		1,705,581
LIFE SCIENCES TOOLS & SERVICES—1.5%		
Life Technologies Corp. *	25,200	1,190,700
Thermo Fisher Scientific Inc. *	51,300	2,516,265
		3,706,965
MANAGED HEALTH CARE—0.3%		
WellPoint Inc.*	14,000	**685,020**
MARINE PORTS & SERVICES—0.5%		
Aegean Marine Petroleum Network Inc.	55,600	**1,110,888**
METAL & GLASS CONTAINERS—0.5%		
Ball Corp.	24,100	**1,273,203**
MOVIES & ENTERTAINMENT—0.2%		
Regal Entertainment Group, Cl. A	41,400	**539,856**
OIL & GAS DRILLING—0.2%		
Transocean Ltd.*	10,500	**486,465**
OIL & GAS EQUIPMENT & SERVICES—1.4%		
Halliburton Company	40,300	989,365
Schlumberger Ltd.	44,500	2,462,630
		3,451,995
OIL & GAS EXPLORATION & PRODUCTION—3.2%		
Devon Energy Corp.	55,200	3,362,784
Nexen Inc.	166,900	3,282,923
Plains Exploration & Production Co. *	54,700	1,127,367
		7,773,074
OIL & GAS STORAGE & TRANSPORTATION—0.1%		
Magellan Midstream Partners LP	6,125	**286,344**
OTHER DIVERSIFIED FINANCIAL SERVICES—4.0%		
Bank of America Corp.	188,300	2,705,871
BM&FBovespa SA	251,500	1,615,840
JPMorgan Chase & Co.	148,300	5,429,263
		9,750,974
PHARMACEUTICALS—4.1%		
Abbott Laboratories	83,400	3,901,452
Auxilium Pharmaceuticals Inc. *	24,100	566,350

COMMON STOCKS—(CONT.)	SHARES	VALUE
PHARMACEUTICALS—(CONT.)		
Pfizer Inc.	381,000	$ 5,433,060
		9,900,862
PROPERTY & CASUALTY INSURANCE—0.8%		
Travelers Cos., Inc., /The	40,700	**2,004,475**
RAILROADS—0.9%		
CSX Corp.	41,700	**2,069,571**
RESEARCH & CONSULTING SERVICES—0.5%		
FTI Consulting Inc.*	26,600	**1,159,494**
RESTAURANTS—1.3%		
McDonald's Corp.	44,000	**2,898,280**
SEMICONDUCTOR EQUIPMENT—1.2%		
Lam Research Corp.*	76,400	**2,907,784**
SEMICONDUCTORS—6.1%		
Broadcom Corp., Cl. A	61,600	2,030,952
Marvell Technology Group Ltd. *	571,000	8,998,960
ON Semiconductor Corp. *	144,200	919,996
Skyworks Solutions Inc. *	164,400	2,760,276
		14,710,184
SOFT DRINKS—1.8%		
PepsiCo Inc.	73,000	**4,449,350**
SPECIALIZED FINANCE—0.6%		
CME Group Inc.	4,800	**1,351,440**
STEEL—0.9%		
Cliffs Natural Resources Inc.	43,500	**2,051,460**
SYSTEMS SOFTWARE—3.6%		
Microsoft Corp.	183,900	4,231,539
Oracle Corp.	210,500	4,517,330
		8,748,869
TOBACCO—1.1%		
Philip Morris International Inc.	59,500	**2,727,480**
TRUCKING—0.5%		
Hertz Global Holdings Inc.*	118,100	**1,117,226**
WIRELESS TELECOMMUNICATION SERVICES—0.2%		
NII Holdings Inc., Cl. B*	17,600	**572,352**
TOTAL COMMON STOCKS		
(Cost $257,263,279)		**228,571,113**

SHORT-TERM INVESTMENTS—3.8%	PRINCIPAL AMOUNT	VALUE
TIME DEPOSITS—3.8%		
Wells Fargo Grand Cayman, 0.03%, 7/01/10[L2]	$ 9,196,755	**$ 9,196,755**
(Cost $9,196,755)		
Total Investments		
(Cost $266,460,034)[(a)]	98 .6%	237,767,868
Other Assets in Excess of Liabilities	1 .4	3,386,788
NET ASSETS	100.0%	**$ 241,154,656**

‡ *Securities classified as Level 1 for ASC 820 disclosure purposes based on valuation inputs unless otherwise noted. See Notes 2 and 8 to the Financial Statements.*

* *Non-income producing security.*
\# *American Depository Receipts.*
(a) At June 30, 2010, the net unrealized depreciation on investments, based on cost for federal income tax purposes of $269,230,217 amounted to $31,462,349 which consisted of aggregate gross unrealized appreciation of $5,167,602 and aggregate gross unrealized depreciation of $36,629,951.
L2 *Security classified as Level 2 for ASC 820 disclosure purposes based on valuation inputs.*

See Notes to Financial Statements.

Statement of Assets and Liabilities (Unaudited) June 30, 2010

ASSETS:		
Investments in securities, at value (Identified cost)* see accompanying schedule of investments	$	237,767,868
Receivable for investment securities sold		7,489,831
Receivable for shares of beneficial interest sold		386,669
Dividends and interest receivable		112,410
Prepaid expenses		23,732
Total Assets		245,780,510
LIABILITIES:		
Payable for investment securities purchased		3,858,755
Payable for shares of beneficial interest redeemed		511,557
Accrued investment advisory fees		179,826
Accrued transfer agent fees		7,009
Accrued distribution fees		2,727
Accrued administrative fees		6,381
Accrued shareholder servicing fees		2,109
Accrued other expenses		57,490
Total Liabilities		4,625,854
NET ASSETS	**$**	**241,154,656**
Net Assets Consist of:		
Paid in capital		329,381,672
Undistributed net investment income		333,824
Accumulated net realized loss		(59,868,673)
Net unrealized depreciation on investments		(28,692,167)
NET ASSETS	**$**	**241,154,656**
Net Asset Value Per Share		
Class I-2		$41.39
Class S		$40.58
Net Assets By Class		
Class I-2		229,928,076
Class S		11,226,580
Shares of Benefical Interest Outstanding— Note 6 (Par Value $.001)		
Class I-2		5,554,917
Class S		276,686
*Identified Cost	$	266,460,034

See Notes to Financial Statements.

Statement of Operations (Unaudited)

For the six months ended June 30, 2010

INCOME:		
Dividends (net of foreign withholding taxes*)	$	1,567,212
Interest		1,460
Other		304
Total Income		1,568,976
EXPENSES		
Advisory fees—Note 3		1,078,581
Distribution fees Class S—Note 3		16,479
Shareholder servicing fees		2,108
Administrative fees—Note 3		36,619
Custodian fees		28,546
Interest expenses		15
Transfer agent fees and expenses—Note 3		11,994
Printing fees		26,030
Professional fees		29,908
Registration fees		31,337
Trustee fees—Note 3		6,447
Miscellaneous		25,110
Total Expenses		1,293,174
Less, expense reimbursements—Note 3		(46,604)
Net Expenses		1,246,570
NET INVESTMENT INCOME		322,406
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, OPTIONS AND FOREIGN CURRENCY TRANSACTIONS:		
Net realized gain on investments and options		21,650,322
Net realized loss on foreign currency transactions		(73,919)
Net change in unrealized appreciation (depreciation) on investments and foreign currency		(47,952,557)
Net realized and unrealized loss on investments, options and foreign currency		(26,376,154)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$**	**(26,053,748)**
*Foreign withholding taxes	$	6,612

		For the Six Months Ended June 30, 2010 (Unaudited)		For the Year Ended December 31, 2009
Net investment income	$	322,406	$	1,031,396
Net realized gain on investments, options and foreign currency transactions		21,576,403		32,650,515
Net change in unrealized appreciation (depreciation) on investments, options and foreign currency		(47,952,557)		55,526,468
Net increase (decrease) in net assets resulting from operations		(26,053,748)		89,208,379
Dividends and distributions to shareholders from:				
Net investment income				
Class I-2		(1,008,170)		—
Class S		(27,573)		—
Net realized gains				
Class I-2		—		—
Class S		—		—
Total dividends and distributions to shareholders		(1,035,743)		—
Increase (decrease) from shares of beneficial interest transactions:				
Class I-2		6,268,361		(18,822,263)
Class S		(814,816)		(299,187)
Net increase (decrease) from shares of beneficial interest transactions—Note 6		5,453,545		(19,121,450)
Total increase (decrease)		(21,635,946)		70,086,929
Net Assets:				
Beginning of period		262,790,602		192,703,673
END OF PERIOD	**$**	**241,154,656**	**$**	**262,790,602**
Undistributed net investment income	$	333,824	$	1,047,161

	Class I-2					
	Six months ended 6/30/2010(i)	Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007	Year ended 12/31/2006	Year ended 12/31/2005
Net asset value, beginning of period	$ 45.92	$ 30.39	$ 55.39	$ 41.48	$ 34.78	$ 30.39
INCOME FROM INVESTMENT OPERATIONS:						
Net investment income (loss)(ii)	0.06	0.18	0.05	(0.07)	(0.07)	(0.21)
Net realized and unrealized gain (loss) on investments	(4.41)	15.35	(25.05)	13.98	6.77	4.60
Total from investment operations	(4.35)	15.53	(25.00)	13.91	6.70	4.39
Dividends from net investment income	(0.18)	—	—	—	—	—
Net asset value, end of period	$ 41.39	$ 45.92	$ 30.39	$ 55.39	$ 41.48	$ 34.78
Total return	(9.52)%	51.10%	(45.13)%	33.53%	19.26%	14.45%
RATIOS/SUPPLEMENTAL DATA:						
Net assets, end of period (000's omitted)	$ 229,928	$ 249,483	$ 183,335	$ 414,959	$ 298,024	$ 298,410
Ratio of gross expenses to average net assets	0.95%	0.99%	0.95%	0.97%	0.98%	0.91%
Ratio of expense reimbursements to average net assets	(0.03)%	(0.04)%	(0.04)%	(0.04)%	0.00%	0.00%
Ratio of net expenses to average net assets	0.92%	0.95%	0.91%	0.93%	0.98%	0.91%
Ratio of net investment income to average net assets	0.26%	0.49%	0.12%	(0.15)%	(0.19)%	(0.08)%
Portfolio turnover rate	112.49%	285.33%	317.72%	254.03%	245.58%	130.14%

See Notes to Financial Statements.

	Class S					
	Six months ended 6/30/2010(i)	Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007	Year ended 12/31/2006	Year ended 12/31/2005
Net asset value, beginning of period	$ 45.01	$ 29.86	$ 54.57	$ 40.97	$ 34.44	$ 30.17
INCOME FROM INVESTMENT OPERATIONS:						
Net investment income (loss)(ii)	(0.02)	0.08	(0.05)	(0.16)	(0.17)	(0.08)
Net realized and unrealized gain (loss) on investments	(4.32)	15.07	(24.66)	13.76	6.70	4.35
Total from investment operations	(4.34)	15.15	(24.71)	13.60	6.53	4.27
Dividends from net investment income	(0.09)	—	—	—	—	—
Net asset value, end of period	$ 40.58	$ 45.01	$ 29.86	$ 54.57	$ 40.97	$ 34.44
Total return	(9.67)%	50.69%	(45.28)%	33.20%	18.96%	14.15%
RATIOS/SUPPLEMENTAL DATA:						
Net assets, end of period (000's omitted)	$ 11,227	$ 13,307	$ 9,369	$ 20,783	$ 23,845	$ 17,887
Ratio of gross expenses to average net assets	1.32%	1.24%	1.20%	1.22%	1.23%	1.16%
Ratio of expense reimbursements to average net assets	(0.03)%	(0.04)%	(0.04)%	(0.04)%	0.00%	0.00%
Ratio of net expenses to average net assets	1.29%	1.20%	1.16%	1.18%	1.23%	1.16%
Ratio of net investment income to average net assets	(0.10)%	0.23%	(0.12)%	(0.34)%	(0.45)%	(0.33)%
Portfolio turnover rate	112.49%	285.33%	317.72%	254.03%	245.58%	130.14%

(i) *Unaudited. Ratios have been annualized; total return and portfolio turnover rate have not been annualized.*
(ii) *Amount was computed based on average shares outstanding during the period.*

See Notes to Financial Statements.

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NOTE 1 — General:

The Alger Portfolios (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: the Alger Capital Appreciation Portfolio, Alger Large Cap Growth Portfolio, Alger Mid Cap Growth Portfolio, Alger SMid Cap Growth Portfolio, Alger Small Cap Growth Portfolio, Alger Growth & Income Portfolio, and Alger Balanced Portfolio (collectively the "Portfolios" and individually "Portfolio"). These financial statements include only the Alger 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 I-2 shares 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 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). Equity securities and option contracts 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 ask price or, in the absence of a recent bid or ask price, the equivalent as obtained from one or more of the major market makers for the securities to be valued.

Debt securities generally trade in the over-the-counter market. Securities with remaining maturities of more than sixty days at the time of acquisition are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service, which considers the yield or price of bonds of comparable quality, coupon, maturity and type, as well as prices quoted by dealers who make markets in such securities.

Short-term securities held by the Portfolio having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value. Shares of mutual funds are valued at the net asset value of the underlying mutual fund.

Securities for which market quotations are not readily available 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 foreign 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 may result in adjustments to the closing prices to reflect what the investment adviser, 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.

Financial Accounting Standards Board Accounting Standards Codification 820 – Fair Value Measurements and Disclosures ("ASC 820") defines fair value 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. ASC 820 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 Portfolio'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 Portfolio's, own assumptions in determining the fair value of investments)

The Portfolio's, valuation techniques are consistent with the market approach whereby prices and other relevant information generated by market transactions involving identical or comparable assets are used to measure fair value. Inputs for Level 1 include exchange listed prices and broker quotes in an active market. Inputs for Level 2 include the last trade price in the case of a halted security, a broker quote in an inactive market, an exchange listed price which has been adjusted for fair value factors, and prices of closely related securities. Additional Level 2 inputs include an evaluated price which is based upon on a compilation of observable market information such as spreads for fixed income and preferred securities. Inputs for Level 3 include derived prices from unobservable market information which can include cash flows and other information obtained from a company's financial statements, or from market indicators such as benchmarks and indices.

(b) Security Transactions and Investment Income: Security transactions are recorded on a trade date basis. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

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

(c) Foreign Currency Transactions: The books and records of the Portfolio are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated

into U.S. dollars at the prevailing rates of exchange on the valuation date. Purchases and sales of investment securities and income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of such transactions.

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

(d) 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 of loss 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 "current 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, 2010.

(f) Dividends to Shareholders: Dividends and distributions 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 have no impact on the net asset values of the Portfolio and were 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 Subchapter M 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.

Financial Accounting Standards Board Accounting Standards Codification 740 – Income Taxes ("ASC 740") requires the Portfolio to measure and recognize in its financial statements the benefit of a tax position taken (or expected to be taken) on an income tax return if such position will more likely than not be sustained upon examination based on the technical merits of the position. The Portfolio files income tax returns in the U.S. Federal jurisdiction, as well as the New York State and New York City jurisdictions. Based upon their review of tax positions for the Portfolio's open tax years of 2006-2009 in these jurisdictions, the Portfolio has determined that ASC 740 did not have a material impact on the Portfolio's financial statements for the six months ended June 30, 2010.

(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 and transfer agency fees.

(i) Estimates: These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates. These unaudited interim financial statements reflect all

adjustments which are, in the opinion of management, necessary to a fair statement of results for the interim period presented. All such adjustments are of a normal recurring nature.

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 rate:

	Advisory Fee	Administration Fee
Alger Capital Appreciation Portfolio	.810%	.0275%

As part of the settlement with the New York State Attorney General (see Note 10—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 each Portfolio pay Fred Alger & Company, Incorporated, the Fund's distributor (the "Distributor"), a fee at the annual rate of .25% of the respective average daily net assets of the Class S shares of the designated Portfolio to compensate the Distributor for its activities and expenses incurred in distributing the Class S shares. The fees paid may be more or less than the expenses incurred by the Distributor.

(c) Brokerage Commissions: During the six months ended June 30, 2010, the Portfolio paid the Distributor $327,586, 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. Effective June 1, 2010, Alger Management modified the shareholder administrative agreement from a per account basis to 0.10% of average daily net assets. During the six months ended June 30, 2010, the Portfolio incurred fees of $2,225, for these services provided by Alger Management which are included in transfer agent fees and expenses in the Statement of Operations.

(e) Trustee Fees: From January 1, 2010 through February 8, 2010, each Portfolio paid each Trustee who is not affiliated with Alger Management or its affiliates $500 for each meeting attended, to a maximum of $2,000 per annum. The Chairman of the Board of Trustees received 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 received an additional $50 from each Portfolio for each audit committee meeting attended, to a maximum of $200 per annum.

Effective February 9, 2010 each Portfolio pays each trustee who is not affiliated with Alger Management or its affiliates $750 for each meeting attended, to a maximum of

$3,000 per annum, plus travel expenses incurred for attending the meeting. The chairman of the Board of Trustees receives an additional annual fee of $15,000 which is paid, pro rata, by all funds managed by Alger Management. Additionally, each member of the audit committee receives an additional $75 for each audit committee meeting attended, to a maximum of $300 per annum.

(f) Interfund Loans: The Portfolio, along with other funds advised by Alger Management, may borrow money from and lend money to each other for temporary or emergency purposes. To the extent permitted under its investment restrictions, the Portfolio may lend uninvested cash in an amount up to 15% of its net assets to other Portfolios, and the Portfolio may borrow in an amount up to 10% of its net assets from other Portfolios. If the Portfolio has borrowed from other Portfolios and has aggregate borrowings from all sources that exceed 10% of the Portfolio's total assets, the Portfolio will secure all of its loans from other Portfolios. The interest rate charged on interfund loans is equal to the average of the overnight time deposit rate and bank loan rate available to the Portfolios.

During the six months ended June 30, 2010, the Portfolio had no interfund loans.

(g) Other Transactions With Affiliates: Certain trustees and officers of the Trust are directors and officers of Alger Management and the Distributor.

NOTE 4 — Securities Transactions:

Purchases and sales of securities, other than U.S. Government and short-term securities, for the year ended December 31, 2009, were as follows:

	PURCHASES	SALES
Alger Capital Appreciation Portfolio	$286,202,288	$284,933,901

NOTE 5 — Borrowing:

The Portfolio may borrow from its custodian on an uncommitted basis. The Portfolio pays the custodian a market rate of interest, generally based upon the London Inter-Bank Offer Rate. The Portfolio may also borrow from other portfolios advised by Alger Management, as discussed in Note 3 (f). For the six months ended June 30, 2010, the Portfolio had the following borrowings:

	AVERAGE DAILY BORROWING	WEIGHTED AVERAGE INTEREST RATE
Alger Capital Appreciation Portfolio	$ 1,301	2.26%

The highest amount borrowed during the year ended December 31, 2009 for the Portfolio was as follows:

	HIGHEST BORROWING
Alger Capital Appreciation Portfolio	$235,450

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. During the six months ended June 30, 2010 and the year ended December 31, 2009, transactions of shares of beneficial interest were as follows:

	FOR THE SIX MONTHS ENDED JUNE 30, 2010		FOR THE YEAR ENDED DECEMBER 31, 2009	
	SHARES	AMOUNT	SHARES	AMOUNT
Alger Capital Appreciation Portfolio				
Class I-2:				
Shares sold	802,032	$ 37,318,580	848,597	$ 32,145,644
Dividends reinvested	21,423	1,008,170	—	—
Shares redeemed	(701,972)	(32,058,389)	(1,447,904)	(50,967,907)
Net increase (decrease)	**121,483**	**$ 6,268,361**	**(599,307)**	**$ (18,822,263)**
Class S:				
Shares sold	29,102	$ 1,327,896	75,711	$ 2,851,694
Dividends reinvested	597	27,573	—	—
Shares redeemed	(48,667)	(2,170,285)	(93,770)	(3,150,881)
Net decrease	**(18,968)**	**$ (814,816)**	**(18,059)**	**$ (299,187)**

NOTE 7 — Income Tax Information:

The tax character of distributions paid during the six months ended June 30, 2010 and the year ended December 31, 2009 was as follows:

	SIX MONTHS ENDED JUNE 30, 2010	YEAR ENDED DECEMBER 31, 2009
Alger Capital Appreciation Portfolio		
Distributions paid from:		
Ordinary Income	$ 1,035,743	—
Long-term capital gain	—	—
Total distributions paid	**$ 1,035,743**	**—**

As of December 31, 2009, the components of accumulated gains and losses on a tax basis were as follows:

Alger Capital Appreciation Portfolio	
Undistributed ordinary income	$ 1,035,177
Undistributed long-term gains	—
Net accumulated earnings	1,035,177
Capital loss carryforwards	(78,608,636)
Post-October losses	—
Temporary differences	(54,273)
Net unrealized appreciation	16,490,187
Total accumulated losses	$ (61,137,545)

At December 31, 2009, the Portfolio, for federal income tax purposes, had capital loss carryforwards which expire as set forth in the table below. These amounts may be applied against future net realized gains until the earlier of their utilization or expiration.

Expiration Dates		Alger Capital Appreciation Portfolio
2010	$	52,924
2016		56,790,836
2017		21,764,876
Total		78,608,636

Net capital losses incurred after October 31 and within the taxable year are deemed to arise on the first business day of the portfolio's next taxable year.

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, the tax treatment of partnership investments, and return of capital from Real Estate Investment Trust investments.

Permanent differences, primarily from real estate investment trusts and partnership investments sold by the Portfolio and the tax treatment of premium/discount on debt securities, resulted in the following reclassifications among the Portfolio's components of net assets at December 31, 2009:

Alger Capital Appreciation Portfolio		
Undistributed net investment income	$	(251,600)
Accumulated net realized loss	$	224,248
Paid in capital	$	27,352

NOTE 8 — Fair Value Measurements:

On Jan. 21, 2010, the Financial Accounting Standards Board issued an Accounting Standards Update (the amendment), Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements, which provides guidance on how investment assets and liabilities are to be valued and disclosed. Specifically, the amendment requires reporting entities to disclose the input and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 or Level 3 positions. The amendment also requires that transfers between all levels (including Level 1 and Level 2) be disclosed on a gross basis (i.e., transfers out must be disclosed separately from transfers in), and the reason(s) for the transfer. Additionally purchases, sales, issuances and settlements must be disclosed on a gross basis in the Level 3 rollforward. The effective date of the amendment is for interim and annual periods beginning after Dec. 15, 2009, however, the requirement to provide the Level 3 activity for purchases, sales, issuances and settlements on a gross basis will be effective for interim and annual periods beginning after Dec. 15, 2010. At this time the Fund is evaluating the implications of the amendment to provide the Level 3 activity on a gross basis.

The major categories of securities and their respective fair value inputs are detailed in each Portfolio's Schedule of Investments. The following is a summary of the inputs used as of

June 30, 2010 in valuing the Portfolios' investments carried at fair value. There were no significant transfers of investment assets between Levels 1 and 2 as of June 30, 2010.

Alger Capital Appreciation Portfolio	TOTAL FUND	LEVEL 1	LEVEL 2	LEVEL 3
COMMON STOCKS				
Consumer Discretionary	$ 19,391,219	$ 19,391,219	—	—
Consumer Staples	11,873,269	11,873,269	—	—
Energy	23,530,348	23,530,348	—	—
Financials	15,463,975	15,463,975	—	—
Health Care	30,132,211	30,132,211	—	—
Industrials	26,409,241	26,409,241	—	—
Information Technology	94,595,187	94,595,187	—	—
Materials	6,603,311	6,603,311	—	—
Telecommunication Services	572,352	572,352	—	—
TOTAL COMMON STOCKS	**$ 228,571,113**	**$ 228,571,113**	**—**	**—**
SHORT-TERM INVESTMENTS				
Time Deposits	$ 9,196,755	—	$ 9,196,755	—
TOTAL INVESTMENTS IN SECURITIES	**$ 237,767,868**	**$ 228,571,113**	**$ 9,196,755**	**—**

NOTE 9 — Derivatives:

Financial Accounting Standards Board Accounting Standards Codification 815 – Derivatives and Hedging ("ASC 815") requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements.

Forward currency contracts—In connection with portfolio purchases and sales of securities denominated in foreign currencies, the Portfolio may enter into forward currency contracts. Additionally, the Portfolio may enter into such contracts to economically hedge certain other foreign currency denominated investments. These contracts are valued at the current cost of covering or offsetting such contracts, and the related realized and unrealized foreign exchange gains and losses are included in the statement of operations. In the event that counterparties fail to settle these currency contracts or the related foreign security trades, the Portfolio could be exposed to foreign currency fluctuations.

Options—In order to produce incremental earnings or protect against changes in the value of portfolio securities, the Portfolio may buy and sell put and call options, write covered call options on portfolio securities and write cash-secured put options.

The Portfolio purchases put options or writes covered call options for speculative purposes or to economically hedge against adverse movements in the value of portfolio holdings. The Portfolio will segregate assets to cover its obligations under option contracts.

For the six months ended June 30, 2010, there were no derivative transactions.

NOTE 10 — Litigation:

In October 2006, Alger Management, the Distributor and Alger Shareholder Services, Inc. entered into a settlement with the office of the New York State Attorney General, and in January 2007, the Manager and Distributor entered into a settlement with the Securities and Exchange Commission (the "SEC") in connection with practices in the mutual fund industry identified as "market timing" and "late trading." As part of these settlements, without admitting or denying liability, the firms consented to the payment of $30 million to reimburse fund shareholders; a fine of $10 million; and certain other remedial measures including a reduction in management fees of $1 million per year for five years. The $40 million was paid into an SEC Fair Fund for distribution to investors.

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 the Manager and the Distributor had violated the West Virginia Uniform Securities Act (the "WVUSA"), and ordered the Manager and the Distributor 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 the Manager were served with similar orders. The Manager and the Distributor 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 the Manager, certain mutual funds managed by the Manager (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 under the caption number 1:04-MD-15863 (JFM). After a number of the claims in the Alger lawsuits were dismissed by the court, the Alger-related class and derivative suits were settled in principle, but such settlement remains subject to court approval. On May 19, 2010 the court preliminarily approved the settlement of the Alger-related lawsuits, subject to the hearing in due course of objections to the settlement, if any, by former or present shareholders entitled to raise such objections.

NOTE 11 — Subsequent Event:

Management of each Portfolio has evaluated events that have occurred subsequent to June 30, 2010. No such events have been identified which require recognition and disclosure.

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, 2010 and ending June 30, 2010.

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, 2010	Ending Account Value June 30, 2010	Expenses Paid During the Six Months Ended June 30, 2010(a)	Ratio of Expenses to Average Net Assets For the Six Months Ended June 30, 2010(b)
Alger Capital Appreciation Portfolio					
Class I-2	Actual	$ 1,000.00	$ 904.80	$ 4.42	0.92%
	Hypothetical(c)	1,000.00	1,020.57	4.69	0.92
Class S	Actual	1,000.00	903.30	6.19	1.29
	Hypothetical(c)	1,000.00	1,018.70	6.56	1.29

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

Privacy Policy

Your Privacy Is Our Priority
At Fred Alger & Company, Incorporated ("Alger") we value the confidence you have placed in us. In trusting us with your assets, you provide us with personal and financial data. Alger is committed to maintaining the confidentiality of the personal nonpublic information ("personal information") entrusted to us by our customers. Your privacy is very important to us, and we are dedicated to safeguarding your personal information as we serve your financial needs.

Our Privacy Policy
We believe you should know about Alger's Privacy Policy and how we collect and protect your personal information. This Privacy Policy ("Policy") describes our practices and policy for collecting, sharing and protecting the personal information of our prospective, current and former customers. The Policy is applicable to Alger and its affiliate, Fred Alger Management, Inc., as well as the following funds: The Alger Funds, The Alger Institutional Funds, The Alger Portfolios, Alger China-U.S. Growth Fund and The Alger Funds II. We are proud of our Policy and hope you will take a moment to read about it.

Information We Collect
The type of personal information we collect and use varies depending on the Alger products or services you select.

We collect personal information that enables us to serve your financial needs, develop and offer new products and services, and fulfill legal and regulatory requirements. Depending on the products or services you request, we obtain personal information about you from the following sources:

- Information, such as your name, address and social security number, provided on applications and other forms we receive from you or your representative;
- Information from your communications with Alger employees or from your representative, which may be provided to us by telephone, in writing or through Internet transactions; and
- Information about your transactions, such as the purchase and redemption of fund shares, account balances and parties to the transactions, which we receive from our affiliates or other third parties.

Sharing of Personal Information
We may share your personal information with our affiliates so that they may process and service your transactions.

However, Alger never sells customer lists to any third party. Further, we do not disclose personal information to nonaffiliated third parties, except as required by law or as permitted by law to service your account, such as follows:

- To third-party service providers that assist us in servicing your accounts (e.g. securities clearinghouses);
- To governmental agencies and law enforcement officials (e.g. valid subpoenas, court orders); and
- To financial institutions that perform marketing services on our behalf or with whom we have joint marketing agreements that provide for the confidentiality of personal information.

Our Security Practices
We protect your personal information by maintaining physical, electronic and procedural safeguards. When you visit Alger's Internet sites your information is protected by our systems that utilize 128-bit data encryption, Secure Socket Layer (SSL) protocol, user names, passwords and other precautions. We have implemented safeguards to ensure that access to customer information is limited to employees, such as customer service representatives, who require such information to carry out their job responsibilities. Our employees are aware of their strict responsibility to respect the confidentiality of your personal information.

Thank you for choosing to invest with Alger. We value your relationship with us and assure you we will abide by our policy to protect your information.

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 Portfolio's most recent month end portfolio holdings are available approximately sixty days after month end on the Fund's website at www.alger.com. The Portfolio also files its complete schedule of portfolio holdings with the SEC for the first and third quarter of each fiscal year on Form N-Q. Forms N-Q are available online on the 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.

THE ALGER PORTFOLIOS

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Investment Advisor

Fred Alger Management, Inc.
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Distributor

Fred Alger & Company, Incorporated
111 Fifth Avenue
New York, NY 10003

Transfer Agent and Dividend Disbursing Agent

Boston Financial Data Services, Inc.
P.O. Box 8480
Boston, MA 02266

This report is submitted for the general information of the shareholders of The Alger American Fund. It is not authorized for distribution to prospective investors unless accompanied by an effective Prospectus for the Trust, which contains information concerning the Trust's investment policies, fees and expenses as well as other pertinent information.

ALGER

Inspired by Change, Driven by Growth.

CREDIT SUISSE

CREDIT SUISSE FUNDS

Semiannual Report

June 30, 2010
(unaudited)

CREDIT SUISSE TRUST
▪ INTERNATIONAL EQUITY FLEX III 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, 2010; 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.

July 21, 2010

Dear Shareholder:

For the six-month period ended June 30, 2010, the Credit Suisse Trust — International Equity Flex III Portfolio (the "Portfolio") had a loss of 12.80%[1], versus a decrease of 13.23% for the MSCI EAFE Index Net Dividends.[2]

Market Review: A challenging period

The six-month period ending June 30, 2010 was a challenging one. The markets overall declined during the period, with the MSCI EAFE Index Net Dividends declining by 13.23%. Additionally, the Dow Jones Euro STOXX Index, which represents large, mid, and small capitalization companies of 12 Eurozone countries (Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain), lost 8.38%, while Japan's Topix Index, a capitalization weighted index of all companies listed on the First Section of the Tokyo Stock Exchange, decreased by 6.36%. Despite what seemed to be a global recovery in 2009, developments in the Eurozone, beginning with the budget deficit in Greece, combined with signals from emerging markets, like China, to cause a global pullback.

Strategic Review and Outlook: A period of change

For the semiannual period ended June 30, 2010, the Portfolio outperformed its benchmark. Overall, the long sleeve of the portfolio hurt performance while the short sleeve contributed to performance. On a net basis, stock selection and sector weighting in financials made the leading positive contributions to performance. Additionally, stock selection and sector weightings in utilities and materials also helped relative performance. Conversely, stock selection and sector weighting in consumer discretionary was the leading detractor from performance. Stock selection and sector weighting in telecommunication services also detracted from relative performance.

Although we expect the market to remain difficult in the near term, we are comfortable with our proactive long-term investment process going forward. Our investment process relies on a systematic quantitative approach that takes into account historical results as well as near- and long-term views. In further detail, the process can be broken into four steps: 1. Research supporting the five financial models and blended risk model; 2. Construction of Expected Returns and Optimization; 3. Implementation; 4. Risk/Return Monitoring and Attribution Analysis. Research is conducted to identify new sources of alpha, improve existing factors, and strengthen risk control. Research on prospective factors is sourced from academic papers, sell side research, and internal dialogue.

Research ideas are always based on sound financial principles and economic intuition. In step two, the signals from the five financial models are blended to construct the expected returns. The expected returns, the blended risk model, transaction costs, investment objectives, as well as client-specific constraints are then fed into a proprietary optimizer to determine optimal portfolio weights. Then the optimal weights from the optimizer are used for trading and rebalancing of the portfolio. The proprietary in-house risk monitoring system checks the optimal portfolio prior to trading. Once the optimal portfolio passes the appropriate checks, the trades are implemented. Lastly, all monitoring is done on an intraday basis and is relative to the portfolio's specific benchmark.

Effective May 3, 2010, Mika Toikka* joined the Credit Suisse Quantitative Equities Group and serves as the lead manager of the Portfolio.

Credit Suisse Quantitative Equities Group

Mika Toikka
Timothy Schwider

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* Mika Toikka, Managing Director, is Global Head of the Quantitative Equities Group and Quantitative Strategies. Mr. Toikka joined Credit Suisse Asset Management, LLC in May 2010. From September 2000 to April 2010 he held positions within Credit Suisse Group AG's Investment Banking Division. Within the Arbitrage Trading area, his responsibilities have included running a variety of trading strategies and serving as the Head of Risk and Strategy for Global Arbitrage Trading. Prior to joining Arbitrage Trading in 2005, Mr. Toikka served as the Global Head of the Quantitative Equity Derivatives Strategy Group. Before joining Credit Suisse First Boston in September 2000, Mr. Toikka worked for Goldman Sachs & Co. in the Fixed Income and Currency and Commodity division where he played a leadership role in fixed income derivatives strategy. Prior to 1997, he worked for Salomon Brothers in Equity Derivatives and Quantitative Research. Mr. Toikka holds a Master of Science degree in Applied Economics from the University of California Santa Cruz and a Bachelors degree in Economics from the University of California at Davis.

Short sales expose the Portfolio to the risk that it will be required to cover its short position at a time when the securities have appreciated in value, thus resulting in a loss to the Portfolio. The Portfolio's loss on a short sale could theoretically be unlimited in a case where the Portfolio is unable to close out its short position.

Derivatives are subject to a number of risks such as correlation risk, liquidity risk, interest-rate risk, market risk and credit risk. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Portfolio will engage in these transactions to reduce exposure to other risks when that would be beneficial.

The use of leverage subjects the Portfolio to the risk of magnified capital losses that can occur when losses affect an asset base that has been enlarged by borrowings or the creation of liabilities. The net asset value of the Portfolio, when employing leverage, will be more volatile and sensitive to market movements. Leverage may involve the creation of a liability that requires the Portfolio to pay interest.

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods.

Active and frequent trading may lead to the realization and distribution to shareholders of higher short-term capital gains, which would increase their tax liability. Frequent trading also increases transaction costs, which could detract from the Portfolio's performance.

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, 2010[1]

1 Year	5 Years	10 Years	Since Inception	Inception Date
5.15%	5.17%	3.39%	5.36%	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 2.68%. The annualized net expense ratio after fee waivers and/or expense reimbursements is 2.32%.

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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 EAFE (Europe, Australasia, Far East) Index Net Dividends is a free float-adjusted market capitalization index that is designed to measure developed-market equity performance, excluding the U.S. and Canada. 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, 2010.

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, 2010

Actual Portfolio Return	
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$ 872.00
Expenses Paid per $1,000*	$ 10.77
Hypothetical 5% Portfolio Return	
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,013.29
Expenses Paid per $1,000*	$ 11.58
Annualized Expense Ratio*	2.32%

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

The "Expenses Paid per $1,000" and the "Annualized Expense Ratio" 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*

	Long	Short	Net
Financials	29.0%	(3.3)%	25.7%
Industrials	20.4%	(4.2)%	16.2%
Consumer Staples	12.5%	(1.8)%	10.7%
Health Care	11.4%	(1.5)%	9.9%
Materials	10.4%	(2.0)%	8.4%
Energy	8.5%	(0.6)%	7.9%
Consumer Discretionary	10.4%	(3.3)%	7.1%
Information Technology	6.9%	(0.7)%	6.2%
Telecommunication Services	4.7%	(0.5)%	4.2%
Utilities	4.7%	(1.0)%	3.7%
Total	**118.9%**	**(18.9)%**	**100.0%**

* Expressed as a percentage of total long/short investments, respectively, (excluding security lending collateral, if applicable) and may vary over time.

	Number of Shares	Value
LONG STOCK POSITIONS (118.6%)		
COMMON STOCKS (117.8%)		
Asia (3.2%)		
Diversified Financial Services (3.2%)		
iShares MSCI Pacific ex-Japan Index Fund§	96,803	$ 3,459,739
TOTAL ASIA		3,459,739
Australia (5.9%)		
Air Freight & Logistics (0.0%)		
Toll Holdings, Ltd.§	5,727	26,171
Airlines (0.0%)		
Qantas Airways, Ltd.*	9,568	17,600
Beverages (0.1%)		
Coca-Cola Amatil, Ltd.§	4,837	48,599
Foster's Group, Ltd.	16,635	79,063
		127,662
Biotechnology (0.1%)		
CSL, Ltd.	4,854	132,987
Capital Markets (0.1%)		
Macquarie Group, Ltd.§	2,868	88,456
Chemicals (0.1%)		
Incitec Pivot, Ltd.	13,901	31,546
Nufarm, Ltd.	1,630	7,370
Orica, Ltd.	3,103	65,498
		104,414
Commercial Banks (1.7%)		
Australia & New Zealand Banking Group, Ltd.§	21,593	389,177
Bendigo and Adelaide Bank, Ltd.	3,018	20,641
Commonwealth Bank of Australia§	13,226	536,536
National Australia Bank, Ltd.	18,065	350,476
Westpac Banking Corp.§	25,365	448,636
		1,745,466
Commercial Services & Supplies (0.1%)		
Brambles, Ltd.	12,173	55,628
Construction & Engineering (0.0%)		
Leighton Holdings, Ltd.§	1,285	31,012
Construction Materials (0.0%)		
Boral, Ltd.§	5,132	20,628
Containers & Packaging (0.1%)		
Amcor, Ltd.	10,524	56,282
Diversified Financial Services (0.2%)		
ASX, Ltd.	1,484	36,326
iShares MSCI Australia Index Fund§	9,968	189,192
		225,518

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Australia		
Diversified Telecommunication Services (0.1%)		
Telstra Corp., Ltd.§	37,543	$ 102,685
Electric Utilities (0.0%)		
SP AusNet	11,478	7,395
Energy Equipment & Services (0.0%)		
WorleyParsons, Ltd.	1,426	26,327
Food & Staples Retailing (0.5%)		
Metcash, Ltd.§	6,596	23,263
Wesfarmers, Ltd.	1,309	31,497
Wesfarmers, Ltd.	8,665	207,819
Woolworths, Ltd.	10,684	242,665
		505,244
Food Products (0.0%)		
Goodman Fielder, Ltd.	11,304	12,788
Health Care Equipment & Supplies (0.0%)		
Cochlear, Ltd.§	485	30,314
Health Care Providers & Services (0.0%)		
Sonic Healthcare, Ltd.	3,181	27,776
Hotels, Restaurants & Leisure (0.1%)		
Aristocrat Leisure, Ltd.§	3,448	10,544
Crown, Ltd.§	4,340	28,233
TABCORP Holdings, Ltd.	5,239	27,861
Tatts Group, Ltd.	10,447	19,656
		86,294
Industrial Conglomerates (0.0%)		
CSR, Ltd.§	12,406	17,434
Insurance (0.4%)		
AMP, Ltd.§	17,660	76,909
AXA Asia Pacific Holdings, Ltd.	8,909	40,899
Insurance Australia Group, Ltd.	17,922	51,156
QBE Insurance Group, Ltd.	8,831	134,464
Suncorp-Metway, Ltd.	10,956	73,550
		376,978
IT Services (0.0%)		
Computershare, Ltd.	3,832	34,006
Media (0.0%)		
Fairfax Media, Ltd.§	18,247	20,006

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Australia		
Metals & Mining (1.3%)		
Alumina, Ltd.	21,036	$ 26,714
BHP Billiton, Ltd.§	28,931	903,132
BlueScope Steel, Ltd.*	15,718	27,419
Fortescue Metals Group, Ltd.*	10,669	36,308
Newcrest Mining, Ltd.	4,169	122,056
OneSteel, Ltd.	11,451	28,429
OZ Minerals, Ltd.*	26,908	21,384
Rio Tinto, Ltd.§	3,756	207,271
Sims Metal Management, Ltd.§	1,389	19,804
		1,392,517
Multi-Utilities (0.1%)		
AGL Energy, Ltd.§	3,869	47,750
Multiline Retail (0.0%)		
Harvey Norman Holdings, Ltd.§	4,704	13,038
Oil, Gas & Consumable Fuels (0.4%)		
Arrow Energy, Ltd.*	5,050	20,510
Caltex Australia, Ltd.§	1,163	9,157
Energy Resources of Australia, Ltd.§	575	6,372
Origin Energy, Ltd.	7,570	94,766
Paladin Energy, Ltd.*§	5,564	16,625
Santos, Ltd.	7,170	75,188
Woodside Petroleum, Ltd.	4,689	163,548
		386,166
Real Estate Investment Trusts (0.4%)		
CFS Retail Property Trust§	14,987	23,771
Dexus Property Group§	41,087	26,455
Goodman Group	52,342	27,780
GPT Group	15,995	37,475
Mirvac Group§	23,177	25,399
Stockland§	20,543	63,977
Westfield Group	17,905	182,573
		387,430
Real Estate Management & Development (0.0%)		
Lend Lease Corp., Ltd.	5,378	32,863
Road & Rail (0.0%)		
Asciano Group*	23,963	32,291
Textiles, Apparel & Luxury Goods (0.0%)		
Billabong International, Ltd.§	1,743	12,701

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Australia		
Transportation Infrastructure (0.1%)		
Macquarie Airports	6,208	$ 13,961
Macquarie Atlas Roads Group*§	4,636	3,717
Macquarie Infrastructure Group§	19,497	17,047
Transurban Group§	10,009	35,651
		70,376
TOTAL AUSTRALIA		6,254,203
Austria (0.5%)		
Building Products (0.0%)		
Wienerberger AG*	16	195
Construction & Engineering (0.3%)		
Strabag SE BR§	12,913	278,433
Metals & Mining (0.2%)		
Voestalpine AG§	8,494	231,719
Real Estate Management & Development (0.0%)		
Immofinanz AG*	2,201	5,661
Immofinanz Anspr Nachb*§^	2,201	0
		5,661
TOTAL AUSTRIA		516,008
Belgium (2.4%)		
Beverages (0.2%)		
Anheuser-Busch InBev NV	4,501	216,776
Chemicals (0.5%)		
Umicore	18,269	527,966
Diversified Telecommunication Services (0.5%)		
Belgacom SA§	18,213	573,609
Electrical Equipment (0.5%)		
Bekaert SA	2,985	498,481
Food & Staples Retailing (0.3%)		
Delhaize Group SA	5,085	369,614
Insurance (0.4%)		
Fortis§	187,867	418,765
TOTAL BELGIUM		2,605,211
Bermuda (0.2%)		
Insurance (0.2%)		
Catlin Group, Ltd.	42,468	222,609
Metals & Mining (0.0%)		
Aquarius Platinum, Ltd.	645	3,126
TOTAL BERMUDA		225,735

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Denmark (2.2%)		
Beverages (0.6%)		
Carlsberg AS Class B§	7,859	$ 599,931
Construction & Engineering (0.3%)		
FLSmidth & Co. AS§	4,409	285,013
Food Products (0.2%)		
Danisco AS	3,386	228,233
Health Care Equipment & Supplies (0.4%)		
Coloplast AS Class B	4,306	428,127
Marine (0.1%)		
A P Moller - Maersk AS Class B	9	71,001
Pharmaceuticals (0.6%)		
Novo Nordisk AS Class B	8,513	688,942
TOTAL DENMARK		2,301,247
Finland (3.1%)		
Auto Components (0.0%)		
Nokian Renkaat Oyj	10	245
Communications Equipment (0.4%)		
Nokia Oyj	53,463	436,497
Diversified Financial Services (0.0%)		
Pohjola Bank PLC	4,202	42,739
Electric Utilities (0.6%)		
Fortum Oyj§	27,332	600,962
Food & Staples Retailing (0.4%)		
Kesko Oyj B Shares	13,750	445,507
Insurance (0.4%)		
Sampo Oyj A Shares	19,649	414,967
Machinery (0.5%)		
Kone Oyj Class B	1,544	61,578
Wartsila Oyj§	11,121	506,539
		568,117
Paper & Forest Products (0.4%)		
Stora Enso Oyj R Shares	23,266	168,396
UPM-Kymmene Oyj	17,984	238,495
		406,891
Pharmaceuticals (0.4%)		
Orion Oyj Class B	19,612	367,413
TOTAL FINLAND		3,283,338

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
France (9.4%)		
Aerospace & Defense (0.1%)		
Zodiac Aerospace	1,395	$ 67,665
Auto Components (0.3%)		
Valeo SA*§	11,593	315,817
Automobiles (0.0%)		
PSA Peugeot Citroen*	505	12,857
Building Products (0.5%)		
Cie de Saint-Gobain§	16,085	600,405
Chemicals (0.1%)		
Arkema SA	4,409	153,707
Commercial Banks (1.7%)		
BNP Paribas§	21,764	1,172,883
Credit Agricole SA	41,670	433,057
Natixis*	16,959	73,767
Societe Generale	3,281	135,236
		1,814,943
Construction & Engineering (1.2%)		
Bouygues SA	14,876	575,198
Vinci SA§	16,370	680,849
		1,256,047
Diversified Telecommunication Services (0.7%)		
France Telecom SA	44,049	765,307
Electrical Equipment (0.3%)		
Nexans SA	22	1,284
Schneider Electric SA§	2,823	285,601
		286,885
Household Durables (0.0%)		
Thomson SA*	1,888	1,047
Industrial Conglomerates (0.1%)		
Wendel§	2,505	126,341
Insurance (1.0%)		
AXA SA§	35,224	539,022
CNP Assurances	7,728	526,642
		1,065,664
IT Services (0.1%)		
Atos Origin SA*	1,629	65,519
Machinery (0.3%)		
Vallourec SA§	1,820	314,316

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
France		
Media (0.2%)		
Vivendi SA	9,001	$ 183,226
Oil, Gas & Consumable Fuels (1.5%)		
Total SA	35,723	1,597,305
Pharmaceuticals (1.2%)		
Sanofi-Aventis SA	21,405	1,291,326
Real Estate Investment Trusts (0.1%)		
Fonciere Des Regions§	936	77,288
Mercialys SA	1	29
		77,317
TOTAL FRANCE		9,995,694
Germany (10.5%)		
Automobiles (0.9%)		
Bayerische Motoren Werke AG	14,538	707,390
Daimler AG*	2,327	117,910
Volkswagen AG§	1,519	129,082
		954,382
Capital Markets (0.3%)		
Deutsche Bank AG	5,889	331,335
Chemicals (0.7%)		
BASF SE	9,130	499,703
Lanxess AG	5,700	240,323
		740,026
Commercial Banks (0.0%)		
Commerzbank AG*§	7,412	51,828
Computers & Peripherals (0.4%)		
Wincor Nixdorf AG	8,137	455,604
Construction & Engineering (0.7%)		
Bilfinger Berger AG	4,097	227,429
Hochtief AG	8,604	514,567
		741,996
Electric Utilities (1.0%)		
E.ON AG	37,819	1,018,590
Food Products (0.2%)		
Suedzucker AG	9,989	180,778
Health Care Equipment & Supplies (0.3%)		
Fresenius SE	4,845	321,722
Hotels, Restaurants & Leisure (0.3%)		
TUI AG*	35,097	308,931

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Germany		
Industrial Conglomerates (1.3%)		
Siemens AG	15,869	$ 1,421,698
Insurance (2.3%)		
Allianz SE	10,694	1,060,196
Hannover Rueckversicherung AG	12,464	535,046
Muenchener Rueckversicherungs AG	6,441	810,106
		2,405,348
Machinery (0.4%)		
GEA Group AG	23,458	467,666
Metals & Mining (0.5%)		
Aurubis AG§	11,414	496,723
Pharmaceuticals (0.9%)		
Bayer AG	16,336	914,409
Stada Arzneimittel AG	922	30,694
		945,103
Semiconductors & Semiconductor Equipment (0.3%)		
Infineon Technologies AG*	52,595	305,426
Q-Cells SE*§	479	3,057
		308,483
TOTAL GERMANY		11,150,213
Greece (0.1%)		
Commercial Banks (0.0%)		
Alpha Bank AE*	3	15
Bank of Greece	788	29,272
		29,287
Construction Materials (0.0%)		
Titan Cement Co. SA	114	2,147
Diversified Financial Services (0.0%)		
Marfin Investment Group SA*	285	350
Electric Utilities (0.1%)		
Public Power Corp. SA*	7,529	108,134
Hotels, Restaurants & Leisure (0.0%)		
OPAP SA	1,665	20,751
TOTAL GREECE		160,669
Hong Kong (1.8%)		
Diversified Financial Services (1.8%)		
iShares MSCI Hong Kong Index Fund§	127,378	1,881,373
TOTAL HONG KONG		1,881,373

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Ireland (0.0%)		
Commercial Banks (0.0%)		
Allied Irish Banks PLC*	5,853	$ 6,186
The Governor & Co. of the Bank of Ireland*	16,790	13,473
		19,659
Food Products (0.0%)		
Kerry Group PLC Class A	3	83
TOTAL IRELAND		19,742
Israel (0.7%)		
Chemicals (0.0%)		
Israel Chemicals, Ltd.	1,555	16,225
Commercial Banks (0.1%)		
Bank Hapoalim BM*	12,051	43,474
Bank Leumi Le-Israel BM*	7,305	26,071
		69,545
Diversified Telecommunication Services (0.0%)		
Bezeq Israeli Telecommunication Corp., Ltd.	21,142	46,287
IT Services (0.0%)		
Emblaze Ltd.*	13,069	6,110
Pharmaceuticals (0.6%)		
Teva Pharmaceutical Industries, Ltd. ADR	11,700	608,283
TOTAL ISRAEL		746,450
Italy (3.7%)		
Auto Components (0.3%)		
Pirelli & C. SpA	473,960	261,444
Commercial Banks (0.1%)		
Banca Popolare dell'Etruria e del Lazio*	721	2,880
Banco di Desio e della Brianza SpA	2,647	11,891
UniCredit SpA	19,094	42,308
		57,079
Construction & Engineering (0.0%)		
Impregilo SpA*	48	110
Construction Materials (0.1%)		
Cementir Holding SpA	2,428	6,397
Italcementi SpA§	16,656	126,755
		133,152
Diversified Telecommunication Services (0.6%)		
Telecom Italia SpA	564,240	624,164
Electric Utilities (0.5%)		
Enel SpA	110,919	470,437

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Italy		
Energy Equipment & Services (0.1%)		
Saipem SpA	4,682	$ 142,844
Food Products (0.5%)		
Parmalat SpA§	230,963	537,733
Insurance (0.2%)		
Premafin Finanziaria SpA*	4,768	5,145
Societa Cattolica di Assicurazioni S.c.r.l	8,986	224,336
		229,481
Media (0.3%)		
Gruppo Editoriale L'Espresso SpA*	1,833	3,536
Mediaset SpA	62,903	358,306
		361,842
Multi-Utilities (0.0%)		
Iride SpA	5,128	7,672
Oil, Gas & Consumable Fuels (1.0%)		
ENI SpA	58,664	1,078,645
Real Estate Management & Development (0.0%)		
Beni Stabili SpA*	5,616	4,265
TOTAL ITALY		3,908,868
Japan (28.6%)		
Air Freight & Logistics (0.0%)		
VANTEC Corp.	18	23,037
Airlines (0.0%)		
All Nippon Airways Co., Ltd.*	3,000	9,501
Auto Components (0.7%)		
Aisan Industry Co., Ltd.	657	4,765
Aisin Seiki Co., Ltd.§	2,489	66,953
Alpha Corp.	1,500	13,915
Asahi TEC Corp.*	306	119
Ashimori Industry Co., Ltd.*	667	980
Bridgestone Corp.§	6,400	101,112
Daido Metal Co., Ltd.*	1,000	3,598
Denso Corp.§	4,722	130,400
Fujikura Rubber Ltd.	1,000	3,658
FuKoKu Co., Ltd.	500	3,800
Imasen Electric Industrial	19	230
Kanto Auto Works Ltd.	4,989	36,647
Kasai Kogyo Co., Ltd.	2,000	6,419
Koito Manufacturing Co., Ltd.	1,000	14,713
NHK Spring Co., Ltd.§	5,000	45,696
Nihon Tokushu Toryo Co., Ltd.	2,100	7,401
NOK Corp.	900	14,280

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Auto Components		
Pacific Industrial Co., Ltd.	200	$ 890
Sanden Corp.	6,000	16,233
Sanoh Industrial Co., Ltd.	50	358
Shiroki Corp.	3,000	7,187
SNT Corp.	1,239	3,185
Stanley Electric Co., Ltd.§	1,800	29,783
Sumitomo Rubber Industries, Ltd.§	2,100	18,506
The Yokohama Rubber Co., Ltd	10,809	48,670
Tigers Polymer Corp.	33	119
Tokai Rika Co., Ltd.	500	8,642
Tokai Rubber Industries, Inc.	500	5,911
Topre Corp.	700	5,019
Toyo Tire & Rubber Co., Ltd.§	4,725	9,989
Toyota Auto Body Co., Ltd.	2,200	27,482
Toyota Boshoku Corp.§	800	11,671
Toyota Industries Corp.	1,200	30,426
Unipres Corp.§	3,224	50,356
Yorozu Corp.	456	6,623
		735,736
Automobiles (2.0%)		
Fuji Heavy Industries, Ltd.*	3,103	16,609
Honda Motor Co., Ltd.§	20,092	589,659
Isuzu Motors, Ltd.	12,921	38,795
Mazda Motor Corp.§	12,508	29,204
Mitsubishi Motors Corp.*§	18,000	22,750
Nissan Motor Co., Ltd.*	32,600	226,980
Suzuki Motor Corp.	4,731	92,769
Toyota Motor Corp.	33,545	1,151,584
Yamaha Motor Co., Ltd.*	1,061	14,015
		2,182,365
Beverages (0.3%)		
Asahi Breweries, Ltd.§	2,598	43,976
Coca-Cola Central Japan Co., Ltd.	23	294
Coca-Cola West Co., Ltd.	400	6,604
Japan Foods Co., Ltd.	200	1,809
Kirin Holdings Co., Ltd.§	10,823	136,142
Mercian Corp.§	16,222	27,262
Mikuni Coca-Cola Bottling Co., Ltd.	8,089	64,511
Oenon Holdings, Inc.§	8,000	16,077
Sapporo Holdings, Ltd.§	2,000	8,590
Takara Holdings, Inc.	10,000	50,375
		355,640

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Building Products (0.3%)		
Aica Kogyo Co., Ltd.	1,168	$ 12,357
Asahi Glass Co., Ltd.§	13,000	121,964
Bunka Shutter Co., Ltd.	5,174	14,866
Daikin Industries, Ltd.	2,854	86,946
JS Group Corp.§	2,000	38,143
Komatsu Wall Industry Co., Ltd.	1,200	12,131
Nichias Corp.	273	1,091
Nippon Sheet Glass Co., Ltd.	10,626	25,974
Nitto Boseki Co., Ltd.	2,272	4,993
Shin Nippon Air Technologies Co., Ltd.	66	431
Toli Corp.	7,000	11,960
Toyo Shutter Co., Ltd.*	600	3,074
		333,930
Capital Markets (0.4%)		
Daiwa Securities Group, Inc.§	26,981	113,816
Ichiyoshi Securities Co., Ltd.	2	13
Iwai Securities Co., Ltd.	66	494
Jafco Co., Ltd.	12	265
Mizuho Securities Co., Ltd.	23,000	51,236
Nomura Holdings, Inc.§	34,757	189,733
Risa Partners, Inc.§	50	20,869
SBI Holdings, Inc.	7	869
Tokai Tokyo Financial Holdings, Inc.	8,573	33,662
		410,957
Chemicals (1.3%)		
Achilles Corp.	3,912	5,377
Air Water, Inc.§	2,000	21,818
Arakawa Chemical Industries Ltd.	2,300	24,092
Asahi Kasei Corp.	16,996	88,718
Chugoku Marine Paints, Ltd.	5,759	39,571
Daicel Chemical Industries, Ltd.§	6,000	40,445
Daiso Co., Ltd.	5,000	12,486
Denki Kagaku Kogyo Kabushiki Kaisha§	5,000	23,253
DIC Corp.	9,000	13,857
Ebara-Udylite Co., Ltd.	800	14,165
Fujikura Kasei Co., Ltd.	300	1,725
Hitachi Chemical Co., Ltd.§	1,500	27,844
Ihara Chemical Industry Co., Ltd.	3,000	8,055
JSP Corp.	2,725	25,632
JSR Corp.	600	10,070
Kaneka Corp.	2,000	11,593
Kansai Paint Co., Ltd.§	2,000	17,153
Katakura Chikkarin Co., Ltd.	1,000	3,040
Konishi Co., Ltd.	1,700	18,483

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Chemicals		
Kuraray Co., Ltd.	3,500	$ 41,026
KUREHA Corp.	1,000	4,814
Mitsubishi Chemical Holdings Corp.§	19,047	86,865
Mitsubishi Gas Chemical Co., Inc.	5,124	24,824
Mitsui Chemicals, Inc.§	13,000	36,301
Nihon Parkerizing Co., Ltd.	2,000	26,081
Nippon Shokubai Co., Ltd.	105	995
Nippon Soda Co., Ltd.	9,554	31,378
Nippon Valqua Industries Ltd.	10,000	22,342
Nissan Chemical Industries Ltd.	1,000	11,166
Nitto Denko Corp.	2,000	65,551
Okura Industrial Co., Ltd.*	3,666	10,649
Sakata INX Corp.	4,000	17,273
Sanyo Chemical Industries, Ltd.	5,643	36,282
Shikoku Chemicals Corp.	3,393	17,697
Shin-Etsu Chemical Co., Ltd.	5,100	236,925
Showa Denko KK	10,000	18,045
Sumitomo Bakelite Co., Ltd.	6,466	31,619
Sumitomo Chemical Co., Ltd.	23,184	89,650
Sumitomo Seika Chemicals Co., Ltd.	14,000	50,816
Taiyo Nippon Sanso Corp.	4,000	31,737
Takasago International Corp.	2,000	8,636
Toagosei Co., Ltd.	343	1,518
Tokai Carbon Co., Ltd.§	4,000	18,707
Toray Industries, Inc.§	9,000	43,101
Tosoh Corp.	5,261	13,607
Toyo Ink Manufacturing Co., Ltd.	3,000	11,486
Ube Industries, Ltd.	11,000	25,987
Zeon Corp.	3,000	17,563
		1,440,018
Commercial Banks (3.1%)		
Aozora Bank, Ltd.§	15,000	19,409
Fukuoka Financial Group, Inc.	15,000	62,387
Hokuhoku Financial Group, Inc.	59,193	108,646
Kiyo Holdings, Inc.	11,649	15,828
Mitsubishi UFJ Financial Group, Inc.	177,131	803,618
Mizuho Financial Group, Inc.§	259,754	425,846
Resona Holdings, Inc.§	6,803	82,953
Sapporo Hokuyo Holdings, Inc.	3,600	15,866
Senshu Ikeda Holdings, Inc.§	5,000	7,275
Shinsei Bank, Ltd.*§	19,000	16,049
Sumitomo Mitsui Financial Group, Inc.	16,996	480,619
Suruga Bank, Ltd.	1,000	9,068
The Bank of Kyoto, Ltd.	1,000	8,225
The Bank of Saga, Ltd.	3,000	9,203

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Commercial Banks		
The Bank of Yokohama, Ltd.	19,000	$ 86,841
The Chiba Bank, Ltd.	9,992	60,272
The Chiba Kogyo Bank, Ltd.*	1,063	7,545
The Daishi Bank, Ltd.	40,039	131,259
The Ehime Bank, Ltd.	7,000	20,182
The Eighteenth Bank, Ltd.	2,000	5,546
The Gunma Bank, Ltd.	17,992	95,329
The Hachijuni Bank, Ltd.	3,807	21,353
The Higashi-Nippon Bank, Ltd.	4,000	7,697
The Higo Bank, Ltd.	2,319	12,809
The Hiroshima Bank, Ltd§	38,885	155,285
The Hokuetsu Bank, Ltd.	19,000	31,752
The Hyakugo Bank, Ltd.	10,000	42,977
The Hyakujushi Bank, Ltd.	18,000	66,343
The Joyo Bank, Ltd.	21,000	83,191
The Keiyo Bank, Ltd.	17,968	93,686
The Mie Bank, Ltd.	13,211	37,615
The Nishi-Nippon City Bank, Ltd.	12,997	37,190
The Shikoku Bank, Ltd	417	1,348
The Shizuoka Bank, Ltd§	13,000	113,200
The Sumitomo Trust & Banking Co., Ltd.	12,720	64,705
The Tohoku Bank, Ltd.	6,418	10,025
The Tokyo Tomin Bank, Ltd.	1,454	16,504
The Yachiyo Bank, Ltd.	1,400	28,345
Yamaguchi Financial Group, Inc.	1,000	9,549
		3,305,540
Commercial Services & Supplies (0.7%)		
Central Security Patrols Co., Ltd.	600	5,410
Dai Nippon Printing Co., Ltd.§	14,000	161,441
Itoki Corp.	3,037	9,440
Kosaido Co., Ltd.*	2,600	4,279
Kyodo Printing Co., Ltd.	9,000	21,752
Kyoritsu Printing Co., Ltd.§	3,600	5,348
NAC Co., Ltd.	300	3,100
Nichiban Co., Ltd.	3,000	10,003
Nippon Kanzai Co., Ltd.	550	9,009
Nippon Kucho Service Co., Ltd.	800	6,387
Nissha Printing Co., Ltd.§	500	13,348
Okamura Corp.	3,139	18,074
Oyo Corp.	2,156	17,735
Pronexus, Inc.	1,800	9,396
Secom Co., Ltd.	3,153	139,894
Sohgo Security Services Co., Ltd.	3,976	40,241
Takano Co., Ltd.	146	795
Tokyu Community Corp.§	1,200	31,891

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Commercial Services & Supplies		
Toppan Forms Co., Ltd.	6,100	$ 58,429
Toppan Printing Co., Ltd.§	19,746	156,010
Tosho Printing Co., Ltd.*	5,499	9,811
Uchida Yoko Co., Ltd.§	1,383	4,344
		736,137
Communications Equipment (0.1%)		
Denki Kogyo Co., Ltd.	10,009	42,924
Iwatsu Electric Co., Ltd.*	666	557
Nakayo Telecommunications, Inc.	2,000	3,890
NEC Mobiling Ltd.	700	18,566
Saxa Holdings, Inc.*	3,333	5,582
		71,519
Computers & Peripherals (0.4%)		
Eizo Nanao Corp.	745	16,188
Fujitsu, Ltd.§	28,000	174,874
Mutoh Holdings Co., Ltd.*	5,000	7,343
NEC Corp.§	30,260	78,484
Roland DG Corp.	342	4,690
Toshiba Corp.*§	40,871	202,286
		483,865
Construction & Engineering (0.6%)		
Ando Corp.	13,500	16,306
Asahi Kogyosha Co., Ltd.	1,000	3,898
Asunaro Aoki Construction Co., Ltd.	2,500	10,701
Chugai Ro Co., Ltd.	18,000	46,258
Commuture Corp.	3,000	18,075
CTI Engineering Co., Ltd.	2,071	9,283
Dai-Dan Co., Ltd.	1,000	5,088
Daimei Telecom Engineering Corp.	3,000	23,704
Fukuda Corp.	3,000	4,878
Hazama Corp.*	11,866	9,821
Ichiken Co., Ltd.	5,800	7,026
JGC Corp.	3,000	45,484
Kajima Corp.§	25,000	56,629
Kokusai Kogyo Holdings Co., Ltd.*	3,000	6,556
Kyudenko Corp.	286	1,578
Nakano Corp.	3,500	8,167
Nichireki Co., Ltd.	334	1,507
Nippo Corp.	3,312	24,616
Nippon Koei Co., Ltd.	8,000	23,289
Nishimatsu Construction Co., Ltd.	12,000	14,131
Obayashi Corp.§	14,992	59,385
Obayashi Road Corp.	10,000	20,619

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Construction & Engineering		
Okumura Corp.	4,000	$ 14,621
Raito Kogyo Co., Ltd.	2,050	4,287
Seibu Electric Industry Co., Ltd.	1,998	7,267
Shimizu Corp.	4,000	13,659
Shinnihon Corp.	2,308	5,830
Sumitomo Densetsu Co., Ltd.	7,258	31,075
Taihei Kogyo Co., Ltd.	10,129	32,526
Taisei Corp.	18,379	36,727
Tekken Corp.*	30,000	24,791
The Nippon Road Co., Ltd.	11,000	23,148
Toa Corp.	19,000	18,426
TOA ROAD Corp.§	2,333	3,413
Tokyu Construction Co., Ltd.	2,516	6,571
Totetsu Kogyo Co., Ltd.	57	351
Toyo Engineering Corp.	4,922	14,205
Yahagi Construction Co., Ltd.	2,000	12,047
Yondenko Corp.	3,000	13,003
		678,946
Construction Materials (0.0%)		
Okabe Co., Ltd.	20	79
Shinagawa Refractories Co., Ltd.	641	1,684
Sumitomo Osaka Cement Co., Ltd.§	3,515	6,675
Taiheiyo Cement Corp.*	13,000	16,401
		24,839
Consumer Finance (0.1%)		
Credit Saison Co., Ltd.§	700	7,320
Jaccs Co., Ltd.	6,000	9,877
ORIX Corp.§	1,135	82,155
Pocket Card Co., Ltd.	5,600	15,196
Takefuji Corp.§	3,066	8,964
		123,512
Containers & Packaging (0.1%)		
Hokkan Holdings, Ltd.	6,333	16,951
Tomoku Co., Ltd.	7,000	18,270
Toyo Seikan Kaisha, Ltd.	2,760	40,241
		75,462
Distributors (0.1%)		
Happinet Corp.	800	9,236
Naigai Co., Ltd.*	579	296
Nice Holdings, Inc.	7,000	13,625
Ohashi Technica, Inc.	666	4,585
Rasa Corp.	1,100	3,816
Sankyo Seiko Co., Ltd.	7,412	20,313
Yokohama Reito Co., Ltd.	2,000	14,159
		66,030

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Diversified Consumer Services (0.1%)		
Benesse Corp.	300	$ 13,645
San Holdings, Inc.	300	4,879
Studio Alice Co., Ltd.§	3,200	28,017
Tac Co., Ltd.	3,400	13,495
Take and Give Needs Co., Ltd.*	18	1,283
Watabe Wedding Corp.	1,040	12,348
		73,667
Diversified Financial Services (0.0%)		
Century Tokyo Leasing Corp.	1,100	13,288
Daiko Clearing Services Corp.§	2,066	7,722
Fuyo General Lease Co., Ltd.	700	16,033
		37,043
Diversified Telecommunication Services (0.3%)		
Nippon Telegraph & Telephone Corp.	7,900	321,541
Electric Utilities (0.5%)		
Chubu Electric Power Co., Inc.	5,097	126,382
The Kansai Electric Power Co., Inc.§	4,200	102,344
The Tokyo Electric Power Co., Inc.	9,700	263,649
		492,375
Electrical Equipment (0.4%)		
Denyo Co., Ltd.	2,600	17,674
Fuji Electric Holdings Co., Ltd.§	10,000	28,769
Helios Techno Holdings Co., Ltd.	2,743	8,190
Hirakawa Hewtech Corp.	400	3,283
Idec Corp.	1,100	9,216
Mitsubishi Electric Corp.	13,654	106,478
Nidec Corp.§	866	72,438
Panasonic Electric Works Co., Ltd.	3,998	39,265
Sumitomo Electric Industries, Ltd.	11,800	137,400
Toko Electric Corp.	594	3,140
Ushio, Inc.§	1,485	22,858
		448,711
Electronic Equipment, Instruments & Components (1.6%)		
Ai Holdings Corp.	17,200	57,156
Alps Electric Co., Ltd.*§	1,000	8,555
CMK Corp.	40	186
Elematec Corp.§	1,100	13,099
Excel Co., Ltd.	1,300	14,846
Fuji Electronics Co., Ltd.	1,200	12,656
FUJIFILM Holdings Corp.	5,892	170,131
Hakuto Co., Ltd.	2,000	17,781
Hitachi, Ltd.*§	56,874	206,409

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Electronic Equipment, Instruments & Components		
Hochiki Corp.	3,000	$ 15,594
Hosiden Corp.§	3,980	42,052
HOYA Corp.§	9,500	201,966
Ibiden Co., Ltd.§	897	24,143
Ikegami Tsushinki Co., Ltd.*	8,166	6,283
ITC Networks Corp.	5,937	32,173
JBCC Holdings, Inc.	3,234	18,548
Kaga Electronics Co., Ltd.	4,200	42,036
Kanematsu Electronics Ltd.	2,700	24,524
Keyence Corp.§	182	42,050
Kyocera Corp.	2,186	176,821
Mitachi Co., Ltd.	500	2,462
Mitsumi Electric Co., Ltd.	100	1,695
Murata Manufacturing Co., Ltd.§	2,218	105,682
Nippon Chemi-Con Corp.*	2,000	8,696
Nippon Electric Glass Co., Ltd.§	6,000	68,669
Nohmi Bosai Ltd.	4,000	22,818
Oki Electric Industry Co., Ltd.*	23,152	19,897
Omron Corp.§	1,400	30,493
ONO Sokki Co., Ltd.	6,000	20,899
Optex Co., Ltd.	1,100	11,462
Osaki Electric Co., Ltd.	1,000	8,011
Ryoyo Electro Corp.	4,000	40,920
Sanshin Electronics Co., Ltd.	3,000	25,188
Shimadzu Corp.§	1,825	13,745
Shinko Shoji Co., Ltd.	2,296	19,540
Siix Corp.§	1,100	12,183
SMK Corp.	516	2,251
Sumida Corp.	725	7,191
Sun-Wa Technos Corp.	800	4,174
Tachibana Eletech Co., Ltd.	1,965	14,174
TDK Corp.	1,882	102,900
Tomen Devices Corp.	600	10,472
Tomen Electronics Corp.	1,500	16,193
Yaskawa Electric Corp.	1,000	7,412
		1,704,136
Energy Equipment & Services (0.0%)		
Modec, Inc.	300	4,122
Shinko Plantech Co., Ltd.	1,600	14,155
Toyo Kanetsu KK	14,000	21,221
		39,498

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Food & Staples Retailing (0.7%)		
Aeon Co., Ltd.§	9,798	$ 103,588
Aeon Hokkaido Corp.*	1,500	4,580
Belc Co., Ltd.	2,200	21,110
Cawachi, Ltd.	900	16,858
Cocokara fine Holdings, Inc.	314	5,646
CVS Bay Area, Inc.	1,000	1,325
Echo Trading Co., Ltd.	1,234	12,955
Heiwado Co., Ltd.	713	8,652
Itochu-Shokuhin Co., Ltd.	1,154	38,632
Kasumi Co., Ltd.	7,033	35,746
Kato Sangyo Co., Ltd.	3,400	52,832
Kirindo Co., Ltd.	3,154	13,671
Ministop Co., Ltd.	800	11,042
Okuwa Co., Ltd.	5,000	50,710
S Foods, Inc.	1,000	8,145
Seven & I Holdings Co., Ltd.	8,700	199,159
Sogo Medical Co., Ltd.	500	13,643
Tohto Suisan Co., Ltd.	305	487
Universe Co., Ltd.	1,000	13,833
UNY Co., Ltd.	6,000	45,553
Valor Co., Ltd.	9,500	73,296
		731,463
Food Products (0.7%)		
Ajinomoto Co., Inc.	10,089	91,200
Chubu Shiryo Co., Ltd	2,333	16,507
J-Oil Mills, Inc.	13,457	39,839
Kyodo Shiryo Co., Ltd.	23,000	25,282
Kyokuyo Co., Ltd.	13,000	26,476
Maruha Nichiro Holdings, Inc.§	28,000	42,767
MEIJI Holdings Co., Ltd.	2,600	106,283
Mitsui Sugar Co., Ltd.	468	1,601
Morinaga & Co., Ltd.	13,428	30,516
Morinaga Milk Industry Co., Ltd.	3,532	13,653
Nichimo Co., Ltd.	5,000	7,721
Nichirei Corp.	13,000	54,581
Nippon Flour Mills Co. Ltd.	8,261	41,149
Nippon Meat Packers, Inc.§	2,000	24,667
Nippon Suisan Kaisha, Ltd.	13,359	42,944
Nisshin Seifun Group, Inc.§	3,000	33,845
Prima Meat Packers, Ltd.	27,882	30,625
Showa Sangyo Co., Ltd.	13,000	39,156
Starzen Co., Ltd.	8,000	21,029
The Nisshin Oillio Group, Ltd.	1,000	4,885
Warabeya Nichiyo Co., Ltd.	4,425	54,236
Yaizu Suisankagaku Industry Co., Ltd.	21	240
Yonekyu Corp.	6,136	53,851
		803,053

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Gas Utilities (0.2%)		
Osaka Gas Co., Ltd.	21,000	$ 75,682
Toho Gas Co., Ltd.	3,000	15,989
Tokai Corp.	334	1,506
Tokyo Gas Co., Ltd.§	25,000	114,032
		207,209
Health Care Equipment & Supplies (0.2%)		
Aloka Co., Ltd.	1,210	9,291
Nihon Kohden Corp.	100	1,856
Nikkiso Co., Ltd.	2,000	15,899
Nipro Corp.§	4,000	76,164
Olympus Corp.§	2,822	66,794
Terumo Corp.	1,100	52,634
		222,638
Health Care Providers & Services (0.1%)		
Alfresa Holdings Corp.§	798	38,536
As One Corp.	733	12,544
Iwaki & Co., Ltd.	500	1,161
Mediceo Paltac Holdings Co., Ltd.	5,224	61,994
Ship Healthcare Holdings, Inc.	27	19,180
Suzuken Co., Ltd.	100	3,344
Toho Holdings Co., Ltd.	129	2,043
Yamashita Medical Instruments Co., Ltd.	100	1,313
		140,115
Hotels, Restaurants & Leisure (0.2%)		
Central Sports Co., Ltd.	400	3,906
HIS Co., Ltd.§	600	12,014
Hurxley Corp.	1,850	12,345
Kyoritsu Maintenance Co., Ltd.	2,193	29,526
McDonald's Holdings Co. Japan, Ltd.§	760	17,004
Pacific Golf Group International Holdings KK	54	32,937
Resort Solution Co., Ltd.	4,000	7,331
Resorttrust, Inc.	591	8,319
Round One Corp.§	1,315	7,224
Tokyo Dome Corp.	13,796	35,658
		166,264
Household Durables (1.0%)		
Casio Computer Co., Ltd.§	8,242	49,461
Corona Corp.	720	6,628
Foster Electric Co., Ltd.	11	284
Fuji Corp.	3,600	12,199
Hitachi Koki Co., Ltd.§	10,090	85,853
Hoosiers Corp.*	64	11,048
Mitsui Home Co., Ltd.	3,000	14,349

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Household Durables		
Nihon Eslead Corp.	500	$ 3,676
Panasonic Corp.	24,480	305,419
Pioneer Corp.*§	1,700	5,645
Sanyo Housing Nagoya Co., Ltd.	22	20,033
Sekisui Chemical Co., Ltd.	1,000	6,233
Sekisui House, Ltd.	5,000	42,726
Sharp Corp.	12,983	136,837
Sony Corp.§	12,638	336,808
Sumitomo Forestry Co., Ltd.	2,500	19,944
Tact Home Co., Ltd.	9	7,625
Toa Corp.	1,000	5,274
Token Corp.	690	18,815
		1,088,857
Independent Power Producers & Energy Traders (0.1%)		
Electric Power Development Co., Ltd.	2,000	63,383
Insurance (0.6%)		
Mitsui Sumitomo Insurance Group Holdings, Inc.	5,981	127,905
NKSJ Holdings, Inc.*§	15,273	91,303
Sony Financial Holdings, Inc.	3	9,999
T&D Holdings, Inc.	2,839	60,653
The Dai-ichi Life Insurance Co., Ltd	82	113,608
Tokio Marine Holdings, Inc.	8,648	227,162
		630,630
Internet & Catalog Retail (0.1%)		
ASKUL Corp.§	112	1,894
Belluna Co., Ltd.	396	1,867
Dena Co., Ltd.	900	23,744
Felissimo Corp.	200	2,894
Image Holdings Co., Ltd.*§	2,818	8,796
Nissen Holdings Co., Ltd.	3,397	11,465
Rakuten, Inc.	56	40,427
Scroll Corp.§	2,883	10,561
Senshukai Co., Ltd.	1,825	9,950
		111,598
Internet Software & Services (0.1%)		
Asahi Net, Inc.	2,000	6,242
eAccess, Ltd.§	12	8,167
Faith, Inc.	41	3,524
So-net Entertainment Corp.	4	9,554
Yahoo! Japan Corp.§	160	63,718
		91,205

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
IT Services (0.1%)		
Argo Graphics, Inc.	800	$ 8,680
CAC Corp.	5,700	40,874
Future Architect, Inc.	9	3,074
I-Net Corp.	1,000	5,265
IT Holdings Corp.	1	12
JBIS Holdings, Inc.	2,368	9,713
NTT Data Corp.	12	44,257
Obic Co., Ltd.	40	7,715
Panasonic Electric Works Information systems Co., Ltd.	400	9,070
TDC Software Engineering, Inc.	200	1,674
TKC	1,564	27,471
		157,805
Leisure Equipment & Products (0.5%)		
Daikoku Denki Co., Ltd.	1,100	14,746
GLOBERIDE, Inc.	16,666	17,945
Heiwa Corp.§	5,681	61,143
Kimoto Co., Ltd.	1,500	7,858
Mizuno Corp.	8,607	38,152
Namco Bandai Holdings, Inc.	1,200	10,543
Nikon Corp.	2,885	49,677
Noritsu Koki Co., Ltd.	444	3,350
Roland Corp.	600	7,137
Sankyo Co., Ltd.	1,154	52,118
Sega Sammy Holdings, Inc.§	300	4,306
Shimano, Inc.§	546	23,407
SK Japan Co., Ltd.	2,860	8,744
SRI Sports Ltd.	45	45,138
Tamron Co., Ltd.	23	327
Tomy Co., Ltd.§	7,712	58,608
Yamaha Corp.	7,976	81,374
		484,573
Life Sciences Tools & Services (0.0%)		
CMIC Co., Ltd.	3	798
Machinery (1.4%)		
Amada Co., Ltd.	8,279	54,374
Amano Corp.§	1,700	13,636
Bando Chemical Industries Ltd.	8,857	28,024
CKD Corp.§	600	4,469
Daido Kogyo Co., Ltd.	4,000	6,832
Daifuku Co., Ltd.	6,500	39,861
Ebara Corp.*§	8,000	33,973
Fanuc, Ltd.	2,058	232,198
Fukushima Industries Corp.	300	2,358
Hitachi Construction Machinery Co., Ltd.§	300	5,519

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Machinery		
Hitachi Zosen Corp.§	8,658	$ 11,621
Hosokawa Micron Corp.	2,250	8,109
IHI Corp.	17,000	27,030
JTEKT Corp.	3,692	34,115
Kato Works Co., Ltd.	12,067	23,345
Kawasaki Heavy Industries, Ltd.§	7,000	16,958
Kito Corp.§	6	6,361
Komatsu, Ltd.§	8,248	148,389
Kubota Corp.	8,000	61,310
Kyokuto Kaihatsu Kogyo Co., Ltd.	4,914	16,274
Maezawa Kyuso Industries Co., Ltd.	632	7,609
Makita Corp.§	3,189	85,265
Max Co., Ltd.	2,000	22,451
Minebea Co., Ltd.	6,878	38,069
Mitsubishi Heavy Industries, Ltd.§	26,000	89,617
Mitsubishi Kakoki Kaisha Ltd.	2,538	5,212
Mitsuboshi Belting Co., Ltd.	4,000	17,427
Mitsui Engineering & Shipbuilding Co., Ltd.§	26,072	52,615
Mori Seiki Co., Ltd.§	1,500	15,078
NGK Insulators, Ltd.	1,009	15,702
Nippon Yusoki Co., Ltd.	3,666	8,695
NSK, Ltd.§	2,580	17,903
NTN Corp.	10,796	44,158
O-M Ltd.	8,000	23,237
Obara Corp.	539	6,172
Oiles Corp.	1,300	19,194
Pegasus Sewing Machine Manufacturing Co., Ltd.*	870	2,568
Ryobi, Ltd.*	1,000	3,366
Sasebo Heavy Industries Co., Ltd.	35,857	66,566
Shinmaywa Industries, Ltd.	1,000	3,650
SMC Corp.§	293	39,162
Sumitomo Heavy Industries, Ltd.	8,908	52,224
Tadano Ltd.	1,286	6,293
The Japan Steel Works, Ltd.	1,000	8,782
THK Co., Ltd.§	389	8,041
TOKYO KEIKI, Inc.	8,058	10,720
Tokyo Kikai Seisakusho, Ltd.	6,000	7,119
Tsudakoma Corp.*	345	555
Tsurumi Manufacturing Co., Ltd.	1,000	6,667
		1,458,873
Marine (0.3%)		
Azuma Shipping Co., Ltd.	1,300	2,883
Iino Kaiun Kaisha Ltd.§	2,400	12,043
Inui Steamship Co., Ltd.	800	4,967
Japan Transcity Corp.	5,500	16,556

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Marine		
Kawasaki Kisen Kaisha, Ltd.*§	10,000	$ 40,629
Mitsui OSK Lines, Ltd.	17,000	112,303
Nippon Yusen KK	27,706	100,883
Shinwa Kaiun Kaisha Ltd.§	3,840	9,943
		300,207
Media (0.2%)		
Amuse, Inc.	800	8,343
Avex Group Holdings, Inc.	2,459	30,702
Dentsu, Inc.§	1,800	47,499
Fuji Media Holdings, Inc.	4	5,738
Horipro, Inc.	1,635	12,427
Jupiter Telecommunications Co., Ltd.	29	27,741
SKY Perfect JSAT Holdings, Inc.§	120	42,856
Toei Co., Ltd.	250	1,093
Tow Co., Ltd.	2,666	14,571
TV Asahi Corp.	5	7,222
Zenrin Co., Ltd.§	2,100	22,739
		220,931
Metals & Mining (0.7%)		
Araya Industrial Co., Ltd.	6,000	8,317
Dowa Holdings Co., Ltd.§	4,000	19,148
JFE Holdings, Inc.	6,000	185,465
Kobe Steel, Ltd.	16,621	31,634
Maruichi Steel Tube, Ltd.	500	9,556
Mitsubishi Materials Corp.*§	10,262	27,254
Mitsubishi Steel Manufacturing Co., Ltd.	500	978
Mitsui Mining & Smelting Co., Ltd.§	8,000	21,094
Mory Industries, Inc.	500	1,801
Nakayama Steel Works, Ltd.*	849	1,403
Nichia Steel Works Ltd.	9,000	20,520
Nippon Steel Corp.	60,977	201,385
Nittetsu Mining Co., Ltd.	799	2,711
Pacific Metals Co., Ltd.§	4,000	26,792
Sumitomo Metal Industries, Ltd.§	37,263	84,182
Sumitomo Metal Mining Co., Ltd.	8,000	99,716
Toho Zinc Co., Ltd.§	8,000	27,970
Tokyo Tekko Co., Ltd.	9,039	20,726
Topy Industries, Ltd.	1,905	3,905
Yamato Kogyo Co., Ltd.	300	7,471
		802,028
Multiline Retail (0.0%)		
Isetan Mitsukoshi Holdings, Ltd.	58	565
J Front Retailing Co., Ltd.	5,000	24,044
Mr Max Corp.	33	144
		24,753

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Office Electronics (0.8%)		
Brother Industries, Ltd.§	5,700	$ 59,123
Canon, Inc.§	15,114	562,813
Konica Minolta Holdings, Inc.	6,673	64,142
Ricoh Co., Ltd.§	12,985	165,438
Riso Kagaku Corp.	1,106	11,239
Toshiba TEC Corp.	5,000	16,134
		878,889
Oil, Gas & Consumable Fuels (0.3%)		
AOC Holdings, Inc.*	1,751	8,807
Cosmo Oil Co., Ltd.§	11,802	28,157
INPEX Corp.§	10	55,418
Itochu Enex Co., Ltd.	10,583	54,380
JX Holdings, Inc.*	23,700	117,040
Sala Corp.	333	2,080
San-Ai Oil Co., Ltd.	3,600	13,541
Showa Shell Sekiyu KK§	6,200	42,713
		322,136
Paper & Forest Products (0.0%)		
Chuetsu Pulp & Paper Co., Ltd.	7,000	13,233
Mitsubishi Paper Mills, Ltd.*	839	968
Nakabayashi Co., Ltd.	3,428	7,009
Nippon Paper Group, Inc.	200	5,531
OJI Paper Co., Ltd.§	5,034	24,660
		51,401
Personal Products (0.2%)		
Kao Corp.	6,000	141,053
Shiseido Co., Ltd.§	2,000	44,045
		185,098
Pharmaceuticals (1.4%)		
ASKA Pharmaceutical Co., Ltd.	3,500	24,425
Astellas Pharma, Inc.	9,100	304,643
Daiichi Sankyo Co., Ltd.	7,591	135,505
Dainippon Sumitomo Pharma Co., Ltd.§	200	1,530
Eisai Co., Ltd.§	5,900	195,601
Kaken Pharmaceutical Co., Ltd.	11,000	109,190
Kyorin Co., Ltd.	2,000	28,867
Mitsubishi Tanabe Pharma Corp.	1,000	15,223
Mochida Pharmaceutical Co., Ltd.	2,000	19,049
Ono Pharmaceutical Co., Ltd.§	3,100	125,561
Shionogi & Co., Ltd.	100	2,071
Takeda Pharmaceutical Co., Ltd.	11,800	506,412
		1,468,077

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Professional Services (0.0%)		
Arrk Corp.*	5	$ 5
Gakujo Co., Ltd.	300	1,039
J-COM Holdings Co., Ltd.	2	1,932
Link & Motivation, Inc.	10	4,732
Nomura Co., Ltd.	1,000	3,395
Pasona Group, Inc.*	23	14,841
		25,944
Real Estate Investment Trusts (0.3%)		
Japan Prime Realty Investment Corp.§	16	33,675
Japan Real Estate Investment Corp.§	9	73,248
Japan Retail Fund Investment Corp.	34	41,375
Nippon Building Fund, Inc.§	3	23,783
Nomura Real Estate Office Fund, Inc.	21	104,456
		276,537
Real Estate Management & Development (0.6%)		
Airport Facilities Co., Ltd.	7,200	25,146
Daito Trust Construction Co., Ltd.	1,393	78,817
Daiwa House Industry Co., Ltd.	2,814	25,294
Daiwasystem Co., Ltd.*	2,400	2,570
Heiwa Real Estate Co., Ltd.	13,000	29,336
Kenedix, Inc.*	43	7,076
Leopalace21 Corp.*§	2,350	7,306
Mitsubishi Estate Co., Ltd.	12,559	174,694
Mitsui Fudosan Co., Ltd.	7,910	110,002
Sumitomo Realty & Development Co., Ltd.§	2,863	48,606
Suncity Co., Ltd.*	123	4,633
TOC Co., Ltd.	2,972	11,829
Tokyo Tatemono Co., Ltd.§	6,000	18,474
Tokyu Land Corp.§	18,811	65,701
		609,484
Road & Rail (0.7%)		
Central Japan Railway Co.	16	131,998
East Japan Railway Co.	3,500	232,852
ICHINEN HOLDINGS Co., Ltd.	6,050	25,455
Kintetsu Corp.§	5,000	15,244
KRS Corp.	960	9,151
Maruwn Corp.	2,300	5,616
Nippon Express Co., Ltd.	16,000	72,036
Senko Co., Ltd.§	2,800	8,572
Tokyu Corp.	13,000	52,868
Tonami Holdings Co., Ltd.	6,332	12,585
Utoc Corp.	1,900	4,965
West Japan Railway Co.	39	142,497
		713,839

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Semiconductors & Semiconductor Equipment (0.3%)		
Dainippon Screen Manufacturing Co., Ltd.*§	2,000	$ 9,088
Elpida Memory, Inc.*§	1,900	29,166
Japan Electronic Materials Corp.	666	4,359
Mimasu Semiconductor Industry Co., Ltd.	2,900	33,793
NEC Electronics Corp.*	42	360
Rohm Co., Ltd.	900	53,999
Shinko Electric Industries Co., Ltd.§	1,000	12,984
Sumco Corp.*§	700	11,592
Tokyo Electron, Ltd.	2,166	116,577
		271,918
Software (0.5%)		
Computer Engineering & Consulting Ltd.	1,900	9,499
Computer Institute of Japan, Ltd.	2,504	8,043
DTS Corp.	900	10,964
Jastec Co., Ltd.	1,088	6,345
Konami Corp.	2,523	38,879
Nintendo Co., Ltd.	1,200	352,032
SRA Holdings	2,884	25,933
Tose Co., Ltd.	400	2,697
Trend Micro, Inc.	1,500	40,503
		494,895
Specialty Retail (0.5%)		
Alpen Co., Ltd.	941	14,803
AOKI Holdings, Inc.	800	12,360
Aoyama Trading Co., Ltd.	1,118	19,961
Arc Land Sakamoto Co., Ltd.	752	10,928
Best Denki Co., Ltd.*	225	612
BIC CAMERA, Inc.	176	67,503
Chiyoda Co., Ltd.	1,504	17,948
DCM Holdings Co., Ltd.§	9,300	50,872
EDION Corp.	1,900	14,436
Fast Retailing Co., Ltd.	472	71,360
G-7 Holdings, Inc.	300	1,749
Geo Corp.	12	14,546
Hard Off Corp. Co., Ltd.	5,315	23,167
Hikari Tsushin, Inc.§	1,287	23,005
Jeans Mate Corp.	1,600	5,083
Keiyo Co., Ltd.§	6,073	29,700
Kohnan Shoji Co., Ltd.§	2,993	30,549
Konaka Co., Ltd.	1,215	3,723
Right On Co., Ltd.§	3,307	21,801
Sagami Co., Ltd.*	2,000	3,040
Shimachu Co., Ltd.	300	5,455
T-Gaia Corp.	17	27,510

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Specialty Retail		
Taka-Q Ltd.	4,000	$ 6,368
Top Culture Co., Ltd.	1,433	5,652
Warehouse Co., Ltd.§	1,733	7,177
Yamada Denki Co., Ltd.§	878	57,320
		546,628
Textiles, Apparel & Luxury Goods (0.3%)		
Atsugi Co., Ltd.§	40,926	48,591
Daidoh Ltd.	1,036	8,329
Gunze, Ltd.	4,000	12,527
Komatsu Seiren Co., Ltd.	1,000	3,727
Kurabo Industries, Ltd.	9,418	14,438
Kyowa Leather Cloth Co., Ltd.	166	616
Nisshinbo Holdings, Inc.	6,969	66,745
Renown, Inc.*	34	107
Sanei-International Co., Ltd.	29	335
Sanyo Shokai Ltd.§	8,485	31,127
Seiko Holdings Corp.*	807	2,856
Seiren Co., Ltd.	5,867	30,839
Tasaki Shinju Co., Ltd.*	7,679	7,665
The Japan Wool Textile Co., Ltd.	3,000	20,274
Toyobo Co., Ltd.	10,000	16,675
Unitika, Ltd.*	656	550
Yamato International, Inc.	1,600	6,013
		271,414
Thrifts & Mortgage Finance (0.0%)		
Asax Co., Ltd.	7	7,665
Tobacco (0.2%)		
Japan Tobacco, Inc.	57	177,182
Trading Companies & Distributors (1.5%)		
Daiichi Jitsugyo Co., Ltd.§	3,334	10,336
Emori & Co., Ltd.	400	3,372
Furusato Industries Ltd.	1,416	8,063
Gecoss Corp.	1,200	4,427
Hanwa Co., Ltd.§	9,000	35,698
Inaba Denki Sangyo Co., Ltd	3,713	86,770
Inabata & Co., Ltd.	566	2,554
ITOCHU Corp.	20,621	161,067
Iwatani Corp.	6,000	16,530
Jalux, Inc.*	1,900	13,279
Japan Pulp & Paper Co., Ltd.§	6,273	21,490
JFE Shoji Holdings, Inc.	3,000	11,692
JK Holdings Co., Ltd.	1,400	4,722
Kamei Corp.	5,000	22,540

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Japan		
Trading Companies & Distributors		
Kanaden Corp.	1,000	$ 5,012
Kanamoto Co., Ltd.	125	583
Kanematsu Corp.*	9,000	7,124
Kuroda Electric Co., Ltd.	1,337	17,356
Kyokuto Boeki Kaisha, Ltd.	4,666	6,877
Marubeni Corp.§	32,827	168,142
Maruka Machinery Co., Ltd.	700	4,844
Mitsubishi Corp.	14,315	295,904
Mitsui & Co., Ltd.§	23,183	270,218
NEC Capital Solutions Ltd.	3,655	43,078
Onoken Co., Ltd.	3,200	27,938
Sato Shoji Corp.	1,500	8,633
Seika Corp.	10,759	22,317
Shinwa Co., Ltd.	800	9,068
Sojitz Corp.§	13,581	21,207
Sumikin Bussan Corp.	18,000	38,552
Sumitomo Corp.§	16,579	165,434
Tanaka Co., Ltd	800	3,085
Tokyo Sangyo Co., Ltd.	2,500	6,834
Toyota Tsusho Corp.§	6,600	93,994
Tsubakimoto Kogyo Co., Ltd.	4,000	9,596
Yuasa Trading Co., Ltd.*	17,255	15,964
		1,644,300
Transportation Infrastructure (0.1%)		
Nissin Corp.	14,500	32,796
The Sumitomo Warehouse Co., Ltd.	2,400	11,151
The Yasuda Warehouse Co., Ltd.	3,000	17,693
		61,640
Wireless Telecommunication Services (0.6%)		
KDDI Corp.	45	214,319
NTT DoCoMo, Inc.	150	226,951
Softbank Corp.	7,700	204,056
		645,326
TOTAL JAPAN		30,532,761
Luxembourg (0.0%)		
Energy Equipment & Services (0.0%)		
Tenaris SA	1,928	33,310
TOTAL LUXEMBOURG		33,310
Netherlands (4.8%)		
Beverages (0.5%)		
Heineken Holding NV	14,493	530,349
Heineken NV§	922	39,146
		569,495

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Netherlands		
Chemicals (0.2%)		
Koninklijke DSM NV	4,558	$ 181,493
Construction & Engineering (0.4%)		
Imtech NV	18,376	473,763
Construction Materials (0.0%)		
James Hardie Industries NV*	3,734	19,403
Diversified Financial Services (0.0%)		
ING Groep NV*	3,572	26,479
SNS Reaal*	1,973	8,518
		34,997
Diversified Telecommunication Services (0.1%)		
Koninklijke KPN NV	4,042	51,608
Food & Staples Retailing (0.6%)		
Koninklijke Ahold NV	49,253	610,275
Food Products (1.5%)		
CSM	3,361	99,984
Nutreco Holding NV	9,775	525,774
Unilever NV§	36,926	1,010,111
		1,635,869
Industrial Conglomerates (0.8%)		
Koninklijke Philips Electronics NV§	28,713	858,867
Insurance (0.2%)		
Aegon NV*	38,582	205,284
Semiconductors & Semiconductor Equipment (0.5%)		
ASML Holding NV	19,093	526,318
TOTAL NETHERLANDS		5,167,372
Norway (0.5%)		
Energy Equipment & Services (0.4%)		
Aker Solutions ASA§	36,963	422,926
Metals & Mining (0.1%)		
Norsk Hydro ASA§	32,219	145,599
Oil, Gas & Consumable Fuels (0.0%)		
StatoilHydro ASA	25	482
Semiconductors & Semiconductor Equipment (0.0%)		
Renewable Energy Corp. AS*§	7	16
TOTAL NORWAY		569,023
Portugal (0.6%)		
Commercial Banks (0.0%)		
Banco BPI SA	2,123	3,958

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Portugal		
Electric Utilities (0.5%)		
EDP - Energias de Portugal SA	184,445	$ 549,836
Food & Staples Retailing (0.1%)		
Jeronimo Martins SGPS SA	13,495	123,851
Multi-Utilities (0.0%)		
REN - Redes Energeticas Nacionais SA	488	1,585
TOTAL PORTUGAL		679,230
Singapore (1.2%)		
Diversified Financial Services (1.2%)		
iShares MSCI Singapore Index Fund§	113,181	1,272,154
TOTAL SINGAPORE		1,272,154
Spain (2.8%)		
Commercial Banks (0.7%)		
Banco Santander SA	69,158	726,419
Construction & Engineering (0.6%)		
ACS Actividades de Construccion y Servicios SA§	15,656	576,309
Fomento de Construcciones y Contratas SA§	3,179	68,168
		644,477
Diversified Financial Services (0.2%)		
Corp. Financiera Alba	5,904	217,865
Criteria Caixacorp SA	2,694	11,035
		228,900
Diversified Telecommunication Services (0.4%)		
Telefonica SA	23,288	432,126
Electric Utilities (0.2%)		
Endesa SA	10,711	228,064
Insurance (0.2%)		
Mapfre SA§	87,612	238,637
Media (0.1%)		
Gestevision Telecinco SA§	3,485	31,022
Oil, Gas & Consumable Fuels (0.4%)		
Repsol YPF SA	22,093	446,586
Real Estate Management & Development (0.0%)		
Inmobiliaria Colonial SA*§	13,571	2,068
TOTAL SPAIN		2,978,299
Sweden (5.5%)		
Commercial Services & Supplies (0.5%)		
Securitas AB B Shares§	61,824	561,508

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Sweden		
Communications Equipment (0.5%)		
Telefonaktiebolaget LM Ericsson B Shares§	43,517	$ 483,652
Construction & Engineering (0.6%)		
Skanska AB B Shares§	40,143	581,918
Diversified Financial Services (0.7%)		
Industrivarden AB A Shares	15,025	167,639
Investor AB B Shares§	36,776	596,072
		763,711
Machinery (1.7%)		
Atlas Copco AB A Shares§	43,759	641,048
Scania AB B Shares§	38,702	591,906
SKF AB B Shares§	30,375	546,221
		1,779,175
Metals & Mining (0.1%)		
Boliden AB	6,949	76,956
Paper & Forest Products (0.5%)		
Holmen AB B Shares§	22,592	537,388
Specialty Retail (0.6%)		
Hennes & Mauritz AB B Shares§	24,950	687,037
Tobacco (0.3%)		
Swedish Match AB§	15,883	347,765
TOTAL SWEDEN		5,819,110
Switzerland (5.6%)		
Biotechnology (0.1%)		
BB Biotech AG	1,860	100,639
Capital Markets (0.1%)		
UBS AG*	10,687	141,514
Chemicals (0.0%)		
Sika AG	16	28,349
Electrical Equipment (0.1%)		
ABB, Ltd.*	5,586	97,210
Food Products (2.4%)		
Nestle SA	52,057	2,508,964
Insurance (0.1%)		
Helvetia Holding AG	366	96,014
Machinery (0.7%)		
Schindler Holding AG	7,144	601,862
Sulzer AG	1,219	113,649
		715,511

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
Switzerland		
Pharmaceuticals (2.1%)		
Novartis AG	17,621	$ 853,573
Roche Holding AG	10,201	1,403,431
		2,257,004
TOTAL SWITZERLAND		5,945,205
United Kingdom (24.5%)		
Aerospace & Defense (0.3%)		
BAE Systems PLC	51,584	240,404
Meggitt PLC	1,220	5,693
Rolls-Royce Group PLC*	5,323	44,489
		290,586
Airlines (0.0%)		
British Airways PLC*§	415	1,207
Auto Components (0.1%)		
GKN PLC*	86,747	149,453
Biotechnology (0.1%)		
Antisoma PLC*	315,732	27,397
Genus PLC	5,812	64,198
		91,595
Capital Markets (1.3%)		
3i Group PLC	133,437	526,995
Aberdeen Asset Management PLC	709	1,359
Brewin Dolphin Holdings PLC	2,580	4,966
Collins Stewart PLC	22,253	25,148
Evolution Group PLC	17,468	22,802
F&C Asset Management PLC§	73,231	56,758
Man Group PLC	79,206	262,912
Schroders PLC	23,753	428,076
Tullett Prebon PLC	3,423	16,083
		1,345,099
Chemicals (0.4%)		
Croda International PLC§	15,111	226,755
Elementis PLC	17,360	16,166
Filtrona PLC	23,480	75,668
Yule Catto & Co. PLC*	34,576	92,299
		410,888
Commercial Banks (3.5%)		
Barclays PLC	268,371	1,072,637
HSBC Holdings PLC	172,331	1,576,470
Lloyds Banking Group PLC*	24,569	19,422
Royal Bank of Scotland Group PLC*	191,475	116,768
Standard Chartered PLC§	37,817	922,091
		3,707,388

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Commercial Services & Supplies (0.0%)		
Babcock International Group PLC§	78	$ 694
Communications Equipment (0.1%)		
Spirent Communications PLC	49,379	80,558
Construction & Engineering (0.5%)		
Carillion PLC	87,555	402,618
Costain Group PLC	5,988	17,930
Galliford Try PLC	1,355	6,318
Interserve PLC	49,053	145,326
Morgan Sindall Group PLC	803	6,132
T Clarke PLC	1,674	3,220
		581,544
Construction Materials (0.0%)		
Marshalls PLC	461	555
Consumer Finance (0.0%)		
International Personal Finance PLC	12,131	34,359
Provident Financial PLC§	242	3,023
		37,382
Containers & Packaging (0.1%)		
British Polythene Industries PLC	2,601	7,777
DS Smith PLC	50,627	91,201
RPC Group PLC	4,228	16,181
		115,159
Distributors (0.1%)		
Inchcape PLC*	11,753	43,003
John Menzies PLC	9,689	55,712
		98,715
Diversified Financial Services (0.0%)		
Blackrock Latin American Investment Trust PLC	481	4,406
The Eastern European Trust PLC*	1,871	7,051
The Throgmorton Trust PLC	7,095	14,008
		25,465
Diversified Telecommunication Services (0.6%)		
BT Group PLC	336,640	650,684
Kcom Group PLC	3,931	2,648
		653,332
Electric Utilities (0.0%)		
Scottish & Southern Energy PLC	91	1,518

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Electronic Equipment, Instruments & Components (0.4%)		
Diploma PLC	25,363	$ 86,128
Domino Printing Sciences	4,080	27,768
Electrocomponents PLC	16,786	54,125
Premier Farnell PLC	79,149	258,839
TT electronics PLC*	23,115	33,110
		459,970
Food & Staples Retailing (0.5%)		
J Sainsbury PLC	94,814	452,988
Majestic Wine PLC	935	4,124
Tesco PLC	14,405	81,373
		538,485
Food Products (0.4%)		
Anglo-Eastern Plantations	1,335	10,456
Cranswick PLC	626	8,013
Dairy Crest Group PLC	1,115	6,142
Hilton Food Group, Ltd.	2,993	10,456
Thorntons PLC	4,931	6,003
Unilever PLC	12,690	339,683
		380,753
Health Care Providers & Services (0.0%)		
Synergy Health PLC	2,704	26,298
Hotels, Restaurants & Leisure (0.2%)		
Compass Group PLC	4,761	36,268
Enterprise Inns PLC*	1,669	2,170
Holidaybreak PLC Class A	1,232	5,408
J.D. Wetherspoon PLC	322	1,870
Luminar Group Holdings PLC*	5,332	997
Millennium & Copthorne Hotels PLC	9,956	60,149
Mitchells & Butlers PLC*	669	2,723
Rank Group PLC	60,261	89,258
TUI Travel PLC	411	1,280
William Hill PLC	1,215	3,095
		203,218
Household Durables (0.0%)		
Aga Rangemaster Group PLC*	2,730	3,584
Barratt Developments PLC*	2,674	3,759
Persimmon PLC*	7,958	41,360
		48,703
Household Products (0.0%)		
McBride PLC	12,202	23,732

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Independent Power Producers & Energy Traders (0.5%)		
International Power PLC§	108,070	$ 483,392
Industrial Conglomerates (0.2%)		
Cookson Group PLC*	14,567	83,847
Smiths Group PLC	5,492	87,554
		171,401
Insurance (1.0%)		
Aviva PLC	10,414	48,461
Charles Taylor Consulting PLC	982	3,254
Chaucer Holdings PLC	6,658	4,127
Hardy Underwriting Bermuda Ltd.	1,786	6,433
Legal & General Group PLC	221,562	258,585
Novae Group PLC	1,050	4,862
Old Mutual PLC	382,902	587,025
RSA Insurance Group PLC	66,965	118,955
		1,031,702
Internet & Catalog Retail (0.0%)		
Findel PLC*	13,899	3,621
N Brown Group PLC	1,460	5,438
		9,059
IT Services (0.3%)		
Anite PLC	9,567	5,043
Computacenter PLC	12,316	52,096
Dimension Data Holdings PLC	199,956	280,869
Phoenix IT Group, Ltd.	2,574	9,541
		347,549
Machinery (1.0%)		
Fenner PLC	28,820	85,237
IMI PLC	14,043	143,272
Melrose PLC	40,514	126,507
Senior PLC	97,578	179,167
The Weir Group PLC§	35,485	545,875
		1,080,058
Marine (0.0%)		
Clarkson PLC	549	7,310
Media (0.3%)		
Chime Communications PLC	5,281	13,906
Cineworld Group PLC	2,426	7,186
Euromoney Institutional Investor PLC§	5,536	49,459
ITV PLC*	5,131	3,840
Johnston Press PLC*	40,163	8,800
Pearson PLC	13,527	178,142

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Media		
Trinity Mirror PLC*	89,766	$ 86,226
UTV Media PLC	3,025	5,386
Yell Group PLC*	296	107
		353,052
Metals & Mining (2.2%)		
Anglo American PLC*	3,460	120,726
BHP Billiton PLC	48,463	1,258,256
Ferrexpo PLC	499	1,836
Hill & Smith Holdings PLC	8,340	37,120
Rio Tinto PLC	17,392	764,781
Vedanta Resources PLC§	213	6,701
Xstrata PLC	12,091	158,539
		2,347,959
Multi-Utilities (0.6%)		
Centrica PLC	142,459	629,515
Multiline Retail (0.5%)		
Debenhams PLC*	6,179	4,864
Next PLC	18,957	565,949
		570,813
Oil, Gas & Consumable Fuels (4.3%)		
BG Group PLC	9,050	134,779
BP PLC	200,691	962,026
JKX Oil & Gas PLC	811	2,941
Melrose Resources PLC	998	4,178
Royal Dutch Shell PLC A Shares	85,577	2,160,832
Royal Dutch Shell PLC B Shares	53,464	1,293,991
		4,558,747
Paper & Forest Products (0.5%)		
Mondi PLC	87,701	499,758
Pharmaceuticals (2.7%)		
AstraZeneca PLC§	23,355	1,102,563
GlaxoSmithKline PLC§	92,271	1,568,936
Shire PLC	9,599	197,180
		2,868,679
Professional Services (0.0%)		
Hays PLC	548	748
Hogg Robinson Group PLC	2,158	931
Hyder Consulting PLC	2,080	9,284
ITE Group PLC	2,172	4,666
Robert Walters PLC	478	1,357
Tribal Group PLC	5,102	4,526
		21,512

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Real Estate Investment Trusts (0.0%)		
Liberty International PLC	987	$ 4,566
Real Estate Management & Development (0.0%)		
CLS Holdings PLC*	1,528	10,399
MWB Group Holdings PLC*	5,000	2,973
Quintain Estates & Development PLC*	3,358	2,138
		15,510
Road & Rail (0.1%)		
Arriva PLC	7,283	83,181
Avis Europe PLC*	17,339	7,652
		90,833
Semiconductors & Semiconductor Equipment (0.0%)		
CSR PLC*	718	4,025
Wolfson Microelectronics PLC*	2,841	7,438
		11,463
Specialty Retail (0.3%)		
HMV Group PLC§	11,138	10,498
JD Sports Fashion PLC	723	8,318
Kingfisher PLC	41,374	129,780
WH Smith PLC	26,079	159,218
		307,814
Textiles, Apparel & Luxury Goods (0.0%)		
Ted Baker PLC	1,305	10,588
Thrifts & Mortgage Finance (0.1%)		
Paragon Group of Cos. PLC	45,025	80,596
Tobacco (0.4%)		
British American Tobacco PLC	14,789	469,969
Trading Companies & Distributors (0.1%)		
Ashtead Group PLC	3,875	5,176
BSS Group PLC	520	3,245
Bunzl PLC	4,102	41,132
Speedy Hire PLC	3,803	1,368
		50,921
Transportation Infrastructure (0.0%)		
Braemar Shipping Services PLC	973	7,253
Water Utilities (0.0%)		
Pennon Group PLC	526	4,338

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
LONG STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Wireless Telecommunication Services (0.8%)		
Vodafone Group PLC	395,688	$ 816,402
TOTAL UNITED KINGDOM		26,123,056
TOTAL COMMON STOCKS (Cost $132,310,205)		125,628,010
PREFERRED STOCKS (0.8%)		
Germany (0.8%)		
Automobiles (0.1%)		
Porsche Automobil Holding SE	2,009	86,034
Health Care Equipment & Supplies (0.1%)		
Fresenius SE	1,893	125,247
Household Products (0.6%)		
Henkel AG & Co. KGaA	12,227	598,054
TOTAL GERMANY		809,335
TOTAL PREFERRED STOCKS (Cost $868,249)		809,335
TOTAL LONG STOCK POSITIONS (Cost $133,178,454)		126,437,345
RIGHTS (0.0%)		
Norway (0.0%)		
Metals & Mining (0.0%)		
Norsk Hydro ASA, strike price 26.30 NOK, expires 07/09/10*§ (Cost $0)	9,805	5,066
TOTAL NORWAY		5,066
WARRANTS (0.0%)		
Italy (0.0%)		
Capital Markets (0.0%)		
Mediobanca SpA, strike price 0.04 EUR, expires 03/18/11*	4,093	166
Commercial Banks (0.0%)		
Unione di Banche Italiane ScpA, strike price 12.30 EUR, expires 06/30/11*	1,496	30
TOTAL ITALY		196
TOTAL WARRANTS (Cost $0)		196
SHORT-TERM INVESTMENT (7.4%)		
State Street Navigator Prime Portfolio§§ (Cost $7,940,455)	7,940,455	7,940,455
TOTAL INVESTMENTS AT VALUE (126.0%) (Cost $141,118,909)		134,383,062
TOTAL SECURITIES SOLD SHORT (-19.0%) (Proceeds $22,604,195)		(20,283,526)
LIABILITIES IN EXCESS OF OTHER ASSETS (-7.0%)		(7,465,108)
NET ASSETS (100.0%)		$106,634,428

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
SHORT STOCK POSITIONS (-19.0%)		
COMMON STOCKS (-18.9%)		
Austria (-0.3%)		
Air Freight & Logistics (-0.0%)		
Oesterreichische Post AG	(1,788)	$ (43,942)
Diversified Telecommunication Services (-0.1%)		
Telekom Austria AG	(5,107)	(56,884)
Insurance (-0.0%)		
Vienna Insurance Group	(1,216)	(50,560)
Metals & Mining (-0.1%)		
Randgold Resources Ltd.	(851)	(81,011)
Oil, Gas & Consumable Fuels (-0.1%)		
OMV AG	(1,944)	(58,477)
TOTAL AUSTRIA		(290,874)
Belgium (-0.5%)		
Chemicals (-0.1%)		
Solvay SA	(714)	(61,072)
Commercial Banks (-0.1%)		
Dexia SA*	(1,149)	(4,016)
KBC Groep NV*	(1,854)	(71,184)
		(75,200)
Diversified Financial Services (-0.1%)		
Ackermans & van Haaren NV	(682)	(42,210)
Groupe Bruxelles Lambert SA	(909)	(63,138)
Nationale A Portefeuille	(1,046)	(44,573)
		(149,921)
Food & Staples Retailing (-0.1%)		
Colruyt SA	(239)	(56,317)
Pharmaceuticals (-0.1%)		
UCB SA	(1,639)	(51,557)
Real Estate Investment Trusts (-0.0%)		
Cofinimmo	(355)	(40,070)
Wireless Telecommunication Services (-0.0%)		
Mobistar SA	(914)	(48,644)
TOTAL BELGIUM		(482,781)
Bermuda (-0.1%)		
Energy Equipment & Services (-0.1%)		
Seadrill, Ltd.	(3,135)	(56,589)
TOTAL BERMUDA		(56,589)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Cyprus (0.0%)		
Energy Equipment & Services (-0.0%)		
ProSafe SE	(9,594)	$ (38,245)
TOTAL CYPRUS		(38,245)
Denmark (-0.4%)		
Chemicals (-0.1%)		
Novozymes AS B Shares	(574)	(61,351)
Commercial Banks (-0.1%)		
Danske Bank AS*	(3,846)	(74,131)
Electrical Equipment (-0.1%)		
Vestas Wind Systems AS*	(1,804)	(75,201)
Health Care Equipment & Supplies (-0.0%)		
William Demant Holding*	(657)	(48,135)
Insurance (-0.0%)		
Tryg AS	(879)	(46,388)
Marine (-0.1%)		
A P Moller - Maersk AS Class A	(8)	(60,945)
Pharmaceuticals (-0.0%)		
H Lundbeck AS	(2,823)	(38,572)
Road & Rail (-0.0%)		
DSV AS	(3,688)	(53,187)
TOTAL DENMARK		(457,910)
Finland (-0.2%)		
Construction & Engineering (-0.0%)		
YIT Oyj	(2,238)	(40,141)
Diversified Telecommunication Services (-0.0%)		
Elisa Oyj*	(2,889)	(50,052)
Machinery (-0.1%)		
Metso Oyj	(1,807)	(58,005)
Metals & Mining (-0.1%)		
Outokumpu Oyj	(3,228)	(48,584)
Rautaruukki Oyj	(3,026)	(44,177)
		(92,761)
TOTAL FINLAND		(240,959)
France (-2.8%)		
Aerospace & Defense (-0.1%)		
Safran SA	(2,188)	(61,137)
Thales SA	(1,564)	(50,577)
		(111,714)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
France		
Auto Components (-0.1%)		
Compagnie Generale des Etablissements Michelin Class B	(1,214)	$ (84,724)
Automobiles (-0.1%)		
Renault SA*	(1,950)	(72,403)
Beverages (-0.1%)		
Pernod-Ricard SA	(1,377)	(106,986)
Commercial Services & Supplies (-0.0%)		
Societe BIC SA	(670)	(47,665)
Communications Equipment (-0.1%)		
Alcatel-Lucent*	(25,700)	(65,558)
Construction & Engineering (-0.0%)		
Eiffage SA	(1,158)	(50,355)
Construction Materials (-0.1%)		
Imerys SA	(976)	(49,747)
Lafarge SA	(1,574)	(85,970)
		(135,717)
Diversified Financial Services (-0.0%)		
Eurazeo	(793)	(45,585)
Electric Utilities (-0.1%)		
Electricite de France	(2,056)	(78,355)
Electrical Equipment (-0.1%)		
Alstom SA	(1,794)	(81,364)
Legrand SA	(1,952)	(57,956)
		(139,320)
Energy Equipment & Services (-0.1%)		
Cie Generale de Geophysique-Veritas*	(2,660)	(47,400)
Technip SA	(1,110)	(63,772)
		(111,172)
Food & Staples Retailing (-0.2%)		
Carrefour SA	(3,496)	(138,910)
Casino Guichard Perrachon SA	(749)	(56,933)
		(195,843)
Food Products (-0.1%)		
Danone	(2,717)	(145,903)
Health Care Equipment & Supplies (-0.1%)		
BioMerieux	(441)	(45,353)
Cie Generale d'Optique Essilor International SA	(1,542)	(91,787)
		(137,140)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
France		
Hotels, Restaurants & Leisure (-0.1%)		
Sodexo	(1,095)	$ (60,871)
IT Services (-0.1%)		
Cap Gemini SA	(1,188)	(52,300)
Media (-0.3%)		
Eutelsat Communications	(1,604)	(53,788)
JC Decaux SA*	(1,983)	(46,281)
Lagardere SCA	(1,776)	(55,485)
M6-Metropole Television	(2,279)	(46,161)
Publicis Groupe	(1,539)	(61,493)
Societe Television Francaise 1	(3,002)	(39,178)
		(302,386)
Multi-Utilities (-0.1%)		
Suez Environnement SA	(3,503)	(57,904)
Veolia Environnement	(3,078)	(72,433)
		(130,337)
Multiline Retail (-0.1%)		
PPR	(656)	(81,627)
Personal Products (-0.1%)		
L'Oreal SA	(1,447)	(141,913)
Pharmaceuticals (-0.0%)		
Ipsen SA	(1,107)	(33,760)
Professional Services (-0.1%)		
Bureau Veritas SA	(950)	(51,539)
Teleperformance	(1,528)	(38,232)
		(89,771)
Real Estate Investment Trusts (-0.2%)		
ICADE	(605)	(51,147)
Klepierre	(1,689)	(46,744)
Unibail-Rodamco SE	(649)	(105,953)
		(203,844)
Textiles, Apparel & Luxury Goods (-0.3%)		
Christian Dior SA	(682)	(65,570)
Hermes International	(525)	(69,714)
LVMH Moet Hennessy Louis Vuitton SA	(1,395)	(152,090)
		(287,374)
Transportation Infrastructure (-0.1%)		
Aeroports de Paris	(762)	(48,967)
Groupe Eurotunnel SA	(7,601)	(51,455)
		(100,422)
TOTAL FRANCE		(3,013,045)

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Germany (-1.2%)		
Aerospace & Defense (-0.0%)		
MTU Aero Engines Holding AG	(713)	$ (39,649)
Air Freight & Logistics (-0.1%)		
Deutsche Post AG	(6,434)	(93,966)
Chemicals (-0.2%)		
K+S AG	(1,484)	(68,313)
Linde AG	(1,083)	(114,068)
Symrise AG	(1,987)	(41,096)
		(223,477)
Diversified Telecommunication Services (-0.0%)		
Deutsche Telekom AG	(3,319)	(39,248)
Electrical Equipment (-0.1%)		
SGL Carbon SE*	(1,414)	(40,649)
Tognum AG	(2,203)	(41,157)
		(81,806)
Food & Staples Retailing (-0.0%)		
Metro AG	(770)	(39,352)
Health Care Providers & Services (-0.1%)		
Celesio AG	(2,060)	(44,995)
Fresenius Medical Care AG & Co., KGaA	(1,368)	(73,933)
		(118,928)
Household Products (-0.1%)		
Henkel AG & Co. KGaA	(1,543)	(63,258)
Industrial Conglomerates (-0.0%)		
Rheinmetall AG	(753)	(43,081)
Internet Software & Services (-0.0%)		
United Internet AG	(3,938)	(43,194)
Machinery (-0.1%)		
MAN SE	(935)	(77,212)
Metals & Mining (-0.1%)		
ThyssenKrupp AG	(3,069)	(75,757)
Multi-Utilities (-0.1%)		
RWE AG	(1,984)	(130,043)
Personal Products (-0.1%)		
Beiersdorf AG	(1,146)	(63,400)
Textiles, Apparel & Luxury Goods (-0.1%)		
Adidas AG	(1,643)	(79,679)
Puma AG Rudolf Dassler Sport	(160)	(42,596)
		(122,275)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Germany		
Transportation Infrastructure (-0.1%)		
Fraport AG Frankfurt Airport Services Worldwide	(1,107)	$ (47,158)
TOTAL GERMANY		(1,301,804)
Italy (-1.2%)		
Aerospace & Defense (-0.1%)		
Finmeccanica SpA	(6,266)	(65,065)
Automobiles (-0.1%)		
Fiat SpA	(7,166)	(73,730)
Capital Markets (-0.1%)		
Mediobanca SpA*	(7,776)	(58,020)
Commercial Banks (-0.3%)		
Banca Monte dei Paschi di Siena SpA*	(49,999)	(56,668)
Banca Popolare di Milano Scarl	(11,957)	(49,307)
Banco Popolare SC	(10,844)	(59,552)
Intesa Sanpaolo SpA	(50,000)	(131,906)
Unione di Banche Italiane SCPA	(7,682)	(66,254)
		(363,687)
Construction Materials (-0.0%)		
Buzzi Unicem SpA	(4,024)	(40,422)
Diversified Financial Services (-0.0%)		
Exor SpA	(2,870)	(48,332)
Diversified Telecommunication Services (-0.0%)		
Telecom Italia SpA	(49,999)	(45,749)
Electric Utilities (-0.1%)		
Terna Rete Elettrica Nazionale SpA	(16,252)	(58,593)
Electrical Equipment (-0.1%)		
Prysmian SpA	(3,549)	(51,021)
Gas Utilities (-0.1%)		
Snam Rete Gas SpA	(15,929)	(63,676)
Hotels, Restaurants & Leisure (-0.0%)		
Autogrill SpA*	(4,028)	(48,241)
Insurance (-0.1%)		
Assicurazioni Generali SpA	(7,473)	(130,527)
Oil, Gas & Consumable Fuels (-0.0%)		
Saras SpA*	(19,734)	(41,060)
Textiles, Apparel & Luxury Goods (-0.1%)		
Luxottica Group SpA	(2,068)	(50,154)
Transportation Infrastructure (-0.1%)		
Atlantia SpA	(7,023)	(124,676)
TOTAL ITALY		(1,262,953)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan (-5.2%)		
Air Freight & Logistics (-0.1%)		
Kintetsu World Express, Inc.	(1,200)	$ (30,020)
Yusen Air & Sea Service Co., Ltd.	(1,400)	(21,686)
		(51,706)
Auto Components (-0.2%)		
Exedy Corp.	(500)	(12,808)
Furukawa Battery Co., Ltd.	(3,000)	(19,693)
Futaba Industrial Co., Ltd.*	(600)	(4,505)
Kayaba Industry Co., Ltd.	(2,000)	(7,170)
Keihin Corp.	(700)	(12,077)
Mitsuba Corp.*	(3,000)	(15,419)
Musashi Seimitsu Industry Co., Ltd.	(300)	(6,296)
NGK Spark Plug Co., Ltd.	(2,000)	(24,808)
Nifco Inc.	(500)	(10,301)
Nissan Shatai Co., Ltd.	(1,000)	(6,546)
Nissin Kogyo Co., Ltd.	(1,800)	(26,292)
T RAD Co. Ltd.	(3,000)	(8,548)
Takata Corp.	(800)	(16,183)
Toyoda Gosei Co., Ltd.	(900)	(22,302)
		(192,948)
Beverages (-0.0%)		
Ito En Ltd.	(1,900)	(29,037)
Building Products (-0.1%)		
Central Glass Co., Ltd.	(5,000)	(19,685)
Sankyo-Tateyama Holdings, Inc.*	(1,000)	(1,137)
Sanwa Holdings Corp.	(5,000)	(15,064)
Sekisui Jushi Corp.	(2,000)	(17,964)
Takasago Thermal Engineering Co. Ltd.	(2,000)	(16,866)
TOTO, Ltd.	(5,000)	(33,184)
		(103,900)
Capital Markets (-0.1%)		
kabu.com Securities Co. Ltd.	(5,800)	(27,184)
Marusan Securities Co., Ltd.	(5,000)	(28,576)
Matsui Securities Co., Ltd.	(5,000)	(30,503)
Mito Securities Co., Ltd.	(2,000)	(4,218)
Mizuho Investors Securities Co., Ltd.*	(25,000)	(23,655)
		(114,136)
Chemicals (-0.1%)		
Lintec Corp.	(700)	(12,635)
Mitsubishi Rayon Co., Ltd.*	(6,923)	(24,979)
Shin-Etsu Polymer Co., Ltd.	(1,300)	(7,680)
T Hasegawa Co., Ltd.	(1,500)	(23,010)
Takiron Co., Ltd.	(2,000)	(5,890)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Chemicals		
Teijin, Ltd.	(12,000)	$ (35,597)
Tenma Corp.	(2,100)	(22,829)
Tokyo Ohka Kogyo Co., Ltd.	(1,100)	(18,522)
		(151,142)
Commercial Banks (-0.5%)		
Bank of the Ryukyus, Ltd.	(2,100)	(24,423)
Chuo Mitsui Trust Holdings, Inc.	(7,000)	(24,664)
Mizuho Trust & Banking Co., Ltd.*	(8,700)	(7,475)
The 77 Bank, Ltd.	(5,000)	(26,835)
The Aichi Bank, Ltd.	(400)	(27,184)
The Akita Bank, Ltd.	(5,000)	(17,315)
The Awa Bank, Ltd.	(5,000)	(30,835)
The Bank of Iwate, Ltd.	(500)	(28,133)
The Bank of Okinawa, Ltd.	(700)	(24,606)
The Chugoku Bank, Ltd.	(3,000)	(35,320)
The Chukyo Bank, Ltd.	(5,000)	(15,259)
The Fukui Bank, Ltd.	(7,000)	(23,387)
The Fukushima Bank, Ltd.	(33,000)	(18,820)
The Hokkoku Bank, Ltd.	(7,000)	(25,981)
The Iyo Bank, Ltd.	(1,000)	(9,292)
The Juroku Bank, Ltd	(6,000)	(21,253)
The Michinoku Bank, Ltd.	(2,000)	(4,352)
The Musashino Bank, Ltd.	(200)	(5,738)
The Nanto Bank, Ltd.	(6,000)	(30,846)
The Oita Bank, Ltd.	(7,000)	(23,686)
The San-In Godo Bank, Ltd.	(3,000)	(23,049)
The Shiga Bank, Ltd.	(5,000)	(29,017)
The Tochigi Bank, Ltd.	(5,000)	(21,627)
The Toho Bank, Ltd.	(6,000)	(19,583)
The Tsukuba Bank, Ltd.*	(7,600)	(20,594)
The Yamagata Bank, Ltd.	(5,000)	(23,579)
		(562,853)
Commercial Services & Supplies (-0.1%)		
Kokuyo Co., Ltd.	(3,200)	(26,331)
Moshi Moshi Hotline, Inc.	(1,100)	(24,121)
Park24 Co., Ltd.	(2,700)	(28,937)
Pilot Corp.	(15)	(24,059)
Sato Corp.	(100)	(1,199)
		(104,647)
Communications Equipment (-0.0%)		
Hitachi Kokusai Electric, Inc.	(1,000)	(7,962)
Icom, Inc.	(800)	(18,190)
Japan Radio Co., Ltd.	(5,000)	(11,255)
		(37,407)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Computers & Peripherals (-0.0%)		
Japan Digital Laboratory Co., Ltd.	(2,200)	$ (24,290)
Melco Holdings, Inc.	(300)	(9,483)
Seiko Epson Corp.	(200)	(2,583)
		(36,356)
Construction & Engineering (-0.2%)		
Chiyoda Corp.	(2,000)	(14,512)
Chudenko Corp.	(2,100)	(24,366)
Kandenko Co., Ltd.	(5,000)	(29,563)
Kinden Corp.	(4,166)	(35,445)
Maeda Corp.	(3,000)	(7,801)
Maeda Road Construction Co. Ltd.	(1,000)	(8,150)
Nippon Densetsu Kogyo Co., Ltd.	(3,000)	(28,728)
SHO-BOND Holdings Co., Ltd.	(1,500)	(30,089)
Taihei Dengyo Kaisha Ltd.	(3,000)	(21,567)
Taikisha Ltd.	(1,700)	(26,659)
Toshiba Plant Systems & Services Corp.	(2,000)	(24,945)
		(251,825)
Consumer Finance (-0.0%)		
Hitachi Capital Corp.	(2,000)	(26,574)
Containers & Packaging (-0.1%)		
FP Corp.	(100)	(5,201)
Fuji Seal International, Inc.	(400)	(8,724)
Nihon Yamamura Glass Co., Ltd.	(7,000)	(18,715)
Rengo Co., Ltd.	(4,000)	(25,220)
		(57,860)
Distributors (-0.1%)		
Canon Marketing Japan, Inc.	(1,300)	(18,281)
Doshisha Co., Ltd.	(1,200)	(27,810)
Shimojima Co., Ltd.	(300)	(4,183)
		(50,274)
Diversified Financial Services (-0.0%)		
IBJ Leasing Co., Ltd.	(300)	(5,296)
Japan Securities Finance Co., Ltd.	(4,200)	(23,578)
Mitsubishi UFJ Lease & Finance Co., Ltd.	(251)	(8,460)
		(37,334)
Electric Utilities (-0.2%)		
Hokkaido Electric Power Co., Inc.	(2,000)	(43,047)
Hokuriku Electric Power Co.	(2,099)	(45,991)
Kyushu Electric Power Co., Inc.	(500)	(11,204)
The Chugoku Electric Power Co., Inc	(2,900)	(59,679)
The Okinawa Electric Power Co., Inc.	(200)	(10,127)
Tohoku Electric Power Co., Inc.	(200)	(4,290)
		(174,338)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Electrical Equipment (-0.1%)		
Cosel Co., Ltd.	(400)	$ (6,105)
Daihen Corp.	(2,000)	(8,123)
Fujikura Ltd.	(6,000)	(26,114)
Furukawa Electric Co., Ltd.	(3,000)	(13,078)
Futaba Corp.	(1,600)	(26,686)
Hitachi Cable, Ltd.	(8,000)	(21,108)
Mabuchi Motor Co., Ltd.	(600)	(27,372)
Nippon Signal Co., Ltd.	(200)	(1,379)
Nitto Kogyo Corp.	(1,700)	(15,754)
		(145,719)
Electronic Equipment, Instruments & Components (-0.1%)		
Anritsu Corp.*	(5,000)	(22,109)
Citizen Holdings Co., Ltd.	(700)	(4,273)
Hirose Electric Co., Ltd.	(141)	(12,902)
Hitachi High-Technologies Corp.	(600)	(11,013)
Horiba Ltd.	(100)	(2,673)
Koa Corp.	(700)	(6,234)
Nippon Ceramic Co., Ltd.	(700)	(9,792)
Tamura Corp.	(6,000)	(17,129)
Yokogawa Electric Corp.	(4,000)	(24,739)
		(110,864)
Food & Staples Retailing (-0.2%)		
Circle K Sunkus Co. Ltd.	(1,300)	(16,655)
Cosmos Pharmaceutical Corp.	(800)	(17,199)
FamilyMart Co., Ltd.	(600)	(19,797)
Lawson, Inc.	(600)	(26,220)
Matsumotokiyoshi Holdings Co., Ltd.	(800)	(17,102)
Sugi Holdings Co. Ltd.	(1,300)	(26,391)
Sundrug Co., Ltd.	(500)	(12,120)
Tsuruha Holdings, Inc.	(800)	(28,332)
Yaoko Co., Ltd.	(800)	(22,446)
		(186,262)
Food Products (-0.2%)		
Dydo Drinco, Inc.	(600)	(21,818)
Hokuto Corp.	(1,400)	(27,598)
Itoham Foods, Inc.	(8,000)	(30,119)
Marudai Food Co., Ltd.	(9,000)	(26,472)
Nissin Foods Holdings Co., Ltd.	(296)	(10,856)
QP Corp.	(2,600)	(29,903)
Sakata Seed Corp.	(2,000)	(25,922)
Yamazaki Baking Co., Ltd.	(1,224)	(16,493)
		(189,181)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Gas Utilities (-0.0%)		
Shizuoka Gas Co., Ltd.	(3,500)	$ (23,774)
Health Care Equipment & Supplies (-0.1%)		
Hitachi Medical Corp.	(2,000)	(15,633)
Hogy Medical Co., Ltd.	(600)	(29,110)
Jeol Ltd.	(3,000)	(10,330)
Paramount Bed Co., Ltd.	(1,100)	(25,089)
		(80,162)
Health Care Providers & Services (-0.0%)		
BML, Inc.	(500)	(11,297)
Miraca Holdings, Inc.	(500)	(14,953)
Nichii Gakkan Co.	(1,600)	(14,367)
		(40,617)
Hotels, Restaurants & Leisure (-0.1%)		
Kisoji Co., Ltd.	(1,200)	(25,306)
Kura Corp.	(1,400)	(22,792)
Oriental Land Co. Japan, Ltd.	(600)	(50,101)
Saizeriya Co., Ltd.	(1,500)	(29,788)
		(127,987)
Household Durables (-0.0%)		
Alpine Electronics, Inc.*	(1,600)	(19,502)
Cleanup Corp.	(1,100)	(6,047)
PanaHome Corp.	(2,000)	(11,794)
Sanyo Electric Co., Ltd.*	(9,000)	(11,570)
		(48,913)
Household Products (-0.1%)		
Lion Corp.	(6,000)	(30,929)
Pigeon Corp.	(800)	(29,489)
Unicharm Corp.	(200)	(22,534)
		(82,952)
Industrial Conglomerates (-0.1%)		
Hankyu Hanshin Holdings, Inc.	(14,000)	(61,728)
Insurance (-0.0%)		
The Fuji Fire & Marine Insurance Co., Ltd.*	(3,000)	(3,780)
Internet Software & Services (-0.0%)		
Kakaku.com, Inc.	(5)	(20,638)
IT Services (-0.1%)		
Ines Corp.	(2,200)	(14,752)
Information Services International-Dentsu, Ltd.	(3,500)	(22,394)
Itochu Techno-Science Corp.	(300)	(10,954)
NET One Systems Co., Ltd.	(14)	(18,052)
		(66,152)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Life Sciences Tools & Services (-0.0%)		
EPS Co., Ltd.	(8)	$ (20,210)
Machinery (-0.2%)		
Aichi Corp.	(6,700)	(26,980)
Daiwa Industries, Ltd.	(3,000)	(14,267)
Fujitec Co., Ltd.	(2,000)	(10,252)
Furukawa Co., Ltd.*	(14,000)	(14,333)
Glory Ltd.	(1,200)	(26,165)
Hino Motors, Ltd.	(2,000)	(9,853)
Kurita Water Industries, Ltd.	(1,300)	(35,494)
Makino Milling Machine Co., Ltd.*	(3,000)	(19,001)
Nabtesco Corp.	(1,000)	(15,402)
Nippon Thompson Co., Ltd.	(3,000)	(20,310)
Noritake Co., Ltd.	(7,000)	(23,537)
Tsubakimoto Chain Co.	(5,000)	(20,099)
Tsukishima Kikai Co. Ltd.	(2,000)	(13,985)
		(249,678)
Media (-0.1%)		
Asatsu-DK, Inc.	(1,000)	(25,439)
Gakken Co., Ltd.	(10,000)	(20,539)
Hakuhodo DY Holdings, Inc.	(679)	(33,989)
Toho Co., Ltd.	(2,100)	(34,786)
		(114,753)
Metals & Mining (-0.2%)		
Aichi Steel Corp.	(2,000)	(7,800)
Godo Steel, Ltd.	(5,000)	(12,043)
Neturen Co. Ltd.	(1,400)	(10,495)
Nippon Denko Co., Ltd.	(3,000)	(18,143)
Nippon Yakin Kogyo Co., Ltd.*	(2,500)	(7,994)
Nisshin Steel Co., Ltd.	(10,000)	(15,886)
Osaka Steel Co. Ltd.	(1,800)	(24,730)
Sanyo Special Steel Co., Ltd.*	(3,000)	(13,512)
Tokyo Rope Manufacturing Co., Ltd.	(8,000)	(18,172)
Tokyo Steel Manufacturing Co., Ltd.	(1,900)	(21,946)
Toyo Kohan Co., Ltd.	(4,000)	(18,962)
		(169,683)
Multiline Retail (-0.1%)		
Fuji Co., Ltd.	(1,600)	(28,943)
Izumi Co., Ltd.	(2,100)	(28,140)
Marui Group Co., Ltd.	(5,104)	(34,351)
		(91,434)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Oil, Gas & Consumable Fuels (-0.1%)		
Idemitsu Kosan Co., Ltd.	(100)	$ (7,523)
Japan Petroleum Exploration Co.	(800)	(32,611)
Kanto Natural Gas Development, Ltd.	(5,000)	(25,372)
Nippon Gas Co., Ltd.	(1,500)	(23,284)
TonenGeneral Sekiyu KK	(386)	(3,337)
		(92,127)
Paper & Forest Products (-0.1%)		
Daio Paper Corp.	(3,000)	(22,981)
Hokuetsu Kishu Paper Co., Ltd.	(4,500)	(22,467)
Tokushu Tokai Holdings Co., Ltd.	(2,000)	(5,121)
		(50,569)
Personal Products (-0.1%)		
Aderans Holdings Co., Ltd.*	(2,000)	(24,098)
Fancl Corp.	(900)	(12,717)
Kobayashi Pharmaceutical Co., Ltd.	(600)	(25,482)
Mandom Corp.	(1,100)	(29,870)
Milbon Co., Ltd.	(1,200)	(28,678)
		(120,845)
Pharmaceuticals (-0.3%)		
Chugai Pharmaceutical Co., Ltd.	(2,700)	(48,018)
Hisamitsu Pharmaceutical Co., Inc.	(900)	(35,669)
Kissei Pharmaceutical Co., Ltd.	(1,000)	(21,022)
Kyowa Hakko Kirin Co., Ltd.	(4,000)	(37,903)
Nippon Shinyaku Co. Ltd.	(1,000)	(11,363)
Rohto Pharmaceutical Co., Ltd.	(2,000)	(24,445)
Santen Pharmaceutical Co., Ltd.	(1,019)	(36,685)
Sawai Pharmaceutical Co., Ltd.	(200)	(19,121)
Taisho Pharmaceutical Co., Ltd.	(2,339)	(46,102)
Towa Pharmaceutical Co., Ltd.	(400)	(25,993)
Tsumura & Co.	(1,100)	(33,651)
		(339,972)
Professional Services (-0.0%)		
Meitec Corp.	(1,300)	(23,406)
Real Estate Management & Development (-0.1%)		
Aeon Mall Co., Ltd.	(668)	(13,222)
Daibiru Corp.	(2,700)	(20,324)
Daikyo, Inc.*	(11,000)	(17,977)
Goldcrest Co., Ltd.	(1,140)	(19,686)
Iida Home Max	(1,200)	(9,455)
Nomura Real Estate Holdings, Inc.	(1,700)	(21,258)
NTT Urban Development Corp.	(7)	(5,556)
Shoei Co., Ltd/Chiyoda-ku	(3,500)	(23,424)
		(130,902)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Road & Rail (-0.4%)		
Fukuyama Transporting Co., Ltd.	(6,000)	$ (27,710)
Hitachi Transport System Ltd.	(2,000)	(29,159)
Keihin Electric Express Railway Co., Ltd.	(5,983)	(52,833)
Keio Corp.	(7,000)	(45,157)
Keisei Electric Railway Co., Ltd.	(7,000)	(39,103)
Nippon Konpo Unyu Soko Co., Ltd.	(2,000)	(23,208)
Nishi-Nippon Railroad Co., Ltd.	(7,000)	(28,246)
Odakyu Electric Railway Co., Ltd.	(7,000)	(60,039)
Sankyu, Inc.	(2,000)	(7,975)
Seino Holdings Corp.	(1,000)	(6,876)
Sotetsu Holdings, Inc.	(6,000)	(26,613)
Tobu Railway Co., Ltd.	(9,000)	(48,435)
		(395,354)
Semiconductors & Semiconductor Equipment (-0.1%)		
Advantest Corp.	(400)	(8,352)
Disco Corp.	(400)	(25,284)
Mitsui High-Tec, Inc.*	(1,900)	(12,866)
Shinkawa Ltd.	(1,800)	(25,333)
		(71,835)
Software (-0.1%)		
Fuji Soft, Inc.	(800)	(13,204)
NSD Co., Ltd.	(1,600)	(18,132)
Oracle Corp.	(700)	(34,369)
Square Enix Co., Ltd.	(1,200)	(22,085)
		(87,790)
Specialty Retail (-0.2%)		
ABC-Mart, Inc.	(800)	(31,356)
Autobacs Seven Co., Ltd.	(800)	(28,989)
Komeri Co., Ltd.	(1,000)	(22,385)
Nitori Co., Ltd.	(494)	(42,546)
Point, Inc.	(460)	(25,209)
Shimamura Co., Ltd.	(400)	(36,136)
Tsutsumi Jewelry Co., Ltd.	(1,000)	(21,255)
USS Co., Ltd.	(29)	(2,070)
		(209,946)
Textiles, Apparel & Luxury Goods (-0.0%)		
Asics Corp.	(51)	(467)
Japan Vilene Co. Ltd.	(1,000)	(4,225)
Wacoal Holdings Corp.	(2,000)	(24,262)
		(28,954)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Japan		
Trading Companies & Distributors (-0.1%)		
MISUMI Corp.	(1,500)	$ (27,676)
Nagase & Co., Ltd.	(1,000)	(10,390)
Shinsho Corp.	(4,000)	(7,846)
Trusco Nakayama Corp.	(1,400)	(21,640)
Yamazen Corp.	(1,900)	(8,504)
		(76,056)
Transportation Infrastructure (-0.1%)		
Japan Airport Terminal Co., Ltd.	(1,600)	(23,569)
Kamigumi Co., Ltd.	(4,964)	(38,058)
Mitsubishi Logistics Corp.	(2,000)	(22,270)
		(83,897)
TOTAL JAPAN		(5,528,477)
Luxembourg (-0.2%)		
Energy Equipment & Services (-0.0%)		
Acergy SA	(2,905)	(43,042)
Media (-0.1%)		
SES SA	(3,098)	(64,536)
Metals & Mining (-0.0%)		
ArcelorMittal	(1,429)	(38,392)
Wireless Telecommunication Services (-0.1%)		
Millicom International Cellular SA	(816)	(66,342)
TOTAL LUXEMBOURG		(212,312)
Netherlands (-0.8%)		
Aerospace & Defense (-0.1%)		
European Aeronautic Defence & Space Co. NV*	(3,756)	(76,780)
Air Freight & Logistics (-0.1%)		
TNT NV	(3,171)	(80,002)
Chemicals (-0.1%)		
Akzo Nobel NV	(1,740)	(90,588)
Computers & Peripherals (-0.0%)		
Gemalto NV	(1,091)	(41,127)
Construction & Engineering (-0.0%)		
Koninklijke Boskalis Westminster NV	(166)	(6,461)
Energy Equipment & Services (-0.1%)		
Fugro NV	(1,144)	(52,939)
SBM Offshore NV	(3,325)	(47,648)
		(100,587)
Life Sciences Tools & Services (-0.0%)		
QIAGEN NV*	(2,835)	(55,247)

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Netherlands		
Media (-0.1%)		
Reed Elsevier NV	(6,582)	$ (72,986)
Wolters Kluwer NV	(3,393)	(65,177)
		(138,163)
Professional Services (-0.1%)		
Randstad Holding NV*	(1,526)	(60,065)
Real Estate Investment Trusts (-0.0%)		
Corio NV	(1,107)	(53,847)
Semiconductors & Semiconductor Equipment (-0.1%)		
STMicroelectronics NV	(12,663)	(100,791)
		(100,791)
Transportation Infrastructure (-0.1%)		
Koninklijke Vopak NV	(2,611)	(95,843)
TOTAL NETHERLANDS		(899,501)
Norway (-0.3%)		
Commercial Banks (-0.1%)		
DnB NOR ASA	(8,398)	(80,831)
Diversified Telecommunication Services (-0.1%)		
Telenor ASA	(6,937)	(87,449)
Energy Equipment & Services (-0.0%)		
Petroleum Geo-Services ASA*	(4,301)	(35,876)
Industrial Conglomerates (-0.1%)		
Orkla ASA	(9,252)	(59,210)
Insurance (-0.0%)		
Storebrand ASA*	(7,695)	(39,591)
TOTAL NORWAY		(302,957)
Portugal (0.0%)		
Construction Materials (-0.0%)		
Cimpor Cimentos de Portugal SGPS SA	(9,086)	(51,141)
TOTAL PORTUGAL		(51,141)
Spain (-0.5%)		
Commercial Banks (-0.0%)		
Banco Bilbao Vizcaya Argentaria SA	(670)	(6,915)
Construction & Engineering (-0.1%)		
Ferrovial SA	(8,439)	(54,674)
Electric Utilities (-0.1%)		
Red Electrica Corp. SA	(1,494)	(53,582)
Electrical Equipment (-0.0%)		
Gamesa Corp. Tecnologica SA*	(5,453)	(46,903)

See Accompanying Notes to Financial Statements.

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Spain		
Gas Utilities (-0.0%)		
Enagas	(3,242)	$ (48,917)
Independent Power Producers & Energy Traders (-0.1%)		
Iberdrola Renovables SA	(16,949)	(53,281)
Machinery (-0.0%)		
Zardoya Otis SA	(3,764)	(48,438)
Pharmaceuticals (-0.0%)		
Faes Farma SA	(14,398)	(49,463)
Specialty Retail (-0.1%)		
Inditex SA	(1,650)	(94,243)
Transportation Infrastructure (-0.1%)		
Abertis Infraestructuras SA	(4,206)	(60,558)
TOTAL SPAIN		(516,974)
Sweden (-1.0%)		
Building Products (-0.1%)		
Assa Abloy AB Class B	(3,373)	(67,552)
Capital Markets (-0.0%)		
Ratos AB B Shares	(2,122)	(53,269)
Commercial Banks (-0.3%)		
Nordea Bank AB	(19,080)	(157,647)
Svenska Handelsbanken AB A Shares	(3,875)	(94,984)
Swedbank AB A Shares*	(8,027)	(73,807)
		(326,438)
Diversified Financial Services (-0.1%)		
Kinnevik Investment AB	(3,549)	(56,932)
Diversified Telecommunication Services (-0.1%)		
TeliaSonera AB	(16,202)	(104,314)
Health Care Equipment & Supplies (-0.1%)		
Elekta AB B Shares	(1,680)	(42,597)
Getinge AB B Shares	(2,963)	(57,456)
		(100,053)
Household Durables (-0.1%)		
Electrolux AB Series B	(2,879)	(65,946)
Husqvarna AB B Shares	(8,495)	(51,185)
		(117,131)
Machinery (-0.1%)		
Alfa Laval AB	(4,709)	(61,273)
Sandvik AB	(1,799)	(21,988)
Volvo AB*	(4,078)	(43,047)
		(126,308)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Sweden		
Media (-0.1%)		
Modern Times Group AB B Shares	(1,023)	$ (56,113)
Metals & Mining (-0.0%)		
SSAB AB A Shares	(3,772)	(50,743)
Pharmaceuticals (-0.0%)		
Meda AB	(909)	(6,602)
Real Estate Management & Development (-0.0%)		
Castellum AB	(4,786)	(43,453)
TOTAL SWEDEN		(1,108,908)
Switzerland (-1.9%)		
Biotechnology (-0.1%)		
Actelion, Ltd.*	(1,569)	(58,719)
Basilea Pharmaceutica AG*	(663)	(36,797)
		(95,516)
Building Products (-0.1%)		
Geberit AG	(436)	(67,808)
Capital Markets (-0.1%)		
EFG International AG	(3,094)	(36,914)
Julius Baer Group Ltd.	(2,340)	(66,689)
		(103,603)
Chemicals (-0.2%)		
Clariant AG*	(3,555)	(44,994)
Givaudan SA	(82)	(69,613)
Syngenta AG	(581)	(134,158)
		(248,765)
Construction Materials (-0.1%)		
Holcim, Ltd.	(1,699)	(113,681)
Diversified Telecommunication Services (-0.1%)		
Swisscom AG	(226)	(76,583)
Electric Utilities (-0.0%)		
BKW FMB Energie AG	(659)	(41,460)
Food Products (-0.1%)		
Aryzta AG	(1,600)	(61,531)
Health Care Equipment & Supplies (-0.2%)		
Nobel Biocare Holding AG	(2,818)	(48,487)
Sonova Holding AG	(565)	(69,303)
Straumann Holding AG	(231)	(49,936)
Synthes, Inc.	(650)	(74,703)
		(242,429)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
Switzerland		
Insurance (-0.3%)		
Baloise Holding AG	(794)	$ (55,242)
Swiss Life Holding AG*	(540)	(51,585)
Swiss Reinsurance Co., Ltd.	(2,530)	(103,905)
Zurich Financial Services AG	(636)	(140,118)
		(350,850)
Life Sciences Tools & Services (-0.0%)		
Lonza Group AG	(548)	(36,469)
Machinery (-0.0%)		
Georg Fischer AG*	(133)	(43,314)
Marine (-0.1%)		
Kuehne + Nagel International AG	(665)	(68,422)
Oil, Gas & Consumable Fuels (-0.0%)		
Petroplus Holdings AG*	(2,803)	(41,191)
Professional Services (-0.1%)		
Adecco SA	(1,433)	(68,332)
Real Estate Management & Development (-0.1%)		
PSP Swiss Property AG*	(727)	(43,466)
Swiss Prime Site AG*	(722)	(43,693)
		(87,159)
Textiles, Apparel & Luxury Goods (-0.3%)		
Compagnie Financiere Richemont SA Class A	(3,391)	(118,333)
The Swatch Group AG	(1,278)	(65,280)
The Swatch Group AG BR	(281)	(79,212)
		(262,825)
TOTAL SWITZERLAND		(2,009,938)
United Kingdom (-2.3%)		
Aerospace & Defense (-0.1%)		
Cobham PLC	(16,984)	(53,876)
Beverages (-0.2%)		
Diageo PLC	(1,878)	(29,539)
SABMiller PLC	(5,641)	(158,388)
		(187,927)
Chemicals (-0.1%)		
Johnson Matthey PLC	(2,756)	(61,312)
Commercial Services & Supplies (-0.1%)		
G4S PLC	(16,317)	(64,779)
Serco Group PLC	(6,678)	(58,397)
		(123,176)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Construction & Engineering (-0.0%)		
Balfour Beatty PLC	(13,826)	$ (49,240)
Containers & Packaging (-0.0%)		
Rexam PLC	(8,272)	(37,262)
Energy Equipment & Services (-0.1%)		
AMEC PLC	(4,817)	(59,094)
Food & Staples Retailing (-0.1%)		
WM Morrison Supermarkets PLC	(19,683)	(77,882)
Food Products (-0.1%)		
Associated British Foods PLC	(4,367)	(63,326)
Health Care Equipment & Supplies (-0.1%)		
Smith & Nephew PLC	(9,314)	(88,112)
Hotels, Restaurants & Leisure (-0.2%)		
Carnival PLC	(1,808)	(58,642)
Intercontinental Hotels Group PLC	(3,656)	(57,696)
Ladbrokes PLC	(20,238)	(38,295)
Thomas Cook Group PLC	(17,959)	(47,599)
Whitbread PLC	(2,782)	(58,174)
		(260,406)
Household Durables (-0.0%)		
Berkeley Group Holdings PLC*	(3,590)	(40,787)
Independent Power Producers & Energy Traders (-0.0%)		
Drax Group PLC	(8,303)	(46,526)
Industrial Conglomerates (-0.0%)		
Tomkins PLC	(15,308)	(51,483)
Insurance (-0.1%)		
Admiral Group PLC	(2,922)	(61,275)
Prudential PLC	(4,835)	(36,517)
		(97,792)
Internet & Catalog Retail (-0.0%)		
Home Retail Group PLC	(15,455)	(49,143)
Machinery (-0.0%)		
Invensys PLC	(13,872)	(49,728)
Media (-0.2%)		
British Sky Broadcasting Group PLC	(9,774)	(102,194)
Reed Elsevier PLC	(11,155)	(82,823)
		(185,017)

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Schedule of Investments (continued)
June 30, 2010 (unaudited)

	Number of Shares	Value
SHORT STOCK POSITIONS		
COMMON STOCKS		
United Kingdom		
Metals & Mining (-0.2%)		
Antofagasta PLC	(5,116)	$ (59,602)
Eurasian Natural Resources Corp.	(2,961)	(37,729)
Fresnillo PLC	(1,892)	(27,505)
Kazakhmys PLC	(3,583)	(52,665)
Lonmin PLC*	(2,512)	(52,522)
		(230,023)
Multi-Utilities (-0.1%)		
United Utilities Group PLC	(7,847)	(61,488)
Multiline Retail (-0.1%)		
Marks & Spencer Group PLC	(15,274)	(75,347)
Professional Services (-0.1%)		
The Capita Group PLC	(6,290)	(69,391)
Real Estate Management & Development (-0.0%)		
Atrium European Real Estate Ltd.	(8,880)	(38,266)
Road & Rail (-0.0%)		
Firstgroup PLC	(9,292)	(50,506)
Software (-0.1%)		
The Sage Group PLC	(16,996)	(58,555)
Textiles, Apparel & Luxury Goods (-0.1%)		
Burberry Group PLC	(5,585)	(63,159)
Tobacco (-0.1%)		
Imperial Tobacco Group PLC	(5,562)	(155,614)
Water Utilities (-0.1%)		
Severn Trent PLC	(3,231)	(59,379)
TOTAL UNITED KINGDOM		(2,443,817)
TOTAL COMMON STOCKS (Proceeds $22,539,367)		(20,219,185)
PREFERRED STOCKS (-0.1%)		
Germany (-0.1%)		
Automobiles (-0.1%)		
Volkswagen AG (Proceeds $64,828)	(732)	(64,341)
TOTAL GERMANY		(64,341)
TOTAL SECURITIES SOLD SHORT (Proceeds $22,604,195)		$ (20,283,526)

* Non-income producing security.

§ Security or portion thereof is out on loan.

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

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

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Statement of Assets and Liabilities
June 30, 2010 (unaudited)

Assets	
Investments at value, including collateral for securities on loan of $7,940,455 (Cost $141,118,909) (Note 2)	$134,383,062[1]
Foreign currency at value (cost $427,493)	429,996
Cash segregated at brokers for short sales	21,273,284
Receivable for investments sold	1,806,871
Dividend receivable	318,951
Receivable for portfolio shares sold	58,328
Prepaid expenses and other assets	13,367
Total Assets	158,283,859
Liabilities	
Advisory fee payable (Note 3)	45,690
Administrative services fee payable (Note 3)	30,317
Payable upon return of securities loaned (Note 2)	29,213,739
Securities sold short, at value (Proceeds $22,604,195)	20,283,526
Payable for investments purchased	1,769,557
Payable for portfolio shares redeemed	145,958
Dividend expense payable on securities sold short	84,754
Due to custodian	8,878
Trustees' fee payable	5,249
Other accrued expenses payable	61,763
Total Liabilities	51,649,431
Net Assets	
Capital stock, $.001 par value (Note 6)	20,852
Paid-in capital (Note 6)	125,408,082
Undistributed net investment income	1,991,580
Accumulated net realized loss on investments, short sales and foreign currency transactions	(16,375,626)
Net unrealized depreciation from investments, short sales and foreign currency translations	(4,410,460)
Net Assets	$106,634,428
Shares outstanding	20,852,368
Net asset value, offering price and redemption price per share	$5.11

[1] Including $28,406,500 of securities on loan.

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Statement of Operations
For the Six Months Ended June 30, 2010 (unaudited)

Investment Income (Note 2)	
Dividends	$ 3,512,331
Securities lending	139,829
Foreign taxes withheld	(363,282)
Total investment income	3,288,878
Expenses	
Investment advisory fees (Note 3)	610,549
Administrative services fees (Note 3)	130,487
Dividend expense for securities sold short	590,358
Custodian fees	90,689
Short sales expense	88,317
Printing fees (Note 3)	35,908
Legal fees	29,127
Audit and tax fees	21,612
Trustees' fees	12,547
Transfer agent fees	12,402
Insurance expense	3,846
Commitment fees (Note 4)	1,599
Miscellaneous expense	6,549
Total expenses	1,633,990
Less: fees waived (Note 3)	(217,862)
Net expenses	1,416,128
Net investment income	1,872,750
Net Realized and Unrealized Gain (Loss) from Investments, Short Sales and Foreign Currency Related Items	
Net realized gain from investments	4,248,127
Net realized gain from short sales	1,816,139
Net realized loss from foreign currency transactions	(48,027)
Net change in unrealized appreciation (depreciation) from investments	(26,431,454)
Net change in unrealized appreciation (depreciation) from short sales	2,679,060
Net change in unrealized appreciation (depreciation) from foreign currency translations	5,195
Net realized and unrealized loss from investments, short sales and foreign currency related items	(17,730,960)
Net decrease in net assets resulting from operations	$(15,858,210)

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Statements of Changes in Net Assets

	For the Six Months Ended June 30, 2010 (unaudited)	For the Year Ended December 31, 2009
From Operations		
Net investment income	$ 1,872,750	$ 999,305
Net realized gain from investments, short sales and foreign currency transactions	6,016,239	2,408,103
Net change in unrealized appreciation (depreciation) from investments, short sales and foreign currency translations	(23,747,199)	21,660,958
Net increase (decrease) in net assets resulting from operations	(15,858,210)	25,068,366
From Dividends and Distributions		
Dividends from net investment income	—	(1,577,832)
Distributions from net realized gains	—	(2,147,844)
Net decrease in net assets resulting from dividends and distributions	—	(3,725,676)
From Capital Share Transactions (Note 6)		
Proceeds from sale of shares	8,546,729	17,093,006
Exchange value of shares due to merger	—	59,791,876
Reinvestment of dividends and distributions	—	3,725,676
Net asset value of shares redeemed	(16,573,959)	(24,678,017)
Net increase (decrease) in net assets from capital share transactions	(8,027,230)	55,932,541
Net increase (decrease) in net assets	(23,885,440)	77,275,231
Net Assets		
Beginning of period	130,519,868	53,244,637
End of period	$106,634,428	$130,519,868
Undistributed net investment income	$ 1,991,580	$ 118,830

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Statement of Cash Flows
For the Six Months Ended June 30, 2010 (unaudited)

Cash Flows from Operating Activities		
Dividends, interest and securities lending income received	$ 3,128,865	
Gain received from litigation	68,084	
Operating expenses paid	(950,704)	
Dividend expense paid on securities sold short	(518,337)	
Purchases of long-term securities	(195,385,113)	
Proceeds from sales of long-term securities	201,074,408	
Purchases to cover securities sold short	(106,540,981)	
Proceeds from securities sold short	105,454,357	
Proceeds from short-term securities, net	1,893,000	
Net cash provided by operating activities		$ 8,223,579
Cash Flows from Financing Activities		
Proceeds from sale of shares	8,700,422	
Cost of shares redeemed	(16,614,918)	
Net cash used by financing activities		(7,914,496)
Effect of exchange rate on cash		(42,833)
Net increase in cash		266,250
Cash — beginning of period		154,868
Cash — end of period		$ 421,118
RECONCILIATION OF NET DECREASE IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net decrease in net assets resulting from operations		$(15,858,210)
Adjustments to Reconcile Net Decrease in Net Assets from Operations to Net Cash Provided by Operating Activities		
Change in dividends and interest receivable	$ (160,013)	
Change in accrued expenses	(126,153)	
Change in prepaid expenses and other assets	(2,199)	
Change in advisory fee payable	3,418	
Change in dividend expense payable on securities sold short	72,021	
Purchases of long-term securities	(195,385,113)	
Proceeds from sales of long-term securities	201,074,408	
Purchases to cover securities sold short	(106,540,981)	
Proceeds from securities sold short	105,454,357	
Proceeds from short-term securities, net	1,893,000	
Net change in unrealized depreciation from investments, short sales and foreign currency translations	23,747,199	
Net realized gain from investments, short sales and foreign currency transactions	(5,948,155)	
Total adjustments		24,081,789
Net cash provided by operating activities		$ 8,223,579
Non-Cash Activity:		
Dividend reinvestments		$ —

See Accompanying Notes to Financial Statements.

Credit Suisse Trust — International Equity Flex III Portfolio
Financial Highlights
(For a Share of the Portfolio Outstanding Throughout Each Period)

	For the Six Months Ended June 30, 2010 (unaudited)	For the Year Ended December 31,				
		2009	2008	2007	2006	2005
Per share data						
Net asset value, beginning of period	$ 5.86	$ 4.08	$ 23.58	$ 21.85	$ 16.82	$ 13.25
INVESTMENT OPERATIONS						
Net investment income	0.09	0.08	0.25	0.37	0.21	0.14
Net gain (loss) on investments, short sales and foreign currency related items (both realized and unrealized)	(0.84)	2.01	(10.11)[1]	5.58	5.19	3.53
Total from investment operations	(0.75)	2.09	(9.86)	5.95	5.40	3.67
LESS DIVIDENDS AND DISTRIBUTIONS						
Dividends from net investment income	—	(0.13)	(0.34)	(0.37)	(0.11)	(0.10)
Distributions from net realized gains	—	(0.18)	(9.30)	(3.85)	(0.26)	—
Total dividends and distributions	—	(0.31)	(9.64)	(4.22)	(0.37)	(0.10)
Net asset value, end of period	$ 5.11	$ 5.86	$ 4.08	$ 23.58	$ 21.85	$ 16.82
Total return[2]	(12.80)%	51.62%	(54.80)%	29.44%	32.51%	27.84%
RATIOS AND SUPPLEMENTAL DATA						
Net assets, end of period (000s omitted)	$106,634	$130,520	$53,245	$179,817	$242,319	$186,190
Ratio of expenses to average net assets	2.32%[3]	1.14%	1.04%	1.30%	1.36%	1.40%
Ratio of expenses to average net assets excluding short sales dividend expense	1.35%[3]	1.08%	—	—	—	—
Ratio of net investment income to average net assets	3.07%[3]	1.57%	1.40%	0.94%	1.11%	1.11%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	0.36%[3]	0.40%	0.25%	0.15%	0.23%	0.25%
Portfolio turnover rate	163%	196%	61%	62%	80%	77%

[1] The investment adviser fully reimbursed the Portfolio for a loss on a transaction not meeting the Portfolio's investment guidelines, which otherwise would have reduced the amount by $0.01.

[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 three managed investment portfolios of which one, the International Equity Flex III Portfolio (the "Portfolio"), is included in this report. The Portfolio is a diversified investment fund that seeks capital appreciation. 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. Effective May 1, 2009, the name of the Portfolio was changed from Emerging Markets Portfolio.

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

Note 2. Significant Accounting Policies

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.

In accordance with the authoritative guidance on fair value measurements and disclosures under accounting principles generally accepted in the United States of America ("GAAP"), the Portfolio discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. In accordance with GAAP, 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. GAAP 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.

Note 2. Significant Accounting Policies

The following is a summary of the inputs used as of June 30, 2010 in valuing the Portfolio's investments carried at value:

	Level 1	Level 2	Level 3	Total
Investments in Securities				
Common Stocks				
Asia	$ 3,459,739	$ —	$—	$ 3,459,739
Australia	189,192	6,065,011	—	6,254,203
Austria	—	516,008	—	516,008
Belgium	—	2,605,211	—	2,605,211
Bermuda	—	225,735	—	225,735
Denmark	—	2,301,247	—	2,301,247
Finland	—	3,283,338	—	3,283,338
France	—	9,995,694	—	9,995,694
Germany	—	11,150,213	—	11,150,213
Greece	—	160,669	—	160,669
Hong Kong	1,881,373	—	—	1,881,373
Ireland	83	19,659	—	19,742
Israel	614,393	132,057	—	746,450
Italy	4,265	3,904,603	—	3,908,868
Japan	939,112	29,593,649	—	30,532,761
Luxembourg	—	33,310	—	33,310
Netherlands	—	5,167,372	—	5,167,372
Norway	—	569,023	—	569,023
Portugal	—	679,230	—	679,230
Singapore	1,272,154	—	—	1,272,154
Spain	—	2,978,299	—	2,978,299
Sweden	—	5,819,110	—	5,819,110
Switzerland	—	5,945,205	—	5,945,205
United Kingdom	200,452	25,922,604	—	26,123,056
Preferred Stocks				
Germany	—	809,335	—	809,335
Rights				
Norway	5,066	—	—	5,066
Warrants				
Italy	196	—	—	196
Short-Term Investment	7,940,455	—	—	7,940,455
Securities Sold Short				
Common Stocks				
Austria	—	(290,874)	—	(290,874)
Belgium	—	(482,781)	—	(482,781)
Bermuda	—	(56,589)	—	(56,589)
Cyprus	—	(38,245)	—	(38,245)
Denmark	—	(457,910)	—	(457,910)
Finland	—	(240,959)	—	(240,959)
France	—	(3,013,045)	—	(3,013,045)
Germany	(63,400)	(1,238,404)	—	(1,301,804)
Italy	—	(1,262,953)	—	(1,262,953)
Japan	—	(5,528,477)	—	(5,528,477)
Luxembourg	—	(212,312)	—	(212,312)
Netherlands	—	(899,501)	—	(899,501)
Norway	—	(302,957)	—	(302,957)

Note 2. Significant Accounting Policies

	Level 1	Level 2	Level 3	Total
Portugal	$ —	$ (51,141)	$—	$ (51,141)
Spain	—	(516,974)	—	(516,974)
Sweden	—	(1,108,908)	—	(1,108,908)
Switzerland	—	(2,009,938)	—	(2,009,938)
United Kingdom	—	(2,443,817)	—	(2,443,817)
Preferred Stocks				
Germany	—	(64,341)	—	(64,341)
Other Financial Instruments*	—	—	—	—
	$16,443,080	$97,656,456	$—	$114,099,536

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

Effective January 1, 2010, the Portfolio adopted FASB amendments to authoritative guidance which requires the Portfolio to disclose details of significant transfers in and out of Level 1 and Level 2 measurements and the reasons for the transfers. For the six months ended June 30, 2010, as a result of the fair value pricing procedures for international investments utilized by the Portfolio, certain securities may have transferred in and out of Level 1 and Level 2 measurements during the period.

B) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES — Effective January 1, 2009, the Portfolio adopted amendments to authoritative guidance on disclosures about derivative instruments and hedging activities which require that the Portfolio disclose (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 portfolio's financial position, financial performance, and cash flows. The Portfolio has not entered into any derivative or hedging activities during the period covered by this report.

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 and dividend expense on short sales 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 GAAP.

Note 2. Significant Accounting Policies

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.

The Portfolio adopted the authoritative guidance for uncertainty in income taxes and recognizes a tax benefit or liability from an uncertain position only if it is more likely than not that the position is sustainable based solely on its technical merits and consideration of the relevant taxing authority's widely understood administrative practices and procedures. 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 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 AG, pools available cash into a short-term variable rate time deposit issued by State Street Bank and Trust Company ("SSB"), the Portfolio's custodian. The short-term time deposit issued by SSB is a variable rate account classified as a short-term investment.

H) FUTURES — The Portfolio may enter into futures contracts to the extent permitted by its investment policies and objectives. The Portfolio may use futures contracts to gain exposure to, or hedge against changes in equities. 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

Note 2. Significant Accounting Policies

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 contract may not correlate with the changes in the value of the underlying instruments. With futures, there is minimal counterparty credit risk to the Portfolio since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default. 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 may be required for a futures transaction. At June 30, 2010, the Portfolio had no open futures contracts.

I) SHORT SALES — The Portfolio enters into short sales transactions collateralized by cash deposits received from brokers in connection with securities lending activities (see note J) and securities. Cash deposits are shown as cash segregated at brokers on the Statement of Assets and Liabilities. The collateral amounts required are determined daily by reference to the market value of the short positions. Short sales expose the Portfolio to the risk that it will be required to cover its short position at a time when the securities have appreciated in value, thus resulting in a loss to the Portfolio. The Portfolio's loss on a short sale could theoretically be unlimited in a case where the Portfolio is unable, for whatever reason, to close out its short position. Short sales also involve transaction and other costs that will reduce potential gains and increase potential portfolio losses. The use by the Portfolio of short sales in combination with long positions in its portfolio in an attempt to improve performance may not be successful and may result in greater losses or lower positive returns than if the Portfolio held only long positions. It is possible that the Portfolio's long equity positions will decline in value at the same time that the value of the securities it has sold short increases, thereby increasing potential losses to the Portfolio. In addition, the Portfolio's short selling strategies may limit its ability to fully benefit from increases in the equity markets. Short selling also involves a form of financial leverage that may exaggerate any losses realized by the Portfolio. Also, there is the risk that the counterparty to a short sale may fail to honor its contractual terms, causing a loss to the Portfolio.

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

Note 2. Significant Accounting Policies

lending activity is either in the form of cash segregated at brokers or pooled together with cash collateral for other funds/portfolios advised by Credit Suisse and invested in a variety of investments, including 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, 2010, total earnings from the Portfolio's investment in cash collateral received in connection with securities lending arrangements was $187,161, of which $9,160 was rebated to borrowers (brokers). The Portfolio retained $139,829 in income from the cash collateral investment, and SSB, as lending agent, was paid $38,172. Securities lending income is accrued as earned.

K) 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.

L) 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

Note 2. Significant Accounting Policies

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, 2010, the Portfolio had no open forward foreign currency contracts.

M) 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. For its investment advisory services, Credit Suisse is entitled to receive a fee from the Portfolio at an annual rate of 1.00% of the Portfolio's average daily net assets. For the six months ended June 30, 2010, investment advisory fees earned and voluntarily waived were $610,549 and $217,862, respectively. Fee waivers and

Note 3. Transactions with Affiliates and Related Parties

expense reimbursements are voluntary and may be discontinued by Credit Suisse at any time.

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, 2010, co-administrative services fees earned by CSAMSI were $54,950.

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 the relative average net assets of each fund/portfolio, subject to an annual minimum fee. For the six months ended June 30, 2010, co-administrative services fees earned by SSB (including out-of-pocket expenses) were $75,537.

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 services. For the six months ended June 30, 2010, Merrill was paid $15,165 for its services by 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 committed, unsecured line of credit facility ("Credit Facility") for temporary or emergency purposes with SSB. Under the terms of the Credit Facility, the Participating Funds pay an aggregate commitment fee 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 either the Overnight Federal Funds rate or the Overnight LIBOR rate plus a spread. At June 30, 2010, and during the six months ended June 30, 2010, the Portfolio had no borrowings under the Credit Facility.

Note 5. Purchases and Sales of Securities

For the six months ended June 30, 2010, purchases and sales of investment securities (excluding short sales and short-term investments) were $196,235,844 and $202,062,684, respectively. Securities sold short and purchases to cover securities sold short were $105,994,999 and $106,839,181, respectively.

At June 30, 2010, 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 depreciation from investments were $141,118,909, $4,811,724, $(11,547,571) and $(6,735,847), respectively.

At June 30, 2010, the identified proceeds for federal income tax purposes, as well as the gross unrealized appreciation from securities sold short for those securities having an excess of proceeds over value, gross unrealized depreciation from investments for those securities having an excess of value over proceeds and the net unrealized appreciation from securities sold short were $(22,604,195), $2,580,796, $(260,127) and $2,320,669, 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, 2010 (unaudited)	For the Year Ended December 31, 2009
Shares sold	1,486,743	3,357,893
Shares exchanged due to merger	—	10,314,385
Shares issued in reinvestment of dividends and distributions	—	643,468
Shares redeemed	(2,919,993)	(5,091,113)
Net increase (decrease)	(1,433,250)	9,224,633

On June 30, 2010, 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	82%

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

Note 7. Acquisition of Credit Suisse Trust — International Equity Flex I Portfolio and Credit Suisse Trust — International Equity Flex II Portfolio

On December 11, 2009, Credit Suisse Trust — International Equity Flex III Portfolio acquired all of the net assets of Credit Suisse Trust — International Equity Flex I Portfolio and Credit Suisse Trust — International Equity Flex II Portfolio, both open-end investment companies, pursuant to a plan of reorganization approved by the Board of Trustees on August 18, 2009. The purpose of the transaction was to combine three funds managed by Credit Suisse with comparable investment objectives and strategies. The acquisition was accomplished by a tax-free exchange of 2,140,708 shares of Credit Suisse Trust — International Equity Flex I Portfolio valued at $21,716,138 and 4,055,155 shares of Credit Suisse Trust — International Equity Flex II Portfolio valued at $38,075,738 for 10,314,385 shares of Credit Suisse Trust — International Equity Flex III Portfolio. The investment portfolios of Credit Suisse Trust — International Equity Flex I Portfolio and Credit Suisse Trust — International Equity Flex II Portfolio had a fair value at December 11, 2009 of $21,695,471 and $38,080,582 and identified costs of $18,350,197 and $32,684,366, respectively, which were the principal assets acquired by Credit Suisse Trust — International Equity Flex III Portfolio. For financial reporting purposes, assets received and shares issued by Credit Suisse Trust — International Equity Flex III Portfolio were recorded at fair value; however the cost basis of the investments received from Credit Suisse Trust — International Equity Flex I Portfolio and Credit Suisse Trust — International Equity Flex II Portfolio were carried forward to align ongoing reporting of Credit Suisse Trust — International Equity Flex III Portfolio's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes. Immediately prior to the merger, the net assets of Credit Suisse Trust — International Equity Flex III Portfolio were $69,332,521.

Note 7. Acquisition of Credit Suisse Trust — International Equity Flex I Portfolio and Credit Suisse Trust — International Equity Flex II Portfolio

Credit Suisse Trust — International Equity Flex III Portfolio pro forma results of operations for the year ended December 31, 2009 are as follows:

Net investment income	$ 2,421,259[1]
Net gain from investments, short sales and foreign currency related items	38,720,089[2]
Net increase in net assets resulting from operations	$41,141,348

Because the combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of net investment income and net gain on investments of Credit Suisse Trust — International Equity Flex I Portfolio and Credit Suisse Trust — International Equity Flex II Portfolio that have been included in Credit Suisse Trust — International Equity Flex III Portfolio's statement of operations since December 11, 2009.

[1] $999,305 as reported, plus $784,313 and $475,788 for Credit Suisse Trust — International Equity Flex I Portfolio and Credit Suisse Trust — International Equity Flex II Portfolio, respectively, premerger, plus $161,853 of pro-forma gross expenses eliminated.

[2] $24,069,061 as reported, plus $6,002,603 and $8,648,425 for Credit Suisse Trust — International Equity Flex I Portfolio and Credit Suisse Trust — International Equity Flex II Portfolio, respectively, premerger.

Note 8. 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 9. Subsequent Events

Effective June 30, 2009, the Portfolio adopted the FASB amendments to general standards on accounting for and disclosures of subsequent events. Management has evaluated the possibility of subsequent events existing in the Portfolio's financial statements through August 25, 2010. Management has determined that there are no material events that would require disclosure in the Portfolio's financial statements through this date.

Notice of Privacy and Information Practices (unaudited)

At Credit Suisse, we know that you are concerned with how we protect and handle nonpublic personal information that identifies you. This notice is designed to help you understand what nonpublic personal information we collect from you and from other sources, and how we use that information in connection with your investments and investment choices that may be available to you. Except where otherwise noted, this notice is applicable only to consumers who are current or former investors, meaning individual persons whose investments are primarily for household, family or personal use ("individual investors"). Specified sections of this notice, however, also apply to other types of investors (called "institutional investors"). Where the notice applies to institutional investors, the notice expressly states so. This notice is being provided by Credit Suisse Funds and Credit Suisse Closed-End Funds. This notice applies solely to U.S. registered investment companies advised by Credit Suisse Asset Management, LLC.

Categories of information we may collect:

We may collect information about you, including nonpublic personal information, such as

- Information we receive from you on applications, forms, agreements, questionnaires, Credit Suisse websites and other websites that are part of our investment program, or in the course of establishing or maintaining a customer relationship, such as your name, address, e-mail address, Social Security number, assets, income, financial situation; and
- Information we obtain from your transactions and experiences with us, our affiliates, or others, such as your account balances or other investment information, assets purchased and sold, and other parties to a transaction, where applicable.

Categories of information we disclose and parties to whom we disclose it:

- We do not disclose nonpublic personal information about our individual investors, except as permitted or required by law or regulation. Whether you are an individual investor or institutional investor, we may share the information described above with our affiliates that perform services on our behalf, and with our asset management and private banking affiliates; as well as with unaffiliated third parties that perform services on our behalf, such as our accountants, auditors, attorneys, broker-dealers, fund administrators, and other service providers.

- We want our investors to be informed about additional products or services. Whether you are an individual investor or an institutional investor, we may disclose information, including nonpublic personal information, regarding our transactions and experiences with you to our affiliates.
- In addition, whether you are an individual investor or an institutional investor, we reserve the right to disclose information, including nonpublic personal information, about you to any person or entity, including without limitation any governmental agency, regulatory authority or self-regulatory organization having jurisdiction over us or our affiliates, if (i) we determine in our discretion that such disclosure is necessary or advisable pursuant to or in connection with any United States federal, state or local, or non-U.S., court order (or other legal process), law, rule, regulation, or executive order or policy, including without limitation any anti-money laundering law or the USA PATRIOT Act of 2001; and (ii) such disclosure is not otherwise prohibited by law, rule, regulation, or executive order or policy.

Confidentiality and security

- To protect nonpublic personal information about individual investors, we restrict access to those employees and agents who need to know that information to provide products or services to us and to our investors. We maintain physical, electronic, and procedural safeguards to protect nonpublic personal information.

Other Disclosures

This notice is not intended to be incorporated in any offering materials, but is a statement of our current Notice of Privacy and Information Practices and may be amended from time to time. This notice is current as of May 3, 2010.

Proxy Voting and Portfolio Holdings Information (unaudited)

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

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

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

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Dreyfus Investment Portfolios, MidCap Stock Portfolio

SEMIANNUAL REPORT June 30, 2010

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 CHAIRMAN AND 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, 2010, through June 30, 2010.

After posting solid gains over the first quarter of 2010, stocks encountered renewed volatility in the second quarter, which caused most equity indices to erase their previous gains and end the reporting period lower than where they began. The second-quarter correction occurred despite positive GDP reports, as manufacturing activity improved and unemployment began to moderate in a recovery that has so far proved sustainable but milder than historical averages. Indeed, many of the headlines that have affected investors emanated from overseas markets, including the sovereign debt crisis in Europe and inflation fears in China.

Despite recent headlines about the current state of the U.S. economy, we still believe that it is unlikely that we'll encounter a "double-dip" recession. Instead, we expect current financial strains to ease and the domestic economy to expand at a moderate pace over the second half of the year. However, we currently see a number of downside risks across the global markets that could result in volatility over the short term, which is why we still believe that a long-term investment focus with an emphasis on high-quality stocks may be suitable for many investors. As always, your financial advisor can help you assess both the risks and opportunities provided by the global financial markets in this investment climate.

For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

Thank you for your continued confidence and support.

Sincerely,

Jonathan R. Baum
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 15, 2010

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2010, through June 30, 2010, as provided by Michael Dunn, Oliver Buckley, Langton C. Garvin and Patrick Slattery, Portfolio Managers

Fund and Market Performance Overview

For the six-month period ended June 30, 2010, Dreyfus Investment Portfolios, MidCap Stock Portfolio produced a total return of –0.79% for its Initial shares, and its Service shares produced a total return of –0.84%.[1] In comparison, the fund's benchmark, the Standard & Poor's MidCap 400 Index ("S&P 400 Index"), produced a total return of –1.36% for the same period.[2]

Stock prices came under pressure late in the reporting period from economic uncertainties, driving equity market averages lower. Midcap stocks, which generated relatively strong gains earlier in 2010, emerged from the reporting period with milder losses than large-cap stocks. The fund produced higher returns than its benchmark, mainly due to the success of our stock selection process in several areas, most notably the health care and consumer-related sectors.

The Fund's Investment Approach

The fund 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 fund normally invests at least 80% of its assets in stocks of midsize companies. The fund 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.

Economic Uncertainties Erased Earlier Gains

During the first four months of 2010, U.S. companies generally issued strong earnings reports and offered positive guidance on future financial results in a recovering global economic environment, driving stock prices broadly higher. Midcap stocks outperformed their large-cap counterparts at the time.

However, beginning in early May investor confidence was undermined by a series of new global and domestic economic challenges. These included a sovereign debt crisis that threatened to spread from Greece to other members of the European Union, increasing inflationary pressures in China stemming from soaring property values, rising national deficit levels through much of the developed world, and concerns that the U.S. recovery could be weakening in light of stubbornly high unemployment. As a result, stock prices fell broadly in May and June under the combined weight of these developments. However, because midcap stocks posted relatively strong gains earlier in the year, their losses for the entire reporting period proved relatively modest compared to their large-cap counterparts.

Quantitative Factors Produced Mixed Results

The various quantitative modeling factors at the heart of the fund's stock selection process worked well during the first quarter of 2010, with valuation, momentum and quality-related factors all contributing positively to the fund's strong performance relative to the benchmark. During the second quarter of 2010, however, fewer of the fund's quantitative factors enhanced performance, and some detracted from returns. As a result, the fund's margin of outperformance over its benchmark narrowed during the second half of the reporting period.

Health Care and Consumer Stocks Led Performance

The fund's strongest single performer over the first half of 2010 was OSI Pharmaceuticals, which was acquired by Astellas Pharma at a substantial premium to OSI's then-prevailing stock price. The fund sold its position in OSI following the announcement of the acquisition. At the same time, the portfolio did not hold or was underweighted some of the weaker health care stocks such as drug developer Vertex Pharmaceuticals and managed care provider Health Net, further contributing to the fund's relatively good performance in the sector. The fund's consumer-related holdings produced benchmark-beating results as well, led by retailers appealing to value-conscious consumers, such as Ross Stores and Aeropostale, and auto parts and repair firm Advance Auto Parts.

Technology-related holdings delivered mixed results, as the sector provided some of the fund's top performers as well as a few notable disappointments. For example, technology consultant Gartner and equipment maker F5 Networks both climbed due to strong financial results and positive guidance, while enterprise software developer Sybase rose sharply on news of an attractive takeover offer. On the other hand, technology wholesaler Tech Data and technology solutions provider Computer Sciences both dipped despite reporting good financial results due to uncertainties about their future prospects.

The fund lagged its benchmark in the financial services and basic materials sectors. Disappointments during the reporting period included automobile financing firm AmeriCredit and chemical producers Huntsman and Minerals Technologies. In addition, vehicle and equipment manufacturer Oshkosh lost ground due to concerns regarding future earnings growth.

Maintaining a Steady Approach

Despite the market's stumble in May and June, the U.S. economy currently has appeared to remain on track toward continued growth, but the rate of growth and the economy's longer-term prospects have remained uncertain. Regardless of economic developments, the fund's investment activities have remained consistently guided by our disciplined stock selection process. We believe our steady approach positions the fund in seeking to meet its objectives over time.

July 15, 2010

Equity funds are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

Stocks of midcap companies often experience sharper price fluctuations than stocks of large-cap companies.

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.

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. Return figures provided reflect the absorption of certain fund expenses by The Dreyfus Corporation pursuant to an agreement in effect through August 31, 2010, at which time it may be extended, terminated or modified. Had these expenses not been absorbed, the fund'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. Investors cannot invest directly in an index.*

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), redemption fees and expenses associated with variable annuity or insurance contracts, 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 Dreyfus Investment Portfolios, MidCap Stock Portfolio from January 1, 2010 to June 30, 2010. 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, 2010

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.05	$ 4.44
Ending value (after expenses)	$992.10	$991.60

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, 2010

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.11	$ 4.51
Ending value (after expenses)	$1,020.73	$1,020.33

† *Expenses are equal to the fund's annualized expense ratio of .82% for Initial shares and .90% for Service shares, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2010 (Unaudited)

Common Stocks—100.5%	Shares		Value ($)
Consumer Discretionary—13.8%			
Aaron's	37,200	a	635,004
Advance Auto Parts	28,500		1,430,130
Aeropostale	53,262	b	1,525,424
American Greetings, Cl. A	42,000		787,920
AnnTaylor Stores	13,200	b	214,764
Autoliv	8,800		421,080
Brinker International	64,350		930,501
Cheesecake Factory	89,800	a,b	1,998,948
Collective Brands	52,100	b	823,180
Dollar Tree	15,300	b	636,939
Expedia	21,600		405,648
Fossil	39,300	b	1,363,710
ITT Educational Services	7,100	a,b	589,442
J Crew Group	25,900	b	953,379
PetSmart	41,600		1,255,072
Ross Stores	9,300	a	495,597
Scholastic	39,100		943,092
Signet Jewelers	30,500	b	838,750
Timberland, Cl. A	26,700	b	431,205
TRW Automotive Holdings	10,500	b	289,485
Warnaco Group	31,450	b	1,136,603
Wyndham Worldwide	44,000		886,160
			18,992,033
Consumer Staples—4.3%			
Corn Products International	10,100		306,030
Dr. Pepper Snapple Group	7,900		295,381
Energizer Holdings	20,300	b	1,020,684
Estee Lauder, Cl. A	7,700		429,121
Hormel Foods	27,250		1,103,080
Lancaster Colony	35,900		1,915,624
Tyson Foods, Cl. A	24,600		403,194
Universal	9,500		376,960
			5,850,074

Common Stocks (continued)	Shares		Value ($)
Energy—6.1%			
Atwood Oceanics	8,700	b	222,024
Cimarex Energy	18,400		1,317,072
EXCO Resources	72,300		1,056,303
Forest Oil	10,900	b	298,224
Oceaneering International	17,900	b	803,710
Oil States International	18,700	b	740,146
Pioneer Natural Resources	16,700		992,815
Southern Union	60,100		1,313,786
Unit	40,500	b	1,643,895
			8,387,975
Financial—20.4%			
Affiliated Managers Group	2,400	b	145,848
Alexandria Real Estate Equities	16,800	a,c	1,064,616
American Financial Group	66,575		1,818,829
AmeriCredit	93,100	a,b	1,696,282
Annaly Capital Management	43,200	c	740,880
Corporate Office Properties Trust	11,300	a,c	426,688
Digital Realty Trust	13,800	a,c	795,984
Eaton Vance	24,000		662,640
Equity One	31,800	a,c	496,080
Federated Investors, Cl. B	21,900	a	453,549
Fifth Third Bancorp	75,200		924,208
First Horizon National	51,792	b	593,023
FirstMerit	65,106		1,115,266
HCC Insurance Holdings	52,450		1,298,662
Highwoods Properties	15,500	c	430,280
Hospitality Properties Trust	72,800	c	1,536,080
International Bancshares	69,800		1,164,962
Liberty Property Trust	18,200	c	525,070
Macerich	34,947	c	1,304,222
New York Community Bancorp	28,000		427,560
NewAlliance Bancshares	145,300		1,628,813
Old Republic International	42,200		511,886
Potlatch	38,500	a,c	1,375,605
Prosperity Bancshares	11,200		389,200

Common Stocks (continued)	Shares		Value ($)
Financial (continued)			
Reinsurance Group of America	17,600		804,496
SEI Investments	38,000		773,680
StanCorp Financial Group	41,300		1,674,302
SVB Financial Group	24,500	b	1,010,135
Weingarten Realty Investors	55,700	a,c	1,061,085
Westamerica Bancorporation	24,700	a	1,297,244
			28,147,175
Health Care—12.8%			
Cephalon	13,300	b	754,775
Charles River Laboratories International	25,200	b	862,092
Cooper	21,200		843,548
Covance	4,000	b	205,280
Endo Pharmaceuticals Holdings	87,300	b	1,904,886
Health Net	39,600	b	965,052
Henry Schein	30,900	b	1,696,410
Hologic	89,200	b	1,242,556
Humana	29,000	b	1,324,430
Kinetic Concepts	33,000	a,b	1,204,830
LifePoint Hospitals	29,900	b	938,860
Medicis Pharmaceutical, Cl. A	75,400		1,649,752
Mylan	24,600	a,b	419,184
STERIS	43,500	a	1,351,980
Techne	33,900		1,947,555
Vertex Pharmaceuticals	7,600	b	250,040
			17,561,230
Industrial—13.2%			
Alaska Air Group	13,000	b	584,350
Carlisle Cos.	53,300		1,925,729
Cintas	13,300		318,801
Copart	34,900	b	1,249,769
Corrections Corp. of America	68,300	b	1,303,164
Donaldson	25,600		1,091,840
FTI Consulting	5,800	a,b	252,822
General Cable	16,400	a,b	437,060
Graco	12,500		352,375

Common Stocks (continued)	Shares		Value ($)
Industrial (continued)			
Hubbell, Cl. B	37,450		1,486,390
Joy Global	22,000		1,101,980
Oshkosh	76,900	b	2,396,204
Owens Corning	15,100	b	451,641
Ryder System	14,300		575,289
Timken	81,800		2,125,982
Trinity Industries	32,500		575,900
URS	29,200	b	1,149,020
Valmont Industries	10,700		777,462
			18,155,778
Information Technology—16.7%			
Advent Software	34,200	a,b	1,606,032
Broadridge Financial Solutions	44,300		843,915
CA	34,100		627,440
CommScope	47,000	b	1,117,190
Computer Sciences	27,400		1,239,850
Convergys	55,400	b	543,474
Cypress Semiconductor	137,200	b	1,377,488
DST Systems	13,800		498,732
F5 Networks	23,500	b	1,611,395
FactSet Research Systems	20,400		1,366,596
Fairchild Semiconductor International	162,300	b	1,364,943
Gartner	39,400	a,b	916,050
Harris	7,000		291,550
Hewitt Associates, Cl. A	24,900	b	858,054
Intersil, Cl. A	53,700		650,307
Micron Technology	72,400	b	614,676
Plantronics	51,300		1,467,180
Seagate Technology	35,100	b	457,704
Sybase	13,800	b	892,308
Synopsys	76,900	b	1,604,903
Tech Data	60,900	b	2,169,258
Teradata	13,700	b	417,576

Common Stocks (continued)	Shares		Value ($)
Information Technology (continued)			
Vishay Intertechnology	65,700	b	508,518
			23,045,139
Materials—5.7%			
Cabot	15,900		383,349
Crown Holdings	22,600	b	565,904
Huntsman	156,200		1,354,254
International Paper	24,000		543,120
Lubrizol	14,400		1,156,464
Minerals Technologies	31,500		1,497,510
Reliance Steel & Aluminum	32,500		1,174,875
Worthington Industries	92,200		1,185,692
			7,861,168
Telecommunication Services—.6%			
Telephone & Data Systems	28,200		**856,998**
Utilities—6.9%			
Atmos Energy	21,500		581,360
CMS Energy	25,700		376,505
Constellation Energy Group	34,200		1,102,950
DPL	98,600		2,356,540
Energen	25,400		1,125,982
IDACORP	19,800		658,746
MDU Resources Group	76,500		1,379,295
NV Energy	129,800		1,532,938
WGL Holdings	11,200		381,136
			9,495,452
Total Common Stocks (cost $143,242,885)			**138,353,022**

Other Investment—.4%			
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $541,000)	541,000	d	**541,000**

Investment of Cash Collateral for Securities Loaned—7.1%	Shares		Value ($)
Registered Investment Company;			
Dreyfus Institutional Cash Advantage Fund (cost $9,807,892)	9,807,892	d	**9,807,892**
Total Investments (cost $153,591,777)	**108.0%**		**148,701,914**
Liabilities, Less Cash and Receivables	**(8.0%)**		**(11,050,492)**
Net Assets	**100.0%**		**137,651,422**

[a] *Security, or portion thereof, on loan. At June 30, 2010, the total market value of the fund's securities on loan is $9,915,920 and the total market value of the collateral held by the fund is $10,264,057, consisting of cash collateral of $9,807,892 and U.S. Government and agency securities valued at $456,165.*

[b] *Non-income producing security.*

[c] *Investment in real estate investment trust.*

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

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Financial	20.4	Utilities	6.9
Information Technology	16.7	Energy	6.1
Consumer Discretionary	13.8	Materials	5.7
Industrial	13.2	Consumer Staples	4.3
Health Care	12.8	Telecommunication Services	.6
Money Market Investments	7.5		**108.0**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2010 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $9,915,920)—Note 1(b):		
Unaffiliated issuers	143,242,885	138,353,022
Affiliated issuers	10,348,892	10,348,892
Cash		9,072
Dividends and interest receivable		137,094
Receivable for shares of Beneficial Interest subscribed		3,532
Prepaid expenses		2,000
		148,853,612
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		103,109
Liability for securities on loan—Note 1(b)		9,807,892
Payable for shares of Beneficial Interest redeemed		1,245,951
Accrued expenses		45,238
		11,202,190
Net Assets ($)		**137,651,422**
Composition of Net Assets ($):		
Paid-in capital		207,822,804
Accumulated undistributed investment income—net		554,037
Accumulated net realized gain (loss) on investments		(65,835,556)
Accumulated net unrealized appreciation (depreciation) on investments		(4,889,863)
Net Assets ($)		**137,651,422**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	121,651,846	15,999,576
Shares Outstanding	11,832,927	1,555,885
Net Asset Value Per Share ($)	**10.28**	**10.28**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2010 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends:	
Unaffiliated issuers	1,176,751
Affiliated issuers	828
Income from securities lending—Note 1(b)	10,685
Total Income	**1,188,264**
Expenses:	
Investment advisory fee—Note 3(a)	570,970
Professional fees	25,436
Distribution fees—Note 3(b)	21,170
Custodian fees—Note 3(b)	9,787
Prospectus and shareholders' reports	8,198
Shareholder servicing costs—Note 3(b)	3,164
Loan commitment fees—Note 2	2,567
Trustees' fees and expenses—Note 3(c)	1,235
Miscellaneous	4,723
Total Expenses	**647,250**
Less—reduction in investment advisory due to undertaking—Note 3(a)	(14,415)
Less—reduction in fees due to earnings credits—Note 1(b)	(4)
Net Expenses	**632,831**
Investment Income—Net	**555,433**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	10,366,115
Net unrealized appreciation (depreciation) on investments	(11,734,483)
Net Realized and Unrealized Gain (Loss) on Investments	**(1,368,368)**
Net (Decrease) in Net Assets Resulting from Operations	**(812,935)**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009
Operations ($):		
Investment income—net	555,433	1,512,565
Net realized gain (loss) on investments	10,366,115	(28,024,642)
Net unrealized appreciation (depreciation) on investments	(11,734,483)	67,186,562
Net Increase (Decrease) in Net Assets Resulting from Operations	**(812,935)**	**40,674,485**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(1,351,353)	(1,799,027)
Service Shares	(158,748)	(141,551)
Total Dividends	**(1,510,101)**	**(1,940,578)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	5,877,191	7,850,230
Service Shares	2,269,931	883,388
Dividends reinvested:		
Initial Shares	1,351,353	1,799,027
Service Shares	158,748	141,551
Cost of shares redeemed:		
Initial Shares	(15,615,653)	(37,882,349)
Service Shares	(2,119,365)	(3,056,034)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**(8,077,795)**	**(30,264,187)**
Total Increase (Decrease) in Net Assets	**(10,400,831)**	**8,469,720**
Net Assets ($):		
Beginning of Period	148,052,253	139,582,533
End of Period	**137,651,422**	**148,052,253**
Undistributed investment income—net	554,037	1,508,705

	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009
Capital Share Transactions:		
Initial Shares		
Shares sold	518,892	925,743
Shares issued for dividends reinvested	115,896	248,142
Shares redeemed	(1,419,050)	(4,564,894)
Net Increase (Decrease) in Shares Outstanding	**(784,262)**	**(3,391,009)**
Service Shares		
Shares sold	195,756	105,477
Shares issued for dividends reinvested	13,603	19,524
Shares redeemed	(191,659)	(362,450)
Net Increase (Decrease) in Shares Outstanding	**17,700**	**(237,449)**

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. The fund's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the fund's financial statements.

Initial Shares	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009	2008	2007	2006	2005
Per Share Data ($):						
Net asset value, beginning of period	10.46	7.85	15.52	17.39	19.15	17.62
Investment Operations:						
Investment income—net [a]	.04	.11	.09	.12	.08	.08
Net realized and unrealized gain (loss) on investments	(.11)	2.62	(5.63)	.19	1.39	1.53
Total from Investment Operations	(.07)	2.73	(5.54)	.31	1.47	1.61
Distributions:						
Dividends from investment income—net	(.11)	(.12)	(.12)	(.07)	(.07)	(.01)
Dividends from net realized gain on investments	–	–	(2.01)	(2.11)	(3.16)	(.07)
Total Distributions	(.11)	(.12)	(2.13)	(2.18)	(3.23)	(.08)
Net asset value, end of period	10.28	10.46	7.85	15.52	17.39	19.15
Total Return (%)	(.79)[b]	35.51	(40.42)	1.50	7.75	9.17
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.82[c]	.84	.82	.80	.80	.79
Ratio of net expenses to average net assets	.82[c,d]	.84[d]	.81	.80[d]	.80[d]	.79[d]
Ratio of net investment income to average net assets	.74[c]	1.22	.76	.73	.48	.43
Portfolio Turnover Rate	41.54[b]	75.42	86.74	116.83	149.02	99.27
Net Assets, end of period ($ x 1,000)	121,652	131,962	125,701	277,602	338,081	362,789

[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, 2010 (Unaudited)	Year Ended December 31, 2009	2008	2007	2006	2005
Per Share Data ($):						
Net asset value, beginning of period	10.46	7.82	15.45	17.31	19.06	17.57
Investment Operations:						
Investment income—net [a]	.04	.10	.08	.09	.06	.04
Net realized and unrealized gain (loss) on investments	(.11)	2.63	(5.60)	.21	1.39	1.52
Total from Investment Operations	(.07)	2.73	(5.52)	.30	1.45	1.56
Distributions:						
Dividends from investment income—net	(.11)	(.09)	(.10)	(.05)	(.04)	–
Dividends from net realized gain on investments	–	–	(2.01)	(2.11)	(3.16)	(.07)
Total Distributions	(.11)	(.09)	(2.11)	(2.16)	(3.20)	(.07)
Net asset value, end of period	10.28	10.46	7.82	15.45	17.31	19.06
Total Return (%)	(.84)[b]	35.33	(40.44)	1.39	7.68	8.93
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	1.07[c]	1.09	1.06	1.05	1.05	1.04
Ratio of net expenses to average net assets	.90[c]	.90	.90	.90	.91	1.00
Ratio of net investment income to average net assets	.66[c]	1.16	.62	.58	.37	.22
Portfolio Turnover Rate	41.54[b]	75.42	86.74	116.83	149.02	99.27
Net Assets, end of period ($ x 1,000)	16,000	16,090	13,881	39,009	85,277	89,264

[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 "Company") 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 "fund"). The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The fund is a diversified series. The fund'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 fund's investment adviser.

MBSC Securities Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, is the distributor of the fund's shares, which are sold without a sales charge. The fund 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, 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 Company 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 Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The Company 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 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 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 American Depository Receipts 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 fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

Level 1—unadjusted 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 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, 2010 in valuing the fund's investments:

	Level 1– Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3– Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Equity Securities– Domestic†	137,093,192	–	–	**137,093,192**
Equity Securities– Foreign†	1,259,830	–	–	**1,259,830**
Mutual Funds	10,348,892	–	–	**10,348,892**

† *See Statement of Investments for industry classification.*

In January 2010, FASB issued Accounting Standards Update ("ASU") No. 2010-06 "Improving Disclosures about Fair Value Measurements". The portions of ASU No. 2010-06 which require reporting entities to prepare new disclosures surrounding amounts and reasons for significant transfers in and out of Level 1 and Level 2 fair value measurements as well as inputs and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3 have been adopted by the fund. The remaining portion of ASU No. 2010-06 requires reporting entities to make new disclosures about information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of activity in Level 3 fair value measurements. These new and revised disclosures are required to be implemented for fiscal years beginning after December 15, 2010. Management is currently evaluating the impact that the adoption of this remaining portion of ASU No. 2010-06 may have on the fund's financial statement disclosures.

(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 bank 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 The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy that, at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. 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 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, 2010, The Bank of New York Mellon earned $4,579 from lending portfolio securities, pursuant to the securities lending agreement.

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

The fund may invest in shares of certain affiliated investment companies also advised or managed by Dreyfus. Investments in affiliated investment companies for the period ended June 30, 2010 were as follows:

Affiliated Investment Company	Value 12/31/2009 ($)	Purchases ($)	Sales ($)	Value 6/30/2010 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	1,435,000	11,442,000	12,336,000	541,000	.4
Dreyfus Institutional Cash Advantage Fund	20,534,022	39,182,517	49,908,647	9,807,892	7.1
Total	**21,969,022**	**50,624,517**	**62,244,647**	**10,348,892**	**7.5**

(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 GAAP.

(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.

As of and during the period ended June 30, 2010, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions 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, 2009 remains subject to examination by the Internal Revenue Service and state taxing authorities.

The fund has an unused capital loss carryover of $75,945,495 available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2009. If not applied, $30,029,499 of the carryover expires in fiscal 2016 and $45,915,996 expires in fiscal 2017.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2009 was as follows: ordinary income $1,940,578. The tax character of current year distributions will be determined at the end of the current year.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $225 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing. During the period ended June 30, 2010, the fund did not borrow under the Facilities.

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.

The Manager has agreed, from March 1, 2010 to August 31, 2010, to waive receipt of its fees and/or assume the expenses of the fund so that the expenses of neither class exclusive of taxes, brokerage fees, interest on borrowings, commitment fees and extraordinary expenses, do not exceed .90% of the value of the average daily net assets of such class. During the period ended June 30, 2010, the Manager waived receipt of fees of $14,415, 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, 2010, Service shares were charged $21,170 pursuant to the 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, 2010, the fund was charged $396 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

The fund compensates The Bank of New York Mellon under a cash management agreement for performing cash management services related to fund subscriptions and redemptions. During the period ended June 30, 2010, the fund was charged $55 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $4.

The fund also compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. During the period ended June 30, 2010, the fund was charged $9,787 pursuant to the custody agreement.

During the period ended June 30, 2010, the fund was charged $2,742 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 $91,222, Rule 12b-1 distribution plan fees $3,493, custodian fees $5,856, chief compliance officer fees $4,113 and transfer agency per account fees $287, which are offset against an expense reimbursement currently in effect in the amount of $1,862.

(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, 2010, amounted to $61,972,517 and $68,991,391, respectively.

The provisions of ASC Topic 815 "Derivatives and Hedging" require 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 fund held no derivatives during the period ended June 30, 2010. These disclosures did not impact the notes to the financial statements.

At June 30, 2010, accumulated net unrealized depreciation on investments was $4,889,863, consisting of $11,645,384 gross unrealized appreciation and $16,535,247 gross unrealized depreciation.

At June 30, 2010, 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).

INFORMATION ABOUT THE REVIEW AND APPROVAL OF THE FUND'S INVESTMENT ADVISORY AGREEMENT (Unaudited)

At a meeting of the Board of Trustees of Dreyfus Investment Portfolios (the "Company") held on February 4, 2010, the Board considered the re-approval for the six-month period (through August 31, 2010) of the fund's Investment Advisory Agreement with the Manager, pursuant to which the Manager provides the fund with investment advisory and administrative services. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the Company, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of the Manager.

Analysis of Nature, Extent and Quality of Services Provided to the Fund. The Board members considered information previously provided to them in a presentation from representatives of the Manager at the Board's July 14-15, 2009 meeting (the "July Meeting") regarding services provided to the fund and other funds in the Dreyfus fund complex, and representatives of the Manager confirmed that there had been no material changes in this information. The Board also discussed the nature, extent and quality of the services provided to the fund pursuant to its Investment Advisory Agreement. The Manager's representatives reviewed the fund's distribution of accounts, and the Board members also referenced information provided and discussions at the July Meeting regarding the relationships the Manager has with various intermediaries and the different needs of each. The Board members noted that the fund's shares are offered only to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The Manager's representatives noted the diversity of distribution of the funds in the Dreyfus fund complex, and the Manager's corresponding need for broad, deep and diverse resources to be able to provide ongoing shareholder services to each distribution channel, including that of the fund. The Manager also provided the number of separate accounts investing in the fund, as well as the fund's asset size.

The Board members also considered discussions at the July Meeting regarding the Manager's research and portfolio management capabilities; oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements; extensive administrative, accounting and compliance infrastructure; and brokerage policies and practices, the standards applied in seeking best execution and policies and practices regarding soft dollars.

Comparative Analysis of the Fund's Performance and Investment Advisory Fee and Expense Ratio. The Board members reviewed the fund's performance and comparisons to a group of mid-cap core funds underlying variable insurance products (the "Performance Group") and to a larger universe of funds consisting of all mid-cap core funds underlying variable insurance products (the "Performance Universe"), selected and provided by Lipper, Inc. ("Lipper"), an independent provider of investment company data. The Board was provided with a description of the methodology Lipper used to select the Performance Group and Performance Universe, as well as the Expense Group and Expense Universe (discussed below). The Board members discussed the results of the comparisons for various periods ended December 31, 2009. The Board members noted that the fund's total return performance for its Initial shares was below the Performance Group and Performance Universe medians for all periods. Representatives of the manager reminded the Board that Franklin Portfolio's management team assumed responsibility for managing the fund in September 2007 and that Franklin Portfolio merged with Mellon Capital Management in January 2009. Representatives of the Manager then discussed with the Board the changes made to portfolio management's investment process for the fund as a result of the merger and noted that the fund's total return performance was 1st quartile for the 3-month period ended December 31, 2009. The Manager also provided a comparison of the fund's total returns to the returns of its benchmark index for each of the calendar years for the prior ten years.

The Board members also discussed the fund's management fee and expense ratio and reviewed the range of management fees and expense ratios as compared to a comparable group of funds (the "Expense Group") and a broader group of funds (the "Expense Universe"), each selected and provided by Lipper. The Board members noted that the actual management fee and expense ratio of the fund's Initial shares (which are not subject to a Rule 12b-1 plan) were lower than the Expense Group medians and Expense Universe medians, with the exception that the actual management fee was higher than the Expense Universe median. They also noted that the contractual management fee was below the Expense Group median. In addition, the Board noted that the expense ratio of the fund's Service shares (which are subject to a Rule 12b-1 plan) was lower than the Expense Group and Expense Universe medians. The Board considered the current fee waiver and expense reimbursement arrangement undertaken by the Manager.

Representatives of the Manager noted that the Manager or its affiliates do not manage other mutual funds or accounts with similar investment objectives, policies and strategies as the fund.

Analysis of Profitability and Economies of Scale. The Manager's representatives reviewed the dollar amount of expenses allocated and profit received by the Manager and the method used to determine such expenses and profit. The Board previously had been provided with information prepared by an independent consulting firm regarding the Manager's approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus mutual fund complex. The Board members also had been informed that the methodology had been reviewed by an independent registered public accounting firm which, like the consultant, found the methodology to be reasonable. The consulting firm also analyzed where any economies of scale might emerge in connection with the management of the fund. The Board members evaluated the profitability analysis in light of the relevant circumstances for the fund, including any decline in assets, and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund investors. The Board members also considered potential benefits to the Manager from acting as investment adviser to the fund, including any soft dollar arrangements with respect to trading the fund's investments.

It was noted that the Board members should consider the Manager's profitability with respect to the fund as part of their evaluation of whether the fee under the Investment Advisory Agreement bears a reasonable relationship to the mix of services provided by the Manager, including the nature, extent and quality of such services and that a discussion of economies of scale is predicated on increasing assets and that, if a fund's assets had been decreasing, the possibility that the Manager may have realized any economies of scale would be less. It also was noted that the profitability percentage for managing the fund was within ranges determined by appropriate court cases to be reasonable given the services rendered and that the profitability percentage for managing the fund was not unreasonable given the services provided. The Board also noted the current fee waiver and expense reimbursement arrangement and its effect on the profitability of the Manager.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to continuation of the Investment Advisory Agreement. Based on the discussions and considerations as described above, the Board made the following conclusions and determinations.

- The Board concluded that the nature, extent and quality of the services provided by the Manager are adequate and appropriate.
- While the Board was concerned with the fund's total return performance, the Board members noted that the fund's short-term performance is improving and that management had made efforts to improve the fund's performance by modifying the investment process used by portfolio management.
- The Board concluded that the fee paid by the fund to the Manager was reasonable in light of the services provided, comparative performance, expense and advisory fee information (including the fee waiver and expense reimbursement arrangement), costs of the services provided and profits to be realized and benefits derived or to be derived by the Manager from its relationship with the fund.

- The Board determined that the economies of scale which may accrue to the Manager and its affiliates in connection with the management of the fund had been adequately considered by the Manager in connection with the advisory fee rate charged to the fund, and that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Board members considered these conclusions and determinations, along with information received on a routine and regular basis throughout the year, and, without any one factor being dispositive, the Board determined that re-approval of the fund's Investment Advisory Agreement was in the best interests of the fund and its shareholders and that the Investment Advisory Agreement would be renewed through its annual renewal date of August 31, 2010.

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 1-516-338-3300

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 most recent 12-month period ended June 30 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.

 0174SA0610

The Dreyfus Socially Responsible Growth Fund, Inc.

SEMIANNUAL REPORT June 30, 2010

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

The Dreyfus Socially Responsible
Growth Fund, Inc.

The Fund

A LETTER FROM THE CHAIRMAN AND 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, 2010, through June 30, 2010.

After posting solid gains over the first quarter of 2010, stocks encountered renewed volatility in the second quarter, which caused most equity indices to erase their previous gains and end the reporting period lower than where they began. The second-quarter correction occurred despite positive GDP reports, as manufacturing activity improved and unemployment began to moderate in a recovery that has so far proved sustainable but milder than historical averages. Indeed, many of the headlines that have affected investors emanated from overseas markets, including the sovereign debt crisis in Europe and inflation fears in China.

Despite recent headlines about the current state of the U.S. economy, we still believe that it is unlikely that we'll encounter a "double-dip" recession. Instead, we expect current financial strains to ease and the domestic economy to expand at a moderate pace over the second half of the year. However, we currently see a number of downside risks across the global markets that could result in volatility over the short term, which is why we still believe that a long-term investment focus with an emphasis on high-quality stocks may be suitable for many investors. As always, your financial advisor can help you assess both the risks and opportunities provided by the global financial markets in this investment climate.

For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

Thank you for your continued confidence and support.

Sincerely,

Jonathan R. Baum
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 15, 2010

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2010, through June 30, 2010, as provided by Jocelin Reed, Portfolio Manager

Fund and Market Performance Overview

For the six-month period ended June 30, 2010, The Dreyfus Socially Responsible Growth Fund's Initial shares produced a total return of –7.03%, and the fund's Service shares returned –7.16%.[1] In comparison, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500 Index"), produced a total return of –6.64% for the same period.[2]

Stocks retreated late in the reporting period under pressure from an uncertain global economic outlook. Because the fund maintained a mildly growth-oriented bias, its returns lagged the 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 at least 80% of its assets 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 use quantitative research to identify and rank stocks within an industry or sector. Next, using fundamental analysis, we designate the most attractive of the higher ranked securities as potential purchase candidates. We then evaluate whether each company meets the fund's socially responsible investment criteria in order to determine whether the company is eligible for purchase or retention by the fund. With respect to those eligible securities, we then select investments that we consider to be the most attractive based on financial considerations.

The fund normally focuses on large-cap growth stocks; however, the fund also may invest in value-oriented stocks, midcap stocks and small-cap stocks.

Global Concerns Derailed U.S. Market Rally

U.S. corporations generally reported strong earnings, supporting broad-based gains in stock prices through April. However, an intensifying debt crisis affecting several European economies undermined expectations for continued global growth, driving economically sensitive stocks sharply lower in May and June. In addition, a major oil spill in the Gulf of Mexico weighed on energy stocks, particularly those with offshore drilling operations. As a result, the U.S. stock market gave back its earlier gains, ending the reporting period lower than where it began.

Growth Tilt Produced Mixed Results

In light of strong corporate earnings, we maintained a bias in favor of growth-oriented stocks. The resulting overweighted exposure to the information technology sector hurt the fund's performance during the last two months of the reporting period, when technology stocks led the market lower. The sector's difficulties were exemplified by Microsoft, one of the fund's larger holdings, which fell sharply in May and June despite positive reviews for an upgraded Windows operating system. Underweighted exposure to the financials sector further detracted from the fund's relative returns. On the other hand, underweighted exposure to energy stocks helped bolster returns in the wake of the Gulf oil spill.

Results from our stock selection strategy also proved mixed. Health care holdings produced notably good performance, led by robust gains in life sciences company Millipore, whose stock price climbed in response to an acquisition offer. Another proposed acquisition, for cosmetics maker *Bare Escentuals*, augmented the fund's returns in the consumer staples sector. In the energy sector, relative performance benefited from an emphasis on attractively valued oil services companies, such as *Smith International*.

On the negative side, our focus on stable earnings led the fund to largely avoid the volatile commercial banking area, which performed relatively well during the reporting period. Instead, the fund concentrated on financial companies with exposure to the capital markets, such as Charles Schwab and State Street, which were hurt by the falling stock market. In the industrials sector, internationally diversified holdings such as United Technologies lost ground due to the European debt crisis. Finally, in the basic materials sector, Alcoa came under pressure from a global oversupply of aluminum.

Continued Emphasis on Growth

As of the end of the reporting period, we believed many stocks are attractively valued, and we remained focused on those with good growth prospects and a recent history of stable earnings. Therefore, we have maintained a growth-oriented bias, including overweighted exposure to technology stocks. We have found relatively few stocks meeting our investment criteria in the financials and energy sectors.

Emphasizing Environmentally Friendly Fuels

The fund's socially responsible investment standards encompass a wide range of environmental, employment, consumer and health-and-safety related issues. In light of the catastrophe in the Gulf of Mexico, we would like to highlight our efforts to screen the health-and-safety records of candidates for investment in the energy sector. One representative holding, Noble, has established a strong safety record in the offshore drilling industry, receiving numerous awards for its safety practices. The fund held no positions in the companies directly implicated in the disaster.

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

July 15, 2010

Please note, the position in any security highlighted with italicized typeface was sold during the reporting period.

Equity funds are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

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.

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. Investors cannot invest directly in any index.*

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), redemption fees and expenses associated with variable annuity or insurance contracts, 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, 2010 to June 30, 2010. 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, 2010

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.50	$ 5.64
Ending value (after expenses)	$929.70	$928.40

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, 2010

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.71	$ 5.91
Ending value (after expenses)	$1,020.13	$1,018.94

† *Expenses are equal to the fund's annualized expense ratio of .94% for Initial Shares and 1.18% for Service Shares, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2010 (Unaudited)

Common Stocks—98.7%	Shares		Value ($)
Consumer Discretionary—11.5%			
Discovery Communications, Cl. C	40,850	a	1,263,490
Gap	166,725		3,244,468
Garmin	60,600	b	1,768,308
Limited Brands	110,400		2,436,528
McDonald's	58,225		3,835,281
New York Times, Cl. A	273,300	a	2,364,045
Priceline.com	5,625	a	993,038
Staples	70,400		1,341,120
Target	40,900		2,011,053
TJX	75,725		3,176,664
Weight Watchers International	28,225		725,100
			23,159,095
Consumer Staples—13.4%			
Church & Dwight	42,000		2,633,820
Costco Wholesale	70,750		3,879,222
General Mills	30,800		1,094,016
Kimberly-Clark	59,275		3,593,843
PepsiCo	88,050		5,366,648
Procter & Gamble	99,375		5,960,513
Starbucks	116,300		2,826,090
Unilever (NY Shares)	60,025		1,639,883
			26,994,035
Energy—7.2%			
Cenovus Energy	75,625		1,950,369
EnCana	108,025		3,277,478
Forest Oil	87,500	a	2,394,000
Nexen	92,975		1,828,818
Noble	109,625		3,388,509
Talisman Energy	108,025		1,639,820
			14,478,994
Financial—9.8%			
American Express	57,850		2,296,645
Charles Schwab	116,200		1,647,716
Chubb	40,575		2,029,156
Comerica	54,200		1,996,186
Discover Financial Services	208,250		2,911,335

Common Stocks (continued)	Shares		Value ($)
Financial (continued)			
First Horizon National	172,300	a	1,972,835
Investment Technology Group	80,900	a	1,299,254
Marshall & Ilsley	287,300		2,062,814
State Street	39,850		1,347,727
Travelers	42,950		2,115,288
			19,678,956
Health Care—13.5%			
Allergan	37,200		2,167,272
Amgen	37,225	a	1,958,035
AstraZeneca, ADR	42,550	b	2,005,381
Becton Dickinson & Co.	31,375		2,121,577
Biogen Idec	38,050	a	1,805,472
Genzyme	25,725	a	1,306,058
Gilead Sciences	60,700	a	2,080,796
Humana	42,400	a	1,936,408
Johnson & Johnson	70,550		4,166,683
Kinetic Concepts	45,300	a	1,653,903
Millipore	23,250	a	2,479,613
Novartis, ADR	22,900		1,106,528
WellPoint	47,850	a	2,341,301
			27,129,027
Industrial—9.5%			
3M	46,900		3,704,631
Brink's	41,250		784,987
Donaldson	22,825		973,486
Dun & Bradstreet	18,525		1,243,398
Emerson Electric	121,525		5,309,427
Equifax	38,600		1,083,116
Ryder System	20,775		835,778
United Technologies	80,225		5,207,405
			19,142,228
Materials—2.7%			
Alcoa	166,650		1,676,499
MeadWestvaco	73,450		1,630,590

Common Stocks (continued)	Shares		Value ($)
Materials (continued)			
Schnitzer Steel Industries, Cl. A	30,450		1,193,640
Worthington Industries	70,900		911,774
			5,412,503
Technology—28.2%			
Accenture, Cl. A	85,300		3,296,845
Apple	30,550	a	7,684,241
Avnet	44,975	a	1,084,347
CA	75,850		1,395,640
Cisco Systems	152,975	a	3,259,897
EMC	170,625	a	3,122,437
Google, Cl. A	9,050	a	4,026,798
Intel	61,050		1,187,423
International Business Machines	80,875		9,986,445
Microsoft	323,200		7,436,832
National Semiconductor	106,025		1,427,097
Oracle	209,625		4,498,553
QUALCOMM	103,175		3,388,267
Symantec	78,100	a	1,084,028
Texas Instruments	106,300		2,474,664
Western Union	91,575		1,365,383
			56,718,897
Utilities—2.9%			
NextEra Energy	49,350		2,406,306
Sempra Energy	56,500		2,643,635
WGL Holdings	26,925		916,258
			5,966,199
Total Common Stocks (cost $200,427,558)			**198,679,934**

Other Investment—1.4%			
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $2,745,000)	2,745,000	c	**2,745,000**

Investment of Cash Collateral for Securities Loaned—1.6%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Plus Fund (cost $3,250,992)	3,250,992 [c]	**3,250,992**
Total Investments (cost $206,423,550)	**101.7%**	**204,675,926**
Liabilities, Less Cash and Receivables	**(1.7%)**	**(3,470,366)**
Net Assets	**100.0%**	**201,205,560**

ADR—American Depository Receipts
[a] *Non-income producing security.*
[b] *Security, or portion thereof, on loan. At June 30, 2010, the total market value of the fund's securities on loan is $3,104,846 and the total market value of the collateral held by the fund is $3,250,992.*
[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Technology	28.2	Energy	7.2
Health Care	13.5	Money Market Investments	3.0
Consumer Staples	13.4	Utilities	2.9
Consumer Discretionary	11.5	Materials	2.7
Financial	9.8		
Industrial	9.5		**101.7**

† *Based on net assets.*
See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2010 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $3,104,846)—Note 1(b):		
Unaffiliated issuers	200,427,558	198,679,934
Affiliated issuers	5,995,992	5,995,992
Cash		12,317
Dividends and interest receivable		118,022
Receivable for shares of Common Stock subscribed		5,873
Prepaid expenses		26,645
		204,838,783
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		143,060
Liability for securities on loan—Note 1(b)		3,250,992
Payable for shares of Common Stock redeemed		157,905
Accrued expenses		81,266
		3,633,223
Net Assets ($)		**201,205,560**
Composition of Net Assets ($):		
Paid-in capital		338,785,176
Accumulated undistributed investment income—net		907,451
Accumulated net realized gain (loss) on investments		(136,739,443)
Accumulated net unrealized appreciation (depreciation) on investments		(1,747,624)
Net Assets ($)		**201,205,560**

Net Asset Value Per Share	Initial Shares	Service Shares
Net Assets ($)	195,853,655	5,351,905
Shares Outstanding	8,089,794	222,249
Net Asset Value Per Share ($)	**24.21**	**24.08**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2010 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $20,130 foreign taxes withheld at source):	
Unaffiliated issuers	1,935,376
Affiliated issuers	697
Income from securities lending—Note 1(b)	23,942
Total Income	**1,960,015**
Expenses:	
Management fee—Note 3(a)	835,432
Prospectus and shareholders' reports	127,192
Professional fees	43,030
Shareholder servicing costs—Note 3(c)	15,428
Custodian fees—Note 3(c)	10,927
Distribution fees—Note 3(b)	7,453
Loan commitment fees—Note 2	4,431
Directors' fees and expenses—Note 3(d)	1,774
Miscellaneous	6,202
Total Expenses	**1,051,869**
Less—reduction in fees due to earnings credits—Note 1(b)	(6)
Net Expenses	**1,051,863**
Investment Income—Net	**908,152**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	3,978,529
Net unrealized appreciation (depreciation) on investments	(20,039,535)
Net Realized and Unrealized Gain (Loss) on Investments	**(16,061,006)**
Net (Decrease) in Net Assets Resulting from Operations	**(15,152,854)**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009
Operations ($):		
Investment income—net	908,152	1,923,908
Net realized gain (loss) on investments	3,978,529	(6,385,410)
Net unrealized appreciation (depreciation) on investments	(20,039,535)	63,945,275
Net Increase (Decrease) in Net Assets Resulting from Operations	**(15,152,854)**	**59,483,773**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(1,883,935)	(1,888,082)
Service Shares	(39,024)	(34,740)
Total Dividends	**(1,922,959)**	**(1,922,822)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	4,863,723	8,146,232
Service Shares	690,037	545,430
Dividends reinvested:		
Initial Shares	1,883,935	1,888,082
Service Shares	39,024	34,740
Cost of shares redeemed:		
Initial Shares	(16,876,177)	(28,291,376)
Service Shares	(989,562)	(1,034,582)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(10,389,020)**	**(18,711,474)**
Total Increase (Decrease) in Net Assets	**(27,464,833)**	**38,849,477**
Net Assets ($):		
Beginning of Period	228,670,393	189,820,916
End of Period	**201,205,560**	**228,670,393**
Undistributed investment income—net	907,451	1,922,258

	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009
Capital Share Transactions:		
Initial Shares		
Shares sold	183,707	375,522
Shares issued for dividends reinvested	69,518	103,912
Shares redeemed	(639,344)	(1,309,522)
Net Increase (Decrease) in Shares Outstanding	**(386,119)**	**(830,088)**
Service Shares		
Shares sold	26,580	25,829
Shares issued for dividends reinvested	1,447	1,920
Shares redeemed	(38,346)	(49,261)
Net Increase (Decrease) in Shares Outstanding	**(10,319)**	**(21,512)**

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. The fund's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the fund's financial statements.

Initial Shares	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009	2008	2007	2006	2005
Per Share Data ($):						
Net asset value, beginning of period	26.26	19.86	30.50	28.45	26.08	25.17
Investment Operations:						
Investment income—net [a]	.11	.21	.19	.17	.13	.03
Net realized and unrealized gain (loss) on investments	(1.93)	6.40	(10.64)	2.04	2.27	.88
Total from Investment Operations	(1.82)	6.61	(10.45)	2.21	2.40	.91
Distributions:						
Dividends from investment income—net	(.23)	(.21)	(.19)	(.16)	(.03)	–
Net asset value, end of period	24.21	26.26	19.86	30.50	28.45	26.08
Total Return (%)	(7.03)[b]	33.75	(34.42)	7.78	9.20	3.62
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.94[c]	.89	.85	.82	.83	.81
Ratio of net expenses to average net assets	.94[c,d]	.89[d]	.85[d]	.82	.83	.81
Ratio of net investment income to average net assets	.82[c]	.97	.72	.58	.50	.10
Portfolio Turnover Rate	16.86[b]	34.00	31.74	22.71	32.19	94.99
Net Assets, end of period ($ x 1,000)	195,854	222,600	184,813	331,313	374,537	418,916

[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, 2010 (Unaudited)	Year Ended December 31, 2009	2008	2007	2006	2005
Per Share Data ($):						
Net asset value, beginning of period	26.10	19.71	30.25	28.21	25.90	25.06
Investment Operations:						
Investment income (loss)—net [a]	.07	.16	.12	.10	.07	(.04)
Net realized and unrealized gain (loss) on investments	(1.92)	6.37	(10.55)	2.02	2.24	.88
Total from Investment Operations	(1.85)	6.53	(10.43)	2.12	2.31	.84
Distributions:						
Dividends from investment income—net	(.17)	(.14)	(.11)	(.08)	–	–
Net asset value, end of period	24.08	26.10	19.71	30.25	28.21	25.90
Total Return (%)	(7.16)[b]	33.44	(34.58)	7.49	8.96	3.35
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	1.18[c]	1.14	1.10	1.07	1.08	1.06
Ratio of net expenses to average net assets	1.18[c,d]	1.14[d]	1.10[d]	1.07	1.08	1.06
Ratio of net investment income (loss) to average net assets	.57[c]	.72	.47	.33	.25	(.15)
Portfolio Turnover Rate	16.86[b]	34.00	31.74	22.71	32.19	94.99
Net Assets, end of period ($ x 1,000)	5,352	6,070	5,008	8,924	11,372	12,311

[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.

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, is the distributor of the fund'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 the distribution plan, shareholder services 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 Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, 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 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 fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

Level 1—unadjusted 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 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, 2010 in valuing the fund's investments:

	Level 1– Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3– Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Equity Securities–Domestic†	185,231,657	–	–	**185,231,657**
Equity Securities–Foreign†	13,448,277	–	–	**13,448,277**
Mutual Funds	5,995,992	–	–	**5,995,992**

† *See Statement of Investments for industry classification.*

In January 2010, FASB issued Accounting Standards Update ("ASU") No. 2010-06 "Improving Disclosures about Fair Value Measurements". The portions of ASU No. 2010-06 which require reporting entities to prepare new disclosures surrounding amounts and reasons for significant transfers in and out of Level 1 and Level 2 fair value measurements as well as inputs and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3 have been adopted by the fund. The remaining portion of ASU No. 2010-06 requires reporting entities to make new disclosures about information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of activity in Level 3 fair value measurements. These new and revised disclosures are required to be implemented for fiscal years beginning after December 15, 2010. Management is currently evaluating the impact that the adoption of this remaining portion of ASU No. 2010-06 may have on the fund's financial statement disclosures.

(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 bank 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 The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy that, at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. 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 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, 2010, The Bank of New York Mellon earned $10,261 from lending portfolio securities, pursuant to the securities lending agreement.

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

The fund may invest in shares of certain affiliated investment companies also advised or managed by Dreyfus. Investments in affiliated investment companies for the period ended June 30, 2010 were as follows:

Affiliated Investment Company	Value 12/31/2009 ($)	Purchases ($)	Sales ($)	Value 6/30/2010 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	2,919,000	11,163,000	11,337,000	2,745,000	1.4
Dreyfus Institutional Cash Advantage Plus Fund	5,552,208	30,852,258	33,153,474	3,250,992	1.6
Total	**8,471,208**	**42,015,258**	**44,490,474**	**5,995,992**	**3.0**

(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 GAAP.

(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.

As of and during the period ended June 30, 2010, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions 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, 2009 remains subject to examination by the Internal Revenue Service and state taxing authorities.

The fund has an unused capital loss carryover of $140,701,527 available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2009. If not applied, $103,833,733 of the carryover expires in fiscal 2010, $19,771,483 expires in fiscal 2011 and $17,096,311 expires in fiscal 2017.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2009 was as follows: ordinary income $1,922,822. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $225 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing. During the period ending June 30, 2010, the fund did not borrow under the Facilities.

NOTE 3—Management Fee and Other Transactions with Affiliates:

(a) Pursuant to a management agreement with the Manager, the management 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, 2010, Service shares were charged $7,453 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 the 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, 2010, Initial shares were charged $11,168 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, 2010, the fund was charged $703 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

The fund compensates The Bank of New York Mellon under a cash management agreement for performing cash management services related to fund subscriptions and redemptions. During the period ended June 30, 2010, the fund was charged $90 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $6.

The fund also compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. During the period ended June 30, 2010, the fund was charged $10,927 pursuant to the custody agreement.

During the period ended June 30, 2010, the fund was charged $2,742 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: management fees $130,193, Rule 12b-1 distribution plan fees $1,152, custodian fees $7,202, chief compliance officer fees $4,113 and transfer agency per account fees $400.

(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, 2010, amounted to $37,091,288 and $48,163,681, respectively.

The provisions of ASC Topic 815 "Derivatives and Hedging" require 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 fund held no derivatives during the period ended June 30, 2010. These disclosures did not impact the notes to the financial statements.

At June 30, 2010, accumulated net unrealized depreciation on investments was $1,747,624, consisting of $17,923,936 gross unrealized appreciation and $19,671,560 gross unrealized depreciation.

At June 30, 2010, 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).

For More Information

The Dreyfus Socially Responsible Growth Fund, Inc.
200 Park Avenue
New York, NY 10166

Manager

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 1-516-338-3300

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 most recent 12-month period ended June 30 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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SEMIANNUAL REPORT

DWS INVESTMENTS VIT FUNDS

DWS Equity 500 Index VIP

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Contents

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Various factors, including costs, cash flows and security selection, may cause the Portfolio's performance to differ from that of the index. Stocks may decline in value. See the prospectus for details.

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

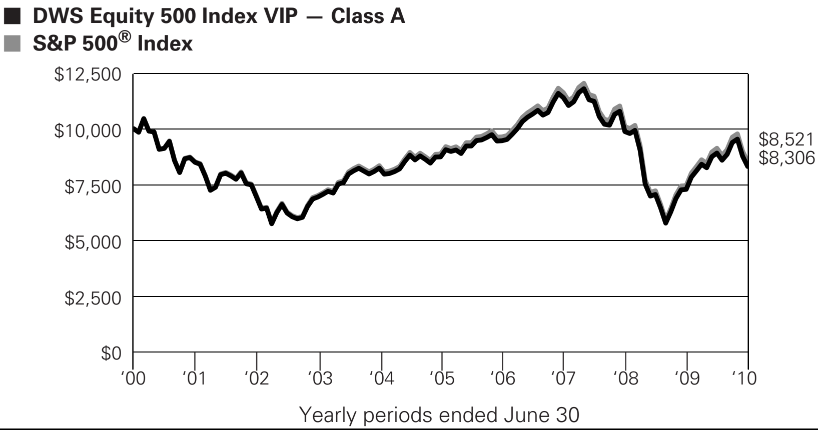
June 30, 2010

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 gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 0.34%, 0.59% and 0.74% for Class A, Class B and Class B2 shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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 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 (as of June 30, 2010)

DWS Equity 500 Index VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$9,319	$11,407	$7,291	$9,507	$8,306
	Average annual total return	–6.81%	14.07%	–10.00%	–1.01%	–1.84%
S&P 500 Index	Growth of $10,000	$9,335	$11,443	$7,336	$9,609	$8,521
	Average annual total return	–6.65%	14.43%	–9.81%	–0.79%	–1.59%

DWS Equity 500 Index VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$9,313	$11,390	$7,238	$9,397	$10,806
	Average annual total return	–6.87%	13.90%	–10.22%	–1.24%	0.95%
S&P 500 Index	Growth of $10,000	$9,335	$11,443	$7,336	$9,609	$11,247
	Average annual total return	–6.65%	14.43%	–9.81%	–0.79%	1.45%

DWS Equity 500 Index VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class**
Class B2	Growth of $10,000	$9,308	$11,375	$7,214	N/A	$8,962
	Average annual total return	–6.92%	13.75%	–10.32%	N/A	–2.26%
S&P 500 Index	Growth of $10,000	$9,335	$11,443	$7,336	N/A	$9,275
	Average annual total return	–6.65%	14.43%	–9.81%	N/A	–1.57%

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 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. 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	Class A	Class B	Class B2
Beginning Account Value 1/1/10	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$ 931.90	$ 931.30	$ 930.80
Expenses Paid per $1,000*	$ 1.58	$ 2.78	$ 3.49

Hypothetical 5% Portfolio Return	Class A	Class B	Class B2
Beginning Account Value 1/1/10	$1,000.00	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,023.16	$1,021.92	$1,021.17
Expenses Paid per $1,000*	$ 1.66	$ 2.91	$ 3.66

* *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	.33%	.58%	.73%

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.

Portfolio Summary

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	99%	98%
Cash Equivalents*	1%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/10**	**12/31/09**
Information Technology	19%	20%
Financials	16%	14%
Health Care	12%	13%
Consumer Staples	12%	11%
Energy	11%	11%
Industrials	10%	10%
Consumer Discretionary	10%	10%
Utilities	4%	4%
Materials	3%	4%
Telecommunication Services	3%	3%
	100%	100%

Ten Largest Equity Holdings (18.8% of Net Assets)	
1. ExxonMobil Corp. Explorer and producer of oil and gas	**3.1%**
2. Apple, Inc. Manufacturer of personal computers and communication solutions	**2.4%**
3. Microsoft Corp. Developer of computer software	**1.9%**
4. Procter & Gamble Co. Manufacturer of diversified consumer products	**1.8%**
5. Johnson & Johnson Provider of health care products	**1.7%**
6. International Business Machines Corp. Manufacturer of computers and provider of information processing services	**1.7%**
7. General Electric Co. A diversified company provider of services to the technology, media and financial industries	**1.6%**
8. JPMorgan Chase & Co. Provider of global financial services	**1.6%**
9. Bank of America Corp. Provider of commercial banking services	**1.5%**
10. AT&T, Inc. Provider of communications services	**1.5%**

Asset allocation, sector diversification, and holdings are subject to change.

* *In order to keep cash on hand to meet shareholder redemptions or other needs while maintaining exposure to the market, the Portfolio invests in futures contracts.*

For more complete details about the Portfolio's investment portfolio, see page 6.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

	Shares	Value ($)
Common Stocks 98.4%		
Consumer Discretionary 10.0%		
Auto Components 0.2%		
Goodyear Tire & Rubber Co.*	18,101	179,924
Johnson Controls, Inc.	47,778	1,283,795
		1,463,719
Automobiles 0.4%		
Ford Motor Co.* (a)	239,520	2,414,361
Harley-Davidson, Inc. (a)	16,799	373,442
		2,787,803
Distributors 0.1%		
Genuine Parts Co.	11,422	**450,598**
Diversified Consumer Services 0.2%		
Apollo Group, Inc. "A"*	8,909	378,365
DeVry, Inc.	4,605	241,716
H&R Block, Inc.	24,969	391,764
		1,011,845
Hotels Restaurants & Leisure 1.6%		
Carnival Corp. (Units) (a)	30,796	931,271
Darden Restaurants, Inc. (a)	10,350	402,098
International Game Technology (a)	22,217	348,807
Marriott International, Inc. "A" (a)	18,237	546,016
McDonald's Corp.	75,275	4,958,364
Starbucks Corp.	52,275	1,270,282
Starwood Hotels & Resorts Worldwide, Inc. (a)	12,866	533,038
Wyndham Worldwide Corp.	12,145	244,600
Wynn Resorts Ltd.	4,736	361,215
Yum! Brands, Inc.	33,128	1,293,317
		10,889,008
Household Durables 0.4%		
D.R. Horton, Inc. (a)	19,022	186,986
Fortune Brands, Inc.	11,145	436,661
Harman International Industries, Inc.*	4,700	140,483
Leggett & Platt, Inc.	10,054	201,683
Lennar Corp. "A"	11,324	157,517
Newell Rubbermaid, Inc.	18,781	274,954
Pulte Group, Inc.* (a)	21,787	180,397
Stanley Black & Decker, Inc.	11,296	570,674
Whirlpool Corp. (a)	5,538	486,347
		2,635,702
Internet & Catalog Retail 0.5%		
Amazon.com, Inc.* (a)	24,298	2,654,799
Expedia, Inc.	15,647	293,851
Priceline.com, Inc.* (a)	3,248	573,402
		3,522,052
Leisure Equipment & Products 0.2%		
Eastman Kodak Co.* (a)	20,015	86,865
Hasbro, Inc.	8,513	349,884
Mattel, Inc.	25,182	532,851
		969,600
Media 3.1%		
CBS Corp. "B" (a)	49,063	634,385
Comcast Corp. "A"	197,351	3,427,987
DIRECTV "A"*	63,591	2,157,007
Discovery Communications, Inc. "A"* (a)	20,616	736,197
Gannett Co., Inc.	16,422	221,040
Interpublic Group of Companies, Inc.* (a)	36,528	260,445
McGraw-Hill Companies, Inc. (a)	20,593	579,487
Meredith Corp. (a)	2,824	87,911
New York Times Co. "A"* (a)	9,110	78,802
News Corp. "A"	155,193	1,856,108
Omnicom Group, Inc.	21,632	741,978
Scripps Networks Interactive "A"	5,962	240,507
Time Warner Cable, Inc. (a)	24,863	1,294,865
Time Warner, Inc.	79,096	2,286,665
Viacom, Inc. "B"	42,741	1,340,785
Walt Disney Co.	138,229	4,354,213
Washington Post Co. "B"	418	171,581
		20,469,963
Multiline Retail 0.8%		
Big Lots, Inc.* (a)	5,414	173,735
Family Dollar Stores, Inc.	9,607	362,088
J.C. Penney Co., Inc. (a)	16,961	364,322
Kohl's Corp.* (a)	21,605	1,026,238
Macy's, Inc.	30,290	542,191
Nordstrom, Inc. (a)	11,546	371,666
Sears Holdings Corp.* (a)	3,397	219,616
Target Corp.	51,223	2,518,635
		5,578,491
Specialty Retail 2.0%		
Abercrombie & Fitch Co. "A" (a)	6,001	184,171
AutoNation, Inc.* (a)	5,468	106,626
AutoZone, Inc.*	2,213	427,596
Bed Bath & Beyond, Inc.*	17,754	658,318
Best Buy Co., Inc.	24,862	841,827
CarMax, Inc.*	15,632	311,077
GameStop Corp. "A"* (a)	11,815	222,004
Home Depot, Inc. (a)	118,021	3,312,849
Limited Brands, Inc.	18,280	403,440
Lowe's Companies, Inc.	99,749	2,036,875
O'Reilly Automotive, Inc.*	8,990	427,564
Office Depot, Inc.*	18,292	73,900
RadioShack Corp.	8,028	156,626
Ross Stores, Inc. (a)	8,927	475,720
Staples, Inc.	51,064	972,769
The Gap, Inc.	30,827	599,893
Tiffany & Co.	8,690	329,438
TJX Companies, Inc. (a)	28,508	1,195,911
Urban Outfitters, Inc.* (a)	9,592	329,869
		13,066,473
Textiles, Apparel & Luxury Goods 0.5%		
Coach, Inc.	20,536	750,591
NIKE, Inc. "B"	26,995	1,823,512
Polo Ralph Lauren Corp. (a)	3,912	285,419
VF Corp. (a)	6,120	435,622
		3,295,144
Consumer Staples 11.4%		
Beverages 2.6%		
Brown-Forman Corp. "B" (a)	7,851	449,313
Coca-Cola Co.	161,880	8,113,426
Coca-Cola Enterprises, Inc.	22,193	573,911
Constellation Brands, Inc. "A"*	12,937	202,076
Dr. Pepper Snapple Group, Inc.	17,732	662,999

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

	Shares	Value ($)
Molson Coors Brewing Co. "B" (a)	10,106	428,090
PepsiCo, Inc.	113,209	6,900,089
		17,329,904
Food & Staples Retailing 2.5%		
Costco Wholesale Corp. (a)	30,392	1,666,393
CVS Caremark Corp.	95,599	2,802,963
Kroger Co.	45,642	898,691
Safeway, Inc.	27,694	544,464
SUPERVALU, Inc. (a)	15,664	169,798
Sysco Corp. (a)	41,735	1,192,369
Wal-Mart Stores, Inc.	146,105	7,023,267
Walgreen Co.	67,270	1,796,109
Whole Foods Market, Inc.* (a)	12,389	446,252
		16,540,306
Food Products 1.9%		
Archer-Daniels-Midland Co. (a)	45,535	1,175,714
Campbell Soup Co.	13,254	474,891
ConAgra Foods, Inc.	32,162	750,018
Dean Foods Co.* (a)	13,900	139,973
General Mills, Inc.	46,626	1,656,155
H.J. Heinz Co. (a)	22,223	960,478
Hormel Foods Corp.	5,166	209,120
Kellogg Co. (a)	17,198	865,059
Kraft Foods, Inc. "A" (a)	121,203	3,393,684
McCormick & Co., Inc. (a)	9,558	362,822
Mead Johnson Nutrition Co.	14,715	737,516
Sara Lee Corp. (a)	43,815	617,791
The Hershey Co. (a)	11,774	564,328
The J.M. Smucker Co.	8,375	504,342
Tyson Foods, Inc. "A"	22,800	373,692
		12,785,583
Household Products 2.6%		
Clorox Co. (a)	10,105	628,127
Colgate-Palmolive Co.	34,112	2,686,661
Kimberly-Clark Corp.	28,500	1,727,955
Procter & Gamble Co.	202,525	12,147,449
		17,190,192
Personal Products 0.2%		
Avon Products, Inc. (a)	30,695	813,418
Estee Lauder Companies, Inc. "A" (a)	8,125	452,806
		1,266,224
Tobacco 1.6%		
Altria Group, Inc. (a)	145,383	2,913,475
Lorillard, Inc.	10,769	775,153
Philip Morris International, Inc. (a)	129,466	5,934,721
Reynolds American, Inc.	11,823	616,215
		10,239,564
Energy 10.5%		
Energy Equipment & Services 1.7%		
Baker Hughes, Inc. (a)	30,453	1,265,931
Cameron International Corp.*	15,963	519,117
Diamond Offshore Drilling, Inc. (a)	4,994	310,577
FMC Technologies, Inc.* (a)	8,783	462,513
Halliburton Co.	61,693	1,514,563
Helmerich & Payne, Inc.	7,673	280,218
Nabors Industries Ltd.*	19,520	343,942
National-Oilwell Varco, Inc.	29,602	978,938
Rowan Companies, Inc.* (a)	7,446	163,365
Schlumberger Ltd. (a)	83,893	4,642,639
Smith International, Inc.	17,764	668,814
		11,150,617

	Shares	Value ($)
Oil, Gas & Consumable Fuels 8.8%		
Anadarko Petroleum Corp.	35,085	1,266,218
Apache Corp.	23,425	1,972,151
Cabot Oil & Gas Corp. (a)	6,971	218,332
Chesapeake Energy Corp. (a)	44,256	927,163
Chevron Corp.	141,267	9,586,379
ConocoPhillips	104,258	5,118,025
CONSOL Energy, Inc. (a)	15,827	534,320
Denbury Resources, Inc.* (a)	28,158	412,233
Devon Energy Corp.	30,775	1,874,813
El Paso Corp.	50,404	559,988
EOG Resources, Inc.	17,432	1,714,786
ExxonMobil Corp.	359,121	20,495,035
Hess Corp.	20,667	1,040,377
Marathon Oil Corp. (a)	50,067	1,556,583
Massey Energy Co.	6,522	178,377
Murphy Oil Corp.	13,855	686,515
Noble Energy, Inc.	11,575	698,320
Occidental Petroleum Corp. (a)	56,942	4,393,075
Peabody Energy Corp.	19,483	762,370
Pioneer Natural Resources Co. (a)	8,518	506,395
Range Resources Corp. (a)	10,970	440,445
Southwestern Energy Co.*	23,458	906,417
Spectra Energy Corp.	46,244	928,117
Sunoco, Inc.	8,624	299,856
Tesoro Corp. (a)	9,218	107,574
Valero Energy Corp. (a)	40,867	734,789
Williams Companies, Inc.	40,695	743,905
		58,662,558
Financials 16.0%		
Capital Markets 2.4%		
Ameriprise Financial, Inc.	18,407	665,045
Bank of New York Mellon Corp.	85,549	2,112,205
Charles Schwab Corp. (a)	69,847	990,430
E*TRADE Financial Corp.*	11,242	132,880
Federated Investors, Inc. "B" (a)	5,480	113,491
Franklin Resources, Inc. (a)	10,439	899,737
Invesco Ltd. (a)	32,706	550,442
Janus Capital Group, Inc.	12,271	108,967
Legg Mason, Inc. (a)	11,700	327,951
Morgan Stanley	96,737	2,245,266
Northern Trust Corp.	17,197	803,100
State Street Corp.	35,114	1,187,556
T. Rowe Price Group, Inc. (a)	18,764	832,934
The Goldman Sachs Group, Inc.	36,109	4,740,028
		15,710,032
Commercial Banks 3.1%		
BB&T Corp. (a)	48,563	1,277,693
Comerica, Inc.	12,387	456,213
Fifth Third Bancorp.	57,306	704,291
First Horizon National Corp.	15,757	180,413
Huntington Bancshares, Inc.	48,853	270,646
KeyCorp (a)	62,436	480,133
M&T Bank Corp.	5,872	498,826
Marshall & Ilsley Corp.	38,737	278,132
PNC Financial Services Group, Inc.	36,729	2,075,188
Regions Financial Corp.	85,131	560,162
SunTrust Banks, Inc.	34,888	812,890
US Bancorp.	135,793	3,034,974
Wells Fargo & Co.	363,982	9,317,939
Zions Bancorp.	10,736	231,575
		20,179,075

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

	Shares	Value ($)
Consumer Finance 0.8%		
American Express Co.	83,489	3,314,513
Capital One Financial Corp.	32,596	1,313,619
Discover Financial Services	39,259	548,841
SLM Corp.*	34,806	361,634
		5,538,607
Diversified Financial Services 4.4%		
Bank of America Corp.	701,764	10,084,349
Citigroup, Inc.*	1,580,342	5,942,086
CME Group, Inc.	4,485	1,262,752
IntercontinentalExchange, Inc.*	5,088	575,097
JPMorgan Chase & Co.	278,601	10,199,582
Leucadia National Corp.* (a)	14,000	273,140
Moody's Corp. (a)	14,497	288,780
NYSE Euronext	19,244	531,712
The NASDAQ OMX Group, Inc.*	10,800	192,024
		29,349,522
Insurance 3.9%		
Aflac, Inc.	33,352	1,423,130
Allstate Corp.	37,572	1,079,444
American International Group, Inc.* (a)	9,224	317,675
Aon Corp. (a)	18,660	692,659
Assurant, Inc.	6,701	232,525
Berkshire Hathaway, Inc. "B"* (a)	116,016	9,245,315
Chubb Corp.	23,323	1,166,383
Cincinnati Financial Corp. (a)	11,163	288,787
Genworth Financial, Inc. "A"*	34,844	455,411
Hartford Financial Services Group, Inc.	31,577	698,799
Lincoln National Corp. (a)	21,224	515,531
Loews Corp.	25,089	835,715
Marsh & McLennan Companies, Inc.	37,617	848,263
MetLife, Inc.	57,995	2,189,891
Principal Financial Group, Inc. (a)	22,157	519,360
Progressive Corp.	46,939	878,698
Prudential Financial, Inc.	32,257	1,730,911
The Travelers Companies, Inc.	34,706	1,709,270
Torchmark Corp.	5,155	255,224
Unum Group	23,650	513,205
XL Capital Ltd. "A"	23,352	373,865
		25,970,061
Real Estate Investment Trusts 1.3%		
Apartment Investment & Management Co. "A" (REIT) (a)	6,054	117,266
AvalonBay Communities, Inc. (REIT) (a)	5,861	547,242
Boston Properties, Inc. (REIT)	9,731	694,209
Equity Residential (REIT) (a)	18,956	789,328
HCP, Inc. (REIT) (a)	20,398	657,835
Health Care REIT, Inc. (REIT) (a)	8,889	374,405
Host Hotels & Resorts, Inc. (REIT) (a)	46,355	624,865
Kimco Realty Corp. (REIT)	28,545	383,645
Plum Creek Timber Co., Inc. (REIT) (a)	11,396	393,504
ProLogis (REIT) (a)	33,947	343,883
Public Storage (REIT) (a)	9,636	847,101
Simon Property Group, Inc. (REIT) (a)	20,731	1,674,028
Ventas, Inc. (REIT) (a)	11,082	520,300
Vornado Realty Trust (REIT) (a)	11,388	830,755
		8,798,366
Real Estate Management & Development 0.0%		
CB Richard Ellis Group, Inc. "A"*	18,820	**256,140**

	Shares	Value ($)
Thrifts & Mortgage Finance 0.1%		
Hudson City Bancorp., Inc. (a)	31,021	379,697
People's United Financial, Inc.	26,620	359,370
		739,067
Health Care 11.9%		
Biotechnology 1.4%		
Amgen, Inc.* (a)	66,348	3,489,905
Biogen Idec, Inc.* (a)	18,931	898,276
Celgene Corp.* (a)	32,764	1,665,067
Cephalon, Inc.* (a)	5,500	312,125
Genzyme Corp.* (a)	18,773	953,105
Gilead Sciences, Inc.*	61,212	2,098,347
		9,416,825
Health Care Equipment & Supplies 1.8%		
Baxter International, Inc.	41,351	1,680,505
Becton, Dickinson & Co.	16,736	1,131,688
Boston Scientific Corp.*	109,831	637,020
C.R. Bard, Inc. (a)	6,939	537,981
CareFusion Corp.*	12,121	275,147
DENTSPLY International, Inc.	10,446	312,440
Hospira, Inc.*	11,336	651,253
Intuitive Surgical, Inc.* (a)	2,781	877,739
Medtronic, Inc.	76,709	2,782,235
St. Jude Medical, Inc.*	22,792	822,563
Stryker Corp. (a)	20,107	1,006,556
Varian Medical Systems, Inc.* (a)	8,502	444,485
Zimmer Holdings, Inc.*	13,559	732,864
		11,892,476
Health Care Providers & Services 2.1%		
Aetna, Inc.	30,367	801,082
AmerisourceBergen Corp. (a)	20,064	637,032
Cardinal Health, Inc.	25,251	848,686
CIGNA Corp.	19,152	594,861
Coventry Health Care, Inc.*	9,905	175,120
DaVita, Inc.*	7,165	447,383
Express Scripts, Inc.*	37,971	1,785,397
Humana, Inc.*	11,834	540,459
Laboratory Corp. of America Holdings*	6,791	511,702
McKesson Corp.	19,390	1,302,232
Medco Health Solutions, Inc.*	32,129	1,769,665
Patterson Companies, Inc. (a)	7,200	205,416
Quest Diagnostics, Inc.	10,820	538,511
Tenet Healthcare Corp.*	29,264	127,006
UnitedHealth Group, Inc.	79,659	2,262,316
WellPoint, Inc.*	29,969	1,466,383
		14,013,251
Health Care Technology 0.1%		
Cerner Corp.* (a)	4,836	**367,004**
Life Sciences Tools & Services 0.5%		
Life Technologies Corp.* (a)	13,210	624,173
Millipore Corp.*	4,165	444,197
PerkinElmer, Inc. (a)	7,669	158,518
Thermo Fisher Scientific, Inc.* (a)	29,328	1,438,538
Waters Corp.*	6,627	428,767
		3,094,193
Pharmaceuticals 6.0%		
Abbott Laboratories	108,516	5,076,378
Allergan, Inc.	22,060	1,285,216
Bristol-Myers Squibb Co.	119,181	2,972,374
Eli Lilly & Co. (a)	69,867	2,340,544
Forest Laboratories, Inc.*	21,095	578,636

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

	Shares	Value ($)
Johnson & Johnson	193,802	11,445,946
King Pharmaceuticals, Inc.*	16,271	123,497
Merck & Co., Inc. (a)	217,947	7,621,607
Mylan, Inc.* (a)	21,828	371,949
Pfizer, Inc.	564,259	8,046,333
Watson Pharmaceuticals, Inc.*	7,982	323,830
		40,186,310
Industrials 10.1%		
Aerospace & Defense 2.8%		
Boeing Co. (a)	52,869	3,317,530
General Dynamics Corp.	26,544	1,554,417
Goodrich Corp.	8,665	574,056
Honeywell International, Inc.	54,066	2,110,196
ITT Corp.	13,233	594,426
L-3 Communications Holdings, Inc. (a)	8,132	576,071
Lockheed Martin Corp.	21,577	1,607,486
Northrop Grumman Corp. (a)	20,575	1,120,103
Precision Castparts Corp. (a)	9,928	1,021,790
Raytheon Co.	27,258	1,319,015
Rockwell Collins, Inc. (a)	11,370	604,088
United Technologies Corp.	65,140	4,228,237
		18,627,415
Air Freight & Logistics 1.0%		
C.H. Robinson Worldwide, Inc. (a)	11,699	651,166
Expeditors International of Washington, Inc.	14,729	508,298
FedEx Corp. (a)	21,606	1,514,797
United Parcel Service, Inc. "B"	69,229	3,938,438
		6,612,699
Airlines 0.1%		
Southwest Airlines Co.	53,573	**595,196**
Building Products 0.0%		
Masco Corp.	26,427	**284,355**
Commercial Services & Supplies 0.5%		
Avery Dennison Corp.	8,386	269,442
Cintas Corp. (a)	8,647	207,269
Iron Mountain, Inc. (a)	13,483	302,828
Pitney Bowes, Inc.	15,288	335,724
R.R. Donnelley & Sons Co.	15,235	249,397
Republic Services, Inc.	23,083	686,258
Stericycle, Inc.* (a)	5,753	377,282
Waste Management, Inc.	32,798	1,026,249
		3,454,449
Construction & Engineering 0.2%		
Fluor Corp.	12,395	526,787
Jacobs Engineering Group, Inc.*	8,609	313,712
Quanta Services, Inc.*	15,300	315,945
		1,156,444
Electrical Equipment 0.5%		
Emerson Electric Co. (a)	53,296	2,328,502
Rockwell Automation, Inc.	9,908	486,384
Roper Industries, Inc. (a)	6,721	376,107
		3,190,993
Industrial Conglomerates 2.3%		
3M Co. (a)	49,731	3,928,252
General Electric Co.	746,810	10,769,000
Textron, Inc. (a)	19,981	339,078
		15,036,330
Machinery 1.7%		
Caterpillar, Inc.	43,493	2,612,625
Cummins, Inc.	13,523	880,753
Danaher Corp.	36,910	1,370,099
Deere & Co.	30,236	1,683,540
Dover Corp.	13,342	557,562
Eaton Corp. (a)	11,506	752,953
Flowserve Corp.	3,779	320,459
Illinois Tool Works, Inc.	27,369	1,129,792
PACCAR, Inc. (a)	25,883	1,031,955
Pall Corp.	8,033	276,094
Parker Hannifin Corp.	11,623	644,612
Snap-on, Inc.	4,493	183,809
		11,444,253
Professional Services 0.1%		
Dun & Bradstreet Corp.	3,667	246,129
Equifax, Inc.	8,621	241,905
Robert Half International, Inc. (a)	11,192	263,572
		751,606
Road & Rail 0.8%		
CSX Corp.	26,810	1,330,580
Norfolk Southern Corp.	26,295	1,394,950
Ryder System, Inc. (a)	3,313	133,282
Union Pacific Corp.	34,923	2,427,498
		5,286,310
Trading Companies & Distributors 0.1%		
Fastenal Co. (a)	8,973	450,355
W.W. Grainger, Inc.	4,483	445,834
		896,189
Information Technology 18.4%		
Communications Equipment 2.3%		
Cisco Systems, Inc.*	398,495	8,491,928
Harris Corp.	8,954	372,934
JDS Uniphase Corp.*	16,753	164,850
Juniper Networks, Inc.* (a)	37,825	863,166
Motorola, Inc.*	167,090	1,089,427
QUALCOMM, Inc.	114,105	3,747,208
Tellabs, Inc.	25,927	165,674
		14,895,187
Computers & Peripherals 4.5%		
Apple, Inc.*	63,645	16,008,627
Dell, Inc.*	122,510	1,477,471
EMC Corp.*	141,042	2,581,069
Hewlett-Packard Co.	162,864	7,048,754
Lexmark International, Inc. "A"* (a)	6,068	200,426
NetApp, Inc.* (a)	24,643	919,430
QLogic Corp.*	7,372	122,523
SanDisk Corp.*	16,291	685,362
Teradata Corp.*	11,473	349,697
Western Digital Corp.*	16,746	505,059
		29,898,418
Electronic Equipment, Instruments & Components 0.5%		
Agilent Technologies, Inc.*	24,418	694,204
Amphenol Corp. "A" (a)	12,348	485,029
Corning, Inc.	107,595	1,737,659
FLIR Systems, Inc.* (a)	10,900	317,081
Jabil Circuit, Inc.	13,089	174,084
Molex, Inc. (a)	8,686	158,433
		3,566,490
Internet Software & Services 1.7%		
Akamai Technologies, Inc.* (a)	12,565	509,762
eBay, Inc.*	80,390	1,576,448
Google, Inc. "A"*	16,848	7,496,518
Monster Worldwide, Inc.* (a)	9,785	113,995

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

	Shares	Value ($)
VeriSign, Inc.* (a)	12,774	339,150
Yahoo!, Inc.*	83,893	1,160,240
		11,196,113
IT Services 3.1%		
Automatic Data Processing, Inc.	35,782	1,440,583
Cognizant Technology Solutions Corp. "A"*	21,478	1,075,189
Computer Sciences Corp.	11,006	498,022
Fidelity National Information Services, Inc.	22,642	607,258
Fiserv, Inc.*	11,075	505,685
International Business Machines Corp. (a)	89,876	11,097,888
MasterCard, Inc. "A" (a)	6,925	1,381,745
Paychex, Inc. (a)	23,325	605,750
SAIC, Inc.*	17,996	301,253
Total System Services, Inc.	12,847	174,719
Visa, Inc. "A" (a)	31,802	2,249,992
Western Union Co.	48,113	717,365
		20,655,449
Office Electronics 0.1%		
Xerox Corp.	98,114	**788,836**
Semiconductors & Semiconductor Equipment 2.5%		
Advanced Micro Devices, Inc.* (a)	40,049	293,159
Altera Corp. (a)	21,202	526,022
Analog Devices, Inc.	21,656	603,336
Applied Materials, Inc.	90,290	1,085,286
Broadcom Corp. "A" (a)	28,838	950,789
First Solar, Inc.* (a)	3,571	406,487
Intel Corp.	388,295	7,552,338
KLA-Tencor Corp. (a)	12,678	353,463
Linear Technology Corp. (a)	16,004	445,071
LSI Corp.*	45,703	210,234
MEMC Electronic Materials, Inc.* (a)	16,915	167,120
Microchip Technology, Inc. (a)	13,632	378,152
Micron Technology, Inc.* (a)	61,199	519,579
National Semiconductor Corp.	16,528	222,467
Novellus Systems, Inc.* (a)	6,031	152,946
NVIDIA Corp.* (a)	40,179	410,227
Teradyne, Inc.* (a)	13,404	130,689
Texas Instruments, Inc.	83,919	1,953,634
Xilinx, Inc. (a)	19,888	502,371
		16,863,370
Software 3.7%		
Adobe Systems, Inc.*	36,843	973,760
Autodesk, Inc.* (a)	15,760	383,914
BMC Software, Inc.*	12,922	447,489
CA, Inc.	28,213	519,119
Citrix Systems, Inc.*	13,165	555,958
Compuware Corp.*	14,854	118,535
Electronic Arts, Inc.*	23,203	334,123
Intuit, Inc.*	21,747	756,143
McAfee, Inc.*	11,331	348,088
Microsoft Corp.	532,818	12,260,142
Novell, Inc.*	27,236	154,700
Oracle Corp.	272,749	5,853,194
Red Hat, Inc.*	13,907	402,469
Salesforce.com, Inc.* (a)	8,085	693,855
Symantec Corp.*	56,792	788,273
		24,589,762

	Shares	Value ($)
Materials 3.4%		
Chemicals 1.8%		
Air Products & Chemicals, Inc.	15,047	975,196
Airgas, Inc.	5,932	368,970
CF Industries Holdings, Inc.	4,933	312,999
Dow Chemical Co.	81,630	1,936,264
E.I. du Pont de Nemours & Co. (a)	62,658	2,167,340
Eastman Chemical Co.	4,980	265,733
Ecolab, Inc. (a)	15,760	707,782
FMC Corp.	5,229	300,301
International Flavors & Fragrances, Inc.	5,362	227,456
Monsanto Co.	37,676	1,741,385
PPG Industries, Inc.	11,898	718,758
Praxair, Inc.	21,098	1,603,237
Sigma-Aldrich Corp. (a)	8,545	425,797
The Sherwin-Williams Co.	6,614	457,623
		12,208,841
Construction Materials 0.1%		
Vulcan Materials Co. (a)	9,022	**395,434**
Containers & Packaging 0.2%		
Ball Corp.	6,470	341,810
Bemis Co., Inc.	7,872	212,544
Owens-Illinois, Inc.* (a)	12,366	327,081
Pactiv Corp.*	8,734	243,242
Sealed Air Corp.	10,554	208,125
		1,332,802
Metals & Mining 1.1%		
AK Steel Holding Corp. (a)	7,385	88,029
Alcoa, Inc. (a)	73,662	741,040
Allegheny Technologies, Inc. (a)	7,333	324,045
Cliffs Natural Resources, Inc.	9,366	441,701
Freeport-McMoRan Copper & Gold, Inc.	32,260	1,907,534
Newmont Mining Corp.	34,952	2,157,936
Nucor Corp. (a)	22,062	844,533
Titanium Metals Corp.* (a)	6,700	117,853
United States Steel Corp. (a)	10,309	397,412
		7,020,083
Paper & Forest Products 0.2%		
International Paper Co.	31,531	713,547
MeadWestvaco Corp. (a)	11,621	257,986
Weyerhaeuser Co.	14,720	518,144
		1,489,677
Telecommunication Services 3.0%		
Diversified Telecommunication Services 2.6%		
AT&T, Inc.	413,832	10,010,596
CenturyLink, Inc.	21,397	712,734
Frontier Communications Corp. (a)	19,313	137,316
Qwest Communications International, Inc. (a)	106,400	558,600
Verizon Communications, Inc.	197,902	5,545,214
Windstream Corp. (a)	33,559	354,383
		17,318,843
Wireless Telecommunication Services 0.4%		
American Tower Corp. "A"* (a)	28,802	1,281,689
MetroPCS Communications, Inc.*	17,388	142,407
Sprint Nextel Corp.* (a)	201,266	853,368
		2,277,464

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

	Shares	Value ($)
Utilities 3.7%		
Electric Utilities 1.9%		
Allegheny Energy, Inc. (a)	12,792	264,539
American Electric Power Co., Inc. (a)	33,709	1,088,801
Duke Energy Corp.	92,604	1,481,664
Edison International (a)	21,698	688,261
Entergy Corp.	12,823	918,383
Exelon Corp.	46,155	1,752,505
FirstEnergy Corp. (a)	20,889	735,919
NextEra Energy, Inc.	29,287	1,428,034
Northeast Utilities	12,300	313,404
Pepco Holdings, Inc.	16,900	264,992
Pinnacle West Capital Corp.	7,608	276,627
PPL Corp. (a)	32,830	819,108
Progress Energy, Inc.	20,186	791,695
Southern Co. (a)	58,588	1,949,809
		12,773,741
Gas Utilities 0.2%		
EQT Corp.	10,560	381,638
Nicor, Inc. (a)	3,584	145,152
ONEOK, Inc.	7,512	324,894
Questar Corp.	12,059	548,564
		1,400,248
Independent Power Producers & Energy Traders 0.2%		
AES Corp.*	48,334	446,606
Constellation Energy Group, Inc.	14,435	465,529
NRG Energy, Inc.*	15,802	335,161
		1,247,296
Multi-Utilities 1.4%		
Ameren Corp.	16,997	404,019
CenterPoint Energy, Inc.	27,872	366,796
CMS Energy Corp. (a)	16,028	234,810
Consolidated Edison, Inc. (a)	20,344	876,826
Dominion Resources, Inc. (a)	40,833	1,581,870
DTE Energy Co. (a)	12,250	558,723
Integrys Energy Group, Inc. (a)	5,083	222,330
NiSource, Inc.	18,623	270,034
PG&E Corp.	25,332	1,041,145
Public Service Enterprise Group, Inc.	35,662	1,117,290
SCANA Corp.	7,809	279,250
Sempra Energy	17,857	835,529
TECO Energy, Inc. (a)	14,226	214,386
Wisconsin Energy Corp.	7,858	398,715
Xcel Energy, Inc. (a)	33,520	690,847
		9,092,570
Total Common Stocks (Cost $713,436,811)		**653,163,138**

	Principal Amount ($)	Value ($)
Government & Agency Obligation 0.3%		
US Treasury Obligation		
US Treasury Bill, 0.205%**, 11/18/2010 (b) (Cost $1,943,453)	1,945,000	**1,943,601**

	Shares	Value ($)
Securities Lending Collateral 15.9%		
Daily Assets Fund Institutional, 0.27% (c) (d) (Cost $105,860,466)	105,860,466	**105,860,466**
Cash Equivalents 1.3%		
Central Cash Management Fund, 0.21% (c) (Cost $8,409,300)	8,409,300	**8,409,300**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $829,650,030)†	115.9	**769,376,505**
Other Assets and Liabilities, Net	(15.9)	**(105,356,128)**
Net Assets	100.0	**664,020,377**

* *Non-income producing security.*

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

† *The cost for federal income tax purposes was $854,392,906. At June 30, 2010, net unrealized depreciation for all securities based on tax cost was $85,016,401. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $87,530,792 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $172,547,193.*

(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, 2010 amounted to $102,245,414, which is 15.4% of net assets.*

(b) *At June 30, 2010, 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

At June 30, 2010, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Depreciation ($)
S&P 500 Index	USD	9/16/2010	43	11,035,950	**(923,608)**

Currency Abbreviation	
USD	United States Dollar

For information on the Portfolio's policy and additional disclosures regarding futures contracts, please refer to the Derivatives section of Note A in the accompanying Notes to Financial Statements.

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks (e)	$ 653,163,138	$ —	$ —	$ 653,163,138
Short-Term Investments (e)	114,269,766	1,943,601	—	116,213,367
Total	**$ 767,432,904**	**$ 1,943,601**	**$ —**	**$ 769,376,505**
Liabilities				
Derivatives (f)	$ (923,608)	$ —	$ —	$ (923,608)
Total	**$ (923,608)**	**$ —**	**$ —**	**$ (923,608)**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(e) *See Investment Portfolio for additional detailed categorizations.*

(f) *Derivatives include unrealized appreciation (depreciation) on open futures contracts.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $715,380,264) — including $102,245,414 of securities loaned	$	655,106,739
Investment in Daily Assets Fund Institutional (cost $105,860,466)*		105,860,466
Investment in Central Cash Management Fund (cost $8,409,300)		8,409,300
Total investments, at value (cost $829,650,030)		769,376,505
Cash		11
Dividends receivable		901,385
Interest receivable		15,628
Receivable for Portfolio shares sold		511,657
Other assets		18,720
Total assets		770,823,906
Liabilities		
Payable upon return of securities loaned		105,860,466
Payable for Portfolio shares redeemed		567,259
Payable for daily variation margin on open futures contracts		90,013
Accrued management fee		117,079
Accrued expenses and payables		168,712
Total liabilities		106,803,529
Net assets, at value	**$**	**664,020,377**
Net Assets Consist of		
Undistributed net investment income		5,579,201
Net unrealized appreciation (depreciation) on:		
Investments		(60,273,525)
Futures		(923,608)
Accumulated net realized gain (loss)		(46,696,071)
Paid-in capital		766,334,380
Net assets, at value	**$**	**664,020,377**
Class A		
Net Asset Value, offering and redemption price per share ($601,145,540 ÷ 56,170,295 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$**	**10.70**
Class B		
Net Asset Value, offering and redemption price per share ($45,216,696 ÷ 4,222,051 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$**	**10.71**
Class B2		
Net Asset Value, offering and redemption price per share ($17,658,141 ÷ 1,648,967 outstanding shares of beneficial interest, $.001 par value, unlimited number of shares authorized)	**$**	**10.71**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Dividends	$	7,080,183
Interest		1,252
Income distributions — Central Cash Management Fund		7,533
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		68,201
Total Income		7,157,169
Expenses:		
Management fee		735,556
Administration fee		367,778
Custodian fee		16,934
Distribution service fees (Class B and Class B2)		87,284
Recordkeeping fee (Class B2)		15,071
Services to shareholders		10,326
Professional fees		31,309
Trustees' fees and expenses		15,014
Reports to shareholders		25,086
Other		27,258
Total expenses		1,331,616
Net investment income (loss)		**5,825,553**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		5,008,402
Futures		386,943
		5,395,345
Change in net unrealized appreciation (depreciation) on:		
Investments		(58,197,374)
Futures		(1,109,648)
		(59,307,022)
Net gain (loss)		**(53,911,677)**
Net increase (decrease) in net assets resulting from operations	**$**	**(48,086,124)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ 5,825,553	$ 13,727,808
Net realized gain (loss)	5,395,345	(8,316,684)
Change in net unrealized appreciation (depreciation)	(59,307,022)	156,866,272
Net increase (decrease) in net assets resulting from operations	(48,086,124)	162,277,396
Distributions to shareholders from:		
Net investment income:		
Class A	(12,705,478)	(17,327,332)
Class B	(822,134)	(1,082,916)
Class B2	(300,774)	(464,083)
Total distributions	(13,828,386)	(18,874,331)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	18,520,742	51,508,341
Reinvestment of distributions	12,705,478	17,327,332
Cost of shares redeemed	(51,914,888)	(105,596,818)
Net increase (decrease) in net assets from Class A share transactions	(20,688,668)	(36,761,145)
Class B		
Proceeds from shares sold	2,226,564	5,682,280
Reinvestment of distributions	822,134	1,082,916
Cost of shares redeemed	(3,274,683)	(6,955,518)
Net increase (decrease) in net assets from Class B share transactions	(225,985)	(190,322)
Class B2		
Proceeds from shares sold	255,736	312,854
Reinvestment of distributions	300,774	464,083
Cost of shares redeemed	(1,801,748)	(3,073,750)
Net increase (decrease) in net assets from Class B2 share transactions	(1,245,238)	(2,296,813)
Increase (decrease) in net assets	(84,074,401)	104,154,785
Net assets at beginning of period	748,094,778	643,939,993
Net assets at end of period (including undistributed net investment income of $5,579,201 and $13,582,034, respectively)	**$ 664,020,377**	**$ 748,094,778**

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009
Class A		
Shares outstanding at beginning of period	58,025,792	61,222,579
Shares sold	1,559,137	5,559,660
Shares issued to shareholders in reinvestment of distributions	1,017,252	1,969,015
Shares redeemed	(4,431,886)	(10,725,462)
Net increase (decrease) in Class A shares	(1,855,497)	(3,196,787)
Shares outstanding at end of period	**56,170,295**	**58,025,792**
Class B		
Shares outstanding at beginning of period	4,245,476	4,244,481
Shares sold	188,963	581,990
Shares issued to shareholders in reinvestment of distributions	65,771	122,919
Shares redeemed	(278,159)	(703,914)
Net increase (decrease) in Class B shares	(23,425)	995
Shares outstanding at end of period	**4,222,051**	**4,245,476**
Class B2		
Shares outstanding at beginning of period	1,758,162	1,992,383
Shares sold	21,751	32,417
Shares issued to shareholders in reinvestment of distributions	24,043	52,617
Shares redeemed	(154,989)	(319,255)
Net increase (decrease) in Class B2 shares	(109,195)	(234,221)
Shares outstanding at end of period	**1,648,967**	**1,758,162**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$11.68**	**$ 9.55**	**$15.53**	**$14.97**	**$13.11**	**$12.73**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.09	.21	.27	.27	.24	.21
Net realized and unrealized gain (loss)	(.84)	2.20	(5.93)	.52	1.78	.37
Total from investment operations	(.75)	2.41	(5.66)	.79	2.02	.58
Less distributions from:						
Net investment income	(.23)	(.28)	(.32)	(.23)	(.16)	(.20)
Net asset value, end of period	**$10.70**	**$11.68**	**$ 9.55**	**$15.53**	**$14.97**	**$13.11**
Total Return (%)	(6.81)**	26.32[c]	(37.15)[c]	5.30[c]	15.52[c]	4.68
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	601	678	584	1,046	1,412	1,102
Ratio of expenses before expense reductions (%)	.33*	.34	.33	.33	.28	.27
Ratio of expenses after expense reductions (%)	.33*	.32	.28	.30	.27	.27
Ratio of net investment income (loss) (%)	1.61*	2.10	2.07	1.71	1.73	1.62
Portfolio turnover rate (%)	3**	8	6	7[d]	9	15

a For the six months ended June 30, 2010 (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,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$11.68**	**$ 9.54**	**$15.52**	**$14.96**	**$13.10**	**$12.72**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.08	.18	.24	.23	.21	.17
Net realized and unrealized gain (loss)	(.85)	2.22	(5.94)	.52	1.78	.38
Total from investment operations	(.77)	2.40	(5.70)	.75	1.99	.55
Less distributions from:						
Net investment income	(.20)	(.26)	(.28)	(.19)	(.13)	(.17)
Net asset value, end of period	**$10.71**	**$11.68**	**$ 9.54**	**$15.52**	**$14.96**	**$13.10**
Total Return (%)	(6.87)**	26.03[c]	(37.34)[c]	5.03[c]	15.24[c]	4.42
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	45	50	40	65	84	68
Ratio of expenses before expense reductions (%)	.58*	.59	.58	.58	.53	.52
Ratio of expenses after expense reductions (%)	.58*	.57	.53	.55	.52	.52
Ratio of net investment income (loss) (%)	1.36*	1.85	1.82	1.46	1.48	1.37
Portfolio turnover rate (%)	3**	8	6	7[d]	9	15

a For the six months ended June 30, 2010 (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,	2010[a]	2009	2008	2007	2006	2005[b]
Selected Per Share Data						
Net asset value, beginning of period	**$11.67**	**$ 9.54**	**$15.51**	**$14.96**	**$13.09**	**$12.94**
Income (loss) from investment operations:						
Net investment income (loss)[c]	.07	.17	.22	.21	.19	.05
Net realized and unrealized gain (loss)	(.85)	2.21	(5.93)	.52	1.79	.10
Total from investment operations	(.78)	2.38	(5.71)	.73	1.98	.15
Less distributions from:						
Net investment income	(.18)	(.25)	(.26)	(.18)	(.11)	—
Net asset value, end of period	**$10.71**	**$11.67**	**$ 9.54**	**$15.51**	**$14.96**	**$13.09**
Total Return (%)	(6.92)**	25.79[d]	(37.36)[d]	4.85[d]	15.20[d]	1.16[d]**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	18	21	19	48	57	59
Ratio of expenses before expense reductions (%)	.73*	.74	.72	.72	.67	.66*
Ratio of expenses after expense reductions (%)	.73*	.70	.63	.65	.63	.63*
Ratio of net investment income (loss) (%)	1.21*	1.72	1.72	1.36	1.37	1.34*
Portfolio turnover rate (%)	3**	8	6	7[e]	9	15

a *For the six months ended June 30, 2010 (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. Organization and Significant Accounting Policies

DWS Investments VIT Funds (the "Trust") is registered under the Investment Company Act of 1940 as amended, (the "1940 Act"), as an open-end management investment company. The Trust is organized as a Massachusetts business trust. The Trust is comprised of two series. DWS Equity 500 Index VIP (the "Portfolio") is a diversified series of the Trust offered 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

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 they trade and are classified as Level 1 securities. 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 Fund's Board. 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 one or more broker-dealers. 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. These securities are generally categorized as Level 2.

Futures contracts are generally valued at the settlement prices established each day on the exchange on which they are traded and are classified as Level 1.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's investment portfolio.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Derivatives. Authoritative accounting guidance requires that disclosures about the Portfolio's derivative and hedging activities and derivatives accounted for as hedging instruments must be disclosed separately from derivatives that do not qualify for hedge accounting. Because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings, the Portfolio's derivatives are not accounted for as hedging instruments. As such, even though the Portfolio may use derivatives in an attempt to achieve an economic hedge, the Portfolio's derivatives are not considered to be hedging instruments. The disclosure below is presented in accordance with authoritative accounting guidance.

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.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary cash or securities ("initial margin") in an amount 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 and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. Gains or losses are realized when the contract expires or is closed. Since all futures contracts are exchange traded, counterparty risk is minimized as the exchange's clearinghouse acts as the counterparty, and guarantees the futures against default. Upon a futures contract close out or expiration, realized gain or loss is recognized.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid 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 underlying hedged security, index or currency. Risk of loss may exceed amounts recognized on the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in futures contracts with a total notional value generally indicative of a range from approximately $11,036,000 to $15,730,000.

The following tables summarize the value of the Portfolio's derivative instruments held as of June 30, 2010 and the related location in the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Liability Derivatives	Futures Contracts
Equity Contracts (a)	$ (923,608)

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Net unrealized appreciation (depreciation) on futures. Liability of payable for daily variation margin on open futures contracts reflects unsettled variation margin.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the period ended June 30, 2010 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	**Futures Contracts**
Equity Contracts (a)	$ 386,943

The above derivative is located in the following Statement of Operations account:

(a) *Net realized gain (loss) from futures*

Change in Net Unrealized Appreciation (Depreciation)	**Futures Contracts**
Equity Contracts (a)	$ (1,109,648)

The above derivative is located in the following Statement of Operations account:

(a) *Change in net unrealized appreciation (depreciation) on futures*

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, 2009, DWS Equity 500 Index VIP had a net tax basis capital loss carryforward of approximately $27,264,000, including $16,606,000 inherited from its merger with an affiliated fund in fiscal year 2005, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2012 ($16,606,000) and December 31, 2017 ($10,658,000), the respective expiration dates, whichever occurs first, subject to certain limitations under Sections 382–384 of the Internal Revenue Code.

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open 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 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. 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, 2010, purchases and sales of investment securities (excluding short-term investments) aggregated $20,943,163 and $49,014,849, 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 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 sub-advisor. 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, computed and 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.

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, 2010, the Administration Fee was $367,778, of which $57,878 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, 2010, the Distribution Service Fees were as follows:

Distribution Service Fees	**Total Aggregated**	**Unpaid at June 30, 2010**
Class B	$ 62,165	$ 9,838
Class B2	25,119	3,927
	$ 87,284	**$ 13,765**

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, 2010, the amounts charged to the Portfolio by DISC were as follows:

Services to Shareholders	**Total Aggregated**	**Unpaid at June 30, 2010**
Class A	$ 348	$ 171
Class B	59	31
Class B2	24	12
	$ 431	**$ 214**

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" aggregated $7,996, of which $2,618 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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Line of Credit

The Portfolio and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if

LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

E. Ownership of the Portfolio

At June 30, 2010, 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 60% and 11%, respectively. At June 30, 2010, 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 86%. At June 30, 2010, one participating insurance company was a beneficial owner of record of 10% or more of the total outstanding Class B2 shares of the Portfolio, owning 100%.

F. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 Funds are reasonable.

Thomas H. Mack

Thomas H. Mack

Notes

Notes

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.
222 South Riverside Plaza
Chicago, IL 60606
(800) 778-1482

vit-equ500-3 (R-18029-1 8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

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

A member of
Deutsche Bank Group

DWS INVESTMENTS
Deutsche Bank Group

Contents

Performance Summary, Information About Your Portfolio's Expenses, Portfolio Summary, Investment Portfolio, Statement of Assets and Liabilities, Statement of Operations, Statement of Changes in Net Assets and Financial Highlights for:

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

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

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.

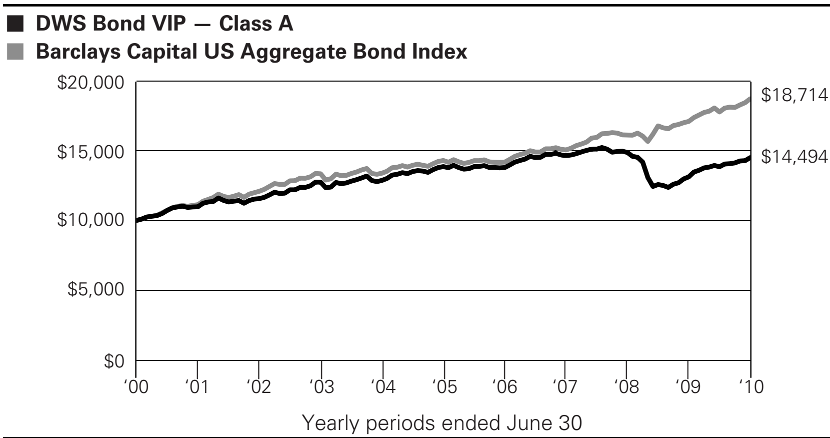
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 is 0.59% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Portfolio returns during 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

Bond investments are subject to interest-rate and credit risks. When interest rates rise, bond prices generally fall. Credit risk refers to the ability of an issuer to make timely payments of principal and interest. Investments in lower-quality and non-rated securities present greater risk of loss than investments in higher-quality securities. Investing in foreign securities, particularly those of emerging markets, presents certain risks, such as currency fluctuations, political and economic changes, and market risks. See the prospectus for details.

Growth of an Assumed $10,000 Investment



The Barclays Capital US Aggregate Bond 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	$10,472	$11,050	$9,891	$10,465	$14,494
	Average annual total return	4.72%	10.50%	–0.37%	0.91%	3.78%
Barclays Capital US Aggregate Bond Index	Growth of $10,000	$10,533	$10,950	$12,439	$13,094	$18,714
	Average annual total return	5.33%	9.50%	7.55%	5.54%	6.47%

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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,047.20
Expenses Paid per $1,000*	$ 3.10

Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,021.77
Expenses Paid per $1,000*	$ 3.06

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratio	**Class A**
DWS Variable Series I — DWS Bond VIP	.61%

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.

Portfolio Summary

DWS Bond VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Corporate Bonds	26%	24%
Cash Equivalents	21%	10%
Government & Agency Obligations	21%	24%
Mortgage-Backed Securities Pass-Throughs	20%	32%
Collateralized Mortgage Obligations	4%	3%
Municipal Bonds and Notes	4%	3%
Commercial Mortgage-Backed Securities	4%	3%
Asset-Backed	0%	1%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**6/30/10**	**12/31/09**
US Government & Treasury Obligations	40%	53%
AAA*	24%	13%
AA	4%	6%
A	6%	8%
BBB	15%	14%
BB or Below	9%	6%
Not Rated	2%	0%
	100%	100%

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/10**	**12/31/09**
Under 1 year	13%	11%
1–4.99 years	47%	38%
5–9.99 years	29%	43%
10–14.99 years	0%	1%
15+ years	11%	7%
	100%	100%

* *Category includes cash equivalents.*

Effective maturity is the weighted average of the bonds held by the Portfolio taking into consideration any maturity shortening features.

Weighted average effective maturity: 6.06 and 7.88 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. Credit quality ratings are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 6.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Bond VIP

		Principal Amount ($)(a)	Value ($)
Corporate Bonds 29.2%			
Consumer Discretionary 5.6%			
AMC Entertainment, Inc., 8.75%, 6/1/2019		1,200,000	1,206,000
CBS Corp., 7.875%, 7/30/2030		600,000	694,686
Comcast Corp., 5.15%, 3/1/2020		450,000	471,127
DirecTV Holdings LLC, 6.35%, 3/15/2040		815,000	872,719
Discovery Communications LLC, 5.05%, 6/1/2020		1,000,000	1,039,468
JC Penney Co., Inc., 5.65%, 6/1/2020		1,000,000	977,500
JC Penney Corp., Inc., 7.95%, 4/1/2017		750,000	832,500
MGM Resorts International, 144A, 9.0%, 3/15/2020		750,000	770,625
Royal Caribbean Cruises Ltd., 7.25%, 6/15/2016		1,100,000	1,075,250
Time Warner Cable, Inc.:			
6.75%, 7/1/2018		125,000	143,485
7.3%, 7/1/2038		40,000	46,440
Time Warner, Inc.:			
6.2%, 3/15/2040		400,000	421,906
7.625%, 4/15/2031		400,000	481,190
			9,032,896
Consumer Staples 2.0%			
Anheuser-Busch InBev Worldwide, Inc., 144A, 7.75%, 1/15/2019		750,000	910,321
CVS Caremark Corp.:			
6.125%, 9/15/2039		500,000	534,468
6.25%, 6/1/2027		332,000	362,230
Kraft Foods, Inc., 5.375%, 2/10/2020		1,335,000	1,430,521
			3,237,540
Energy 2.7%			
DCP Midstream LLC, 144A, 9.75%, 3/15/2019		600,000	771,676
Enterprise Products Operating LLC, 6.125%, 10/15/2039		460,000	459,015
Kinder Morgan Energy Partners LP:			
6.5%, 9/1/2039		500,000	515,256
6.95%, 1/15/2038		510,000	541,948
ONEOK Partners LP, 6.15%, 10/1/2016		482,000	541,630
Plains All American Pipeline LP, 8.75%, 5/1/2019		1,200,000	1,432,381
			4,261,906
Financials 10.2%			
American Express Co., 7.0%, 3/19/2018		988,000	1,139,552
Bank of America Corp.:			
5.75%, 12/1/2017		710,000	736,328
6.5%, 8/1/2016		175,000	189,389
7.625%, 6/1/2019		580,000	664,395
Citigroup, Inc.:			
6.125%, 5/15/2018		1,100,000	1,148,050
8.5%, 5/22/2019		432,000	514,998
Covidien International Finance SA, 4.2%, 6/15/2020		750,000	767,572
Discover Bank, 8.7%, 11/18/2019		710,000	788,238
ESI Tractebel Acquisition Corp., Series B, 7.99%, 12/30/2011		65,000	65,400
Fifth Third Bancorp., 5.45%, 1/15/2017		651,000	666,384
Ford Motor Credit Co., LLC, 7.8%, 6/1/2012		1,500,000	1,544,637
Hartford Financial Services Group, Inc., 5.95%, 10/15/2036		300,000	256,309
Jefferies Group, Inc., 6.875%, 4/15/2021		500,000	501,297
JPMorgan Chase & Co., 5.125%, 9/15/2014		1,500,000	1,600,695
KazMunaiGaz Finance Sub BV:			
144A, 7.0%, 5/5/2020		500,000	501,900
144A, 11.75%, 1/23/2015		800,000	979,040
KeyBank NA, 5.7%, 11/1/2017		800,000	839,273
Lincoln National Corp., 8.75%, 7/1/2019		500,000	612,794
MetLife, Inc., Series A, 6.817%, 8/15/2018		400,000	452,418
Morgan Stanley, Series F, 6.625%, 4/1/2018		475,000	497,864
PNC Bank NA, 6.875%, 4/1/2018		200,000	225,958
Prudential Financial, Inc.:			
Series B, 5.1%, 9/20/2014		150,000	159,523
6.2%, 1/15/2015		100,000	110,053
7.375%, 6/15/2019		120,000	138,955
Red Arrow International Leasing PLC, "A", 8.375%, 6/30/2012	RUB	1,470,803	47,330
The Goldman Sachs Group, Inc., 6.0%, 6/15/2020		800,000	824,906
Toll Brothers Finance Corp., 8.91%, 10/15/2017		350,000	390,326
			16,363,584
Health Care 2.1%			
Express Scripts, Inc.:			
6.25%, 6/15/2014		385,000	435,903
7.25%, 6/15/2019		720,000	870,317
HCA, Inc., 9.25%, 11/15/2016		425,000	450,500
Medco Health Solutions, Inc., 7.125%, 3/15/2018		715,000	854,188
Quest Diagnostics, Inc., 6.95%, 7/1/2037		610,000	696,852
			3,307,760
Industrials 1.8%			
CSX Corp.:			
6.15%, 5/1/2037		400,000	437,394
6.25%, 3/15/2018		800,000	918,552
K. Hovnanian Enterprises, Inc., 10.625%, 10/15/2016		850,000	850,000
United Rentals North America, Inc., 9.25%, 12/15/2019		750,000	755,625
			2,961,571

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

	Principal Amount ($)(a)	Value ($)
Materials 1.7%		
ArcelorMittal, 6.125%, 6/1/2018	500,000	522,940
Corporacion Nacional del Cobre — Codelco, REG S, 7.5%, 1/15/2019	600,000	735,192
Dow Chemical Co., 8.55%, 5/15/2019	1,200,000	1,468,936
		2,727,068
Telecommunication Services 2.1%		
Frontier Communications Corp., 8.125%, 10/1/2018	1,000,000	993,750
MetroPCS Wireless, Inc., 9.25%, 11/1/2014	800,000	824,000
Qwest Communications International, Inc., 144A, 8.0%, 10/1/2015	750,000	770,625
Windstream Corp., 8.625%, 8/1/2016	775,000	780,813
		3,369,188
Utilities 1.0%		
DTE Energy Co., 7.625%, 5/15/2014	152,000	177,637
Energy Future Competitive Holdings Co., 7.48%, 1/1/2017	29,224	24,787
FirstEnergy Solutions Corp., 6.8%, 8/15/2039	517,000	511,520
Majapahit Holding BV, REG S, 7.75%, 10/17/2016	100,000	110,583
Sempra Energy, 6.5%, 6/1/2016	650,000	745,874
		1,570,401
Total Corporate Bonds (Cost $44,537,280)		**46,831,914**

Mortgage-Backed Securities Pass-Throughs 22.2%

	Principal Amount ($)(a)	Value ($)
Federal Home Loan Mortgage Corp.:		
4.5%, 12/1/2034	885,190	924,574
5.5%, with various maturities from 10/1/2023 until 8/1/2024	450,541	485,300
5.505%**, 2/1/2038	578,785	616,587
6.5%, 3/1/2026	855,197	950,421
7.0%, 1/1/2038	172,754	191,926
Federal National Mortgage Association:		
4.5%, with various maturities from 11/1/2020 until 9/1/2038 (b)	6,303,834	6,604,835
4.547%**, 8/1/2037	196,272	205,670
5.0%, with various maturities from 2/1/2021 until 1/1/2036 (b)	3,391,707	3,608,686
5.079%**, 9/1/2038	378,722	403,003
5.389%**, 1/1/2038	641,182	681,274
5.5%, with various maturities from 12/1/2032 until 4/1/2037 (b)	5,217,545	5,608,285
6.0%, with various maturities from 4/1/2024 until 10/1/2035 (b)	8,387,844	9,111,627
6.5%, with various maturities from 3/1/2017 until 12/1/2037	1,000,439	1,098,770
8.0%, 9/1/2015	19,264	20,966
Government National Mortgage Association:		
4.5%, 5/1/2039 (b)	1,600,000	1,666,625
5.0%, 5/1/2038 (b)	1,600,000	1,704,250
5.5%, 6/1/2036 (b)	1,600,000	1,728,750
Total Mortgage-Backed Securities Pass-Throughs (Cost $34,286,062)		**35,611,549**

Asset-Backed 0.3%

	Principal Amount ($)(a)	Value ($)
Automobile Receivables		
Household Automotive Trust, "A4", Series 2006-1, 5.52%, 3/18/2013 (Cost $424,097)	423,782	**427,739**

Commercial Mortgage-Backed Securities 4.3%

	Principal Amount ($)(a)	Value ($)
Banc of America Commercial Mortgage, Inc., "A4", Series 2007-4, 5.935%**, 2/10/2051	600,000	626,359
Bear Stearns Commercial Mortgage Securities, Inc., "A4", Series 2007-PW18, 5.7%, 6/11/2050	1,738,000	1,757,775
Citigroup/Deutsche Bank Commercial Mortgage Trust, "A4", Series 2006-CD2, 5.546%**, 1/15/2046	1,600,000	1,629,595
GS Mortgage Securities Corp. II:		
"J", Series 2007-GG10, 144A, 5.999%**, 8/10/2045	1,096,000	18,084
"K", Series 2007-GG10, 144A, 5.999%**, 8/10/2045*	767,000	6,903
JPMorgan Chase Commercial Mortgage Securities Corp.:		
"E", Series 2007-LD11, 5.983%**, 6/15/2049	590,000	72,418
"F", Series 2007-LD11, 5.983%**, 6/15/2049	650,000	49,228
"G", Series 2007-LD11, 144A, 5.983%**, 6/15/2049	760,000	48,282
"H", Series 2007-LD11, 144A, 5.983%**, 6/15/2049	460,000	22,946
LB-UBS Commercial Mortgage Trust:		
"A3", Series 2006-C7, 5.347%, 11/15/2038	1,000,000	1,031,853
"A4", Series 2007-C6, 5.858%, 7/15/2040	1,000,000	992,045
Merrill Lynch Mortgage Trust, "ASB", Series 2007-C1, 6.02%**, 6/12/2050	590,000	622,948
Wachovia Bank Commercial Mortgage Trust, "H", Series 2007-C32, 144A, 5.929%**, 6/15/2049	770,000	95,003
Total Commercial Mortgage-Backed Securities (Cost $10,853,670)		**6,973,439**

Collateralized Mortgage Obligations 4.4%

	Principal Amount ($)(a)	Value ($)
Countrywide Home Loans, "A2", Series 2006-1, 6.0%, 3/25/2036	705,056	630,654
CS First Boston Mortgage Securities Corp., "10A3", Series 2005-10, 6.0%, 11/25/2035	164,971	116,510
FDIC Structured Sale Guaranteed Notes, "1A", Series 2010-S1, 144A, 0.896%**, 2/25/2048	2,035,197	2,042,691
Federal Home Loan Mortgage Corp.:		
"PD", Series 2774, 5.0%, 8/15/2032	1,010,000	1,097,575
"PE", Series 2898, 5.0%, 5/15/2033	335,000	365,547
"KG", Series 2987, 5.0%, 12/15/2034	1,470,000	1,605,271

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

	Principal Amount ($)(a)	Value ($)
Federal National Mortgage Association:		
"EG", Series 2005-22, 5.0%, 11/25/2033	750,000	817,984
"TC", Series 2007-77, 5.5%, 9/25/2034	370,000	400,648
MASTR Alternative Loans Trust, "8A1", Series 2004-3, 7.0%, 4/25/2034	14,275	13,550
Structured Asset Securities Corp., "2A1", Series 2003-1, 6.0%, 2/25/2018	2,289	2,355
Total Collateralized Mortgage Obligations (Cost $6,768,945)		**7,092,785**

Government & Agency Obligations 23.0%

Sovereign Bonds 2.0%

	Principal Amount ($)(a)	Value ($)
Republic of Argentina:		
GDP Linked Note, 12/15/2035	410,000	24,189
8.28%, 12/31/2033	642,413	439,250
Republic of Egypt, 9.1%, 9/20/2012 EGP	230,000	40,329
Republic of El Salvador, REG S, 8.25%, 4/10/2032	40,000	44,000
Republic of Indonesia, REG S, 8.5%, 10/12/2035	100,000	126,250
Republic of Panama:		
7.125%, 1/29/2026	220,000	256,850
7.25%, 3/15/2015	80,000	92,600
Republic of Peru, 7.125%, 3/30/2019	600,000	709,500
Republic of Philippines:		
7.75%, 1/14/2031	100,000	115,880
9.5%, 2/2/2030	60,000	81,150
Republic of Poland, 6.375%, 7/15/2019	210,000	232,307
Republic of Serbia, REG S, 6.75%, 11/1/2024	87,000	84,825
Russian Federation, 144A, 5.0%, 4/29/2020	1,000,000	965,000
		3,212,130

US Government Sponsored Agency 0.8%

	Principal Amount ($)(a)	Value ($)
Federal National Mortgage Association, 6.625%, 11/15/2030	950,000	**1,235,434**

US Treasury Obligations 20.2%

	Principal Amount ($)(a)	Value ($)
US Treasury Bill, 0.22%***, 9/16/2010 (c)	969,000	968,678
US Treasury Bonds:		
4.75%, 2/15/2037 (d)	3,600,000	4,133,250
5.375%, 2/15/2031	1,500,000	1,845,468
US Treasury Note, 1.75%, 1/31/2014 (d)	25,000,000	25,402,350
		32,349,746
Total Government & Agency Obligations (Cost $35,915,365)		**36,797,310**

Loan Participations and Assignments 0.2%

Sovereign Loans

	Principal Amount ($)(a)	Value ($)
Gazprom, 144A, 8.125%, 7/31/2014	205,000	223,204
Russian Agricultural Bank, REG S, 7.75%, 5/29/2018	100,000	107,000
Total Loan Participations and Assignments (Cost $302,403)		**330,204**

Municipal Bonds and Notes 4.4%

	Principal Amount ($)(a)	Value ($)
Florida, State Board of Education, Capital Outlay 2006, Series E, 5.0%, 6/1/2035	465,000	484,860
Gwinnett County, GA, Development Authority Revenue, Gwinnett Stadium Project, 6.4%, 1/1/2028	655,000	750,545
Illinois, State General Obligation, 4.421%, 1/1/2015 (e)	260,000	261,170
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	560,000	555,486
Los Angeles, CA, Community Development Agency Tax Allocation Revenue, Adelante Eastside Project, Series C, 6.49%, 9/1/2037 (f)	320,000	274,522
McLennan County, TX, Junior College, 5.0%, 8/15/2032 (f)	340,000	351,387
Nashville & Davidson County, TN, Metropolitan Government, Convention Center Authority Revenue, Build America Bonds, Series B, 6.731%, 7/1/2043	400,000	432,608
New Jersey, Economic Development Authority Revenue, Series B, 6.5%, 11/1/2013 (f)	860,000	980,348
Port Authority New York & New Jersey, One Hundred Fiftieth Series, 4.75%, 9/15/2016	930,000	1,002,503
Rhode Island, Convention Center Authority Revenue, Civic Center, Series A, 6.06%, 5/15/2035 (f)	515,000	561,479
Virgin Islands, Port Authority Marine Revenue, Series B, 5.08%, 9/1/2013 (f)	1,030,000	1,050,507
Washington, Central Puget Sound Regional Transit Authority, Sales & Use Tax Revenue, Series A, 5.0%, 11/1/2036	285,000	297,515
Total Municipal Bonds and Notes (Cost $6,610,395)		**7,002,930**

Preferred Stock 0.0%

Financials

	Principal Amount ($)(a)	Value ($)
Ford Motor Credit Co., LLC, 7.375% (Cost $24,692)	1,180	**26,786**

Securities Lending Collateral 17.5%

	Principal Amount ($)(a)	Value ($)
Daily Assets Fund Institutional, 0.27% (g) (h) (Cost $28,079,013)	28,079,013	**28,079,013**

Cash Equivalents 23.2%

	Shares	Value ($)
Central Cash Management Fund, 0.21% (g) (Cost $37,243,284)	37,243,284	**37,243,284**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $205,045,206)†	128.7	**206,416,953**
Other Assets and Liabilities, Net	(28.7)	**(46,081,126)**
Net Assets	100.0	**160,335,827**

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

* Non-income producing security.

** These securities are shown at their current rate as of June 30, 2010. Floating rate securities yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate.

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

† The cost for federal income tax purposes was $205,060,401. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $1,356,552. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $5,974,608 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $4,618,056.

(a) Principal amount stated in US dollars unless otherwise noted.

(b) When-issued or delayed delivery security included.

(c) At June 30, 2010, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.

(d) All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2010 amounted to $27,296,750, which is 17.0% of net assets.

(e) Taxable issue.

(f) Bond is insured by one of these companies:

Insurance Coverage	As a % of Total Investment Portfolio
Assured Guaranty Corp.	0.5
Assured Guaranty Insurance Co.	0.7
Financial Guaranty Insurance Co.	0.3
Radian	0.1

Many insurers who have traditionally guaranteed payment of municipal issues have been downgraded by the major rating agencies.

(g) Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

(h) 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.

FDIC: Federal Deposit Insurance Corp.

GDP: Gross Domestic Product

REG S: Securities sold under Regulation S may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

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. and Federal National Mortgage Association issues have similar coupon rates and have been aggregated for presentation purposes in the investment portfolio.

At June 30, 2010, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation (Depreciation) ($)
10 Year Canadian Government Bond	CAD	9/21/2010	35	4,071,251	94,033
Australian Dollar Currency	USD	9/13/2010	19	1,591,060	(4,574)
Canadian Dollar Currency	USD	9/14/2010	17	1,598,340	(9,688)
Total net unrealized appreciation					**79,771**

At June 30, 2010, open futures contracts sold were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation (Depreciation) ($)
10 Year US Treasury Note	USD	9/21/2010	25	3,063,672	(55,128)
2 Year US Treasury Note	USD	9/30/2010	100	21,882,813	(70,512)
Japanese Yen Currency	USD	9/13/2010	9	1,272,938	(44,240)
United Kingdom Long Gilt Bond	GBP	9/28/2010	16	2,893,774	3,558
Total net unrealized depreciation					**(166,322)**

As of June 30, 2010, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)	Counterparty
RUB	3,600,000	USD	112,994	9/3/2010	**(1,663)**	HSBC Bank USA

Currency Abbreviations

CAD	Canadian Dollar	GBP	British Pound	USD	United States Dollar
EGP	Egyptian Pound	RUB	Russian Ruble		

For information on the Portfolio's policy and additional disclosures regarding futures contracts and forward foreign currency exchange contracts, please refer to the Derivatives section of Note A in the accompanying Notes to Financial Statements.

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Fixed Income Investments (i)				
Corporate Bonds	$ —	$ 46,831,914	$ —	$ 46,831,914
Mortgage-Backed Securities Pass-Throughs	—	35,611,549	—	35,611,549
Asset-Backed	—	427,739	—	427,739
Commercial Mortgage-Backed Securities	—	6,973,439	—	6,973,439
Collateralized Mortgage Obligations	—	7,092,785	—	7,092,785
Government & Agency Obligations	—	35,828,632	—	35,828,632
Loan Participations and Assignments	—	330,204	—	330,204
Municipal Bonds and Notes	—	7,002,930	—	7,002,930
Preferred Stock	26,786	—	—	26,786
Short-Term Investments (i)	65,322,297	968,678	—	66,290,975
Total	**$ 65,349,083**	**$ 141,067,870**	**$ —**	**$ 206,416,953**
Liabilities				
Derivatives (j)	$ (86,551)	$ (1,663)	$ —	$ (88,214)
Total	**$ (86,551)**	**$ (1,663)**	**$ —**	**$ (88,214)**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(i) *See Investment Portfolio for additional detailed categorizations.*

(j) *Derivatives include unrealized appreciation (depreciation) on open futures contracts and forward foreign currency exchange contracts.*

Level 3 Reconciliation

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining value:

	Government & Agency Obligations
Balance as of December 31, 2009	$ 41,830
Realized gains (loss)	—
Change in unrealized appreciation (depreciation)	—
Amortization premium/discount	—
Net purchases (sales)	—
Transfers into of Level 3	—
Transfers (out) of Level 3	(41,830) (k)
Balance as of June 30, 2010	**$ —**
Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2010	**$ —**

Transfers between price levels are recognized at the beginning of the reporting period.

(k) *The investment was transferred from Level 3 to Level 2 as a result of the availability of a pricing source supported by observable inputs.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $139,722,909), including $27,296,750 of securities loaned	$	141,094,656
Investment in Daily Assets Fund Institutional (cost $28,079,013)*		28,079,013
Investment in Central Cash Management Fund (cost $37,243,284)		37,243,284
Total investments, at value (cost $205,045,206)		206,416,953
Cash		17,425
Foreign currency, at value (cost $151,314)		150,708
Receivable for investments sold — when-issued/delayed delivery securities		17,552,424
Receivable for Portfolio shares sold		78,535
Interest receivable		1,347,692
Dividends receivable		543
Foreign taxes recoverable		867
Receivable for daily variation margin on open futures contracts		34,015
Other assets		1,826
Total assets		225,600,988

Liabilities		
Payable for Investments purchased		610,351
Payable for investments purchased — when-issued/delayed delivery securities		36,329,862
Payable upon return of securities loaned		28,079,013
Payable for Portfolio shares redeemed		115,010
Unrealized depreciation on forward foreign currency exchange contracts		1,663
Accrued management fee		48,451
Other accrued expenses and payables		80,811
Total liabilities		65,265,161
Net assets, at value	**$**	**160,335,827**

Net Assets Consist of		
Undistributed net investment income		2,441,790
Net unrealized appreciation (depreciation) on:		
Investments		1,371,747
Futures		(86,551)
Foreign currency		(2,056)
Accumulated net realized gain (loss)		(39,208,674)
Paid-in capital		195,819,571
Net assets, at value	**$**	**160,335,827**
Class A		
Net Asset Value, offering and redemption price per share ($160,335,827 ÷ 28,905,395 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**5.55**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Interest	$	3,210,844
Dividends		1,540
Income distributions — Central Cash Management Fund		28,784
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		9,089
Total Income		3,250,257
Expenses:		
Management fee		310,183
Administration fee		79,534
Services to shareholders		3,266
Custodian fee		12,433
Professional fees		31,198
Trustees' fees and expenses		4,973
Reports to shareholders		27,065
Other		17,196
Total expenses		485,848
Net investment income		**2,764,409**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		5,252,914
Futures		(1,057,741)
Foreign currency		(23,754)
Payments by affiliates (see Note G)		7,050
		4,178,469
Change in net unrealized appreciation (depreciation) on:		
Investments		969,925
Futures		(643,147)
Foreign currency		(4,833)
		321,945
Net gain (loss)		**4,500,414**
Net increase (decrease) in net assets resulting from operations	**$**	**7,264,823**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income	$ 2,764,409	$ 7,096,250
Net realized gain (loss)	4,178,469	(22,284,758)
Change in net unrealized appreciation (depreciation)	321,945	29,440,278
Net increase (decrease) in net assets resulting from operations	7,264,823	14,251,770
Distributions to shareholders from:		
Net investment income:		
Class A	(6,962,542)	(11,985,798)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	8,423,576	21,968,991
Reinvestment of distributions	6,962,542	11,985,798
Cost of shares redeemed	(14,026,648)	(32,370,197)
Net increase (decrease) in net assets from Class A share transactions	1,359,470	1,584,592
Increase (decrease) in net assets	1,661,751	3,850,564
Net assets at beginning of period	158,674,076	154,823,512
Net assets at end of period (including undistributed net investment income of $2,441,790 and $6,639,923, respectively)	**$ 160,335,827**	$ 158,674,076

Other Information		
Class A		
Shares outstanding at beginning of period	28,638,100	28,147,936
Shares sold	1,506,795	4,088,614
Shares issued to shareholders in reinvestment of distributions	1,277,530	2,364,063
Shares redeemed	(2,517,030)	(5,962,513)
Net increase (decrease) in Class A shares	267,295	490,164
Shares outstanding at end of period	**28,905,395**	**28,638,100**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 5.54**	**$ 5.50**	**$ 6.98**	**$ 7.03**	**$ 6.99**	**$ 7.13**
Income (loss) from investment operations:						
Net investment income[b]	.10	.25	.37	.35	.33	.29
Net realized and unrealized gain (loss)	.16	.26	(1.48)	(.06)	(.01)	(.10)
Total from investment operations	.26	.51	(1.11)	.29	.32	.19
Less distributions from:						
Net investment income	(.25)	(.47)	(.37)	(.34)	(.27)	(.26)
Net realized gains	—	—	—	—	(.01)	(.07)
Total distributions	(.25)	(.47)	(.37)	(.34)	(.28)	(.33)
Net asset value, end of period	**$ 5.55**	**$ 5.54**	**$ 5.50**	**$ 6.98**	**$ 7.03**	**$ 6.99**
Total Return (%)	4.72**	10.07	(16.77)	4.18	4.72[c]	2.60
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	160	159	155	229	218	209
Ratio of expenses before expense reductions (%)	.61*	.59	.59	.61	.66	.68
Ratio of expenses after expense reductions (%)	.61*	.59	.59	.61	.62	.68
Ratio of net investment income (%)	3.48*	4.68	5.76	5.03	4.82	4.11
Portfolio turnover rate (%)	193**	284	196	185	186	197

a *For the six months ended June 30, 2010 (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*

Performance Summary

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 gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 0.63% and 0.89% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

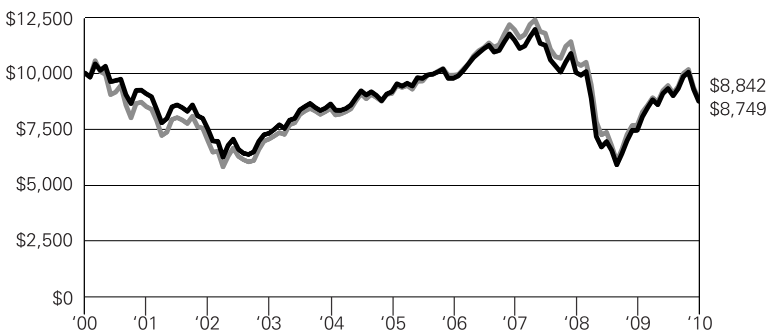
Portfolio returns during all periods shown reflect a fee waiver and/or expense reimbursement. Without this waiver/reimbursement, returns would have been lower.

Risk Considerations

Portfolio management could be wrong in its analysis of industries, companies, economic trends and favor a security that underperforms the market. Stocks may decline in value. See the prospectus for details.

Growth of an Assumed $10,000 Investment

■ **DWS Growth & Income VIP — Class A**
■ **Russell 1000® Index**



Yearly periods ended June 30

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	$9,397	$11,742	$7,621	$9,545	$8,749
	Average annual total return	–6.03%	17.42%	–8.66%	–0.93%	–1.33%
Russell 1000 Index	Growth of $10,000	$9,360	$11,524	$7,403	$9,725	$8,842
	Average annual total return	–6.40%	15.24%	–9.54%	–0.56%	–1.22%

DWS Growth & Income VIP		**6-Month‡**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Class B	Growth of $10,000	$9,387	$11,711	$7,572	$9,421	$8,517
	Average annual total return	–6.13%	17.11%	–8.85%	–1.19%	–1.59%
Russell 1000 Index	Growth of $10,000	$9,360	$11,524	$7,403	$9,725	$8,842
	Average annual total return	–6.40%	15.24%	–9.54%	–0.56%	–1.22%

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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$ 939.70	$ 938.70
Expenses Paid per $1,000*	$ 2.79	$ 4.04
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,021.92	$1,020.63
Expenses Paid per $1,000*	$ 2.91	$ 4.21

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series I — DWS Growth & Income VIP	.58%	.84%

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.

Portfolio Summary

DWS Growth & Income VIP

Asset Allocation (As a % of Investment Portfolio Excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	100%	98%
Government & Agency Obligation	0%	1%
Cash Equivalents	0%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/10**	**12/31/09**
Information Technology	19%	19%
Financials	16%	11%
Health Care	15%	14%
Industrials	11%	13%
Energy	10%	9%
Consumer Staples	10%	11%
Consumer Discretionary	9%	12%
Materials	5%	5%
Telecommunication Services	3%	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 17.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Growth & Income VIP

	Shares	Value ($)
Common Stocks 99.9%		
Consumer Discretionary 8.7%		
Auto Components 0.1%		
Cooper Tire & Rubber Co.	4,800	**93,600**
Diversified Consumer Services 0.2%		
DeVry, Inc.	2,600	**136,474**
Hotels Restaurants & Leisure 1.2%		
Starbucks Corp.	42,300	**1,027,890**
Household Durables 1.4%		
Garmin Ltd. (a)	13,000	379,340
Leggett & Platt, Inc.	7,700	154,462
Whirlpool Corp. (a)	8,300	728,906
		1,262,708
Internet & Catalog Retail 0.3%		
Liberty Media Corp. — Interactive "A"*	28,700	**301,350**
Media 2.0%		
Comcast Corp. "A"	52,500	911,925
Focus Media Holding Ltd. (ADR)*	4,300	66,779
Liberty Media-Starz "A"*	600	31,104
Time Warner, Inc.	26,200	757,442
Washington Post Co. "B"	100	41,048
		1,808,298
Multiline Retail 0.9%		
Dillard's, Inc. "A" (a)	13,800	296,700
Macy's, Inc.	21,700	388,430
Sears Holdings Corp.*	1,800	116,370
		801,500
Specialty Retail 2.5%		
Aaron's, Inc.	2,700	46,089
Advance Auto Parts, Inc.	6,600	331,188
AnnTaylor Stores Corp.*	6,200	100,874
Barnes & Noble, Inc. (a)	11,300	145,770
Limited Brands, Inc.	15,100	333,257
Lowe's Companies, Inc.	11,500	234,830
OfficeMax, Inc.*	7,700	100,562
Rent-A-Center, Inc.*	4,200	85,092
Ross Stores, Inc.	8,300	442,307
Signet Jewelers Ltd.*	1,200	33,000
TJX Companies, Inc.	7,700	323,015
Ulta Salon, Cosmetics & Fragrance, Inc.*	1,400	33,124
		2,209,108
Textiles, Apparel & Luxury Goods 0.1%		
Wolverine World Wide, Inc.	2,400	**60,528**
Consumer Staples 9.6%		
Beverages 0.6%		
Dr. Pepper Snapple Group, Inc.	7,900	295,381
Fomento Economico Mexicano SAB de CV (ADR)	4,600	198,490
		493,871
Food & Staples Retailing 2.0%		
Kroger Co.	13,000	255,970
Wal-Mart Stores, Inc.	25,700	1,235,399
Whole Foods Market, Inc.*	8,300	298,966
		1,790,335

	Shares	Value ($)
Food Products 4.2%		
Archer-Daniels-Midland Co.	20,400	526,728
Campbell Soup Co. (a)	11,400	408,462
Corn Products International, Inc.	4,000	121,200
Del Monte Foods Co.	16,900	243,191
Fresh Del Monte Produce, Inc.*	6,600	133,584
Hormel Foods Corp.	2,900	117,392
Sanderson Farms, Inc.	1,700	86,258
Smithfield Foods, Inc.* (a)	5,900	87,910
The Hershey Co.	15,400	738,122
Tyson Foods, Inc. "A"	74,100	1,214,499
Unilever PLC (ADR)	2,700	72,171
		3,749,517
Household Products 1.7%		
Colgate-Palmolive Co.	9,400	740,344
Kimberly-Clark Corp.	3,700	224,331
Procter & Gamble Co. (a)	9,200	551,816
		1,516,491
Personal Products 0.5%		
Herbalife Ltd.	8,700	400,635
Medifast, Inc.*	3,600	93,276
		493,911
Tobacco 0.6%		
Lorillard, Inc.	6,000	431,880
Reynolds American, Inc.	1,200	62,544
		494,424
Energy 10.5%		
Energy Equipment & Services 2.7%		
Complete Production Services, Inc.*	7,900	112,970
National-Oilwell Varco, Inc.	3,000	99,210
Noble Corp.*	13,200	408,012
Oil States International, Inc.*	13,700	542,246
Patterson-UTI Energy, Inc. (a)	18,300	235,521
Rowan Companies, Inc.*	13,100	287,414
Transocean Ltd.*	16,600	769,078
		2,454,451
Oil, Gas & Consumable Fuels 7.8%		
Anadarko Petroleum Corp.	3,800	137,142
Chevron Corp.	39,000	2,646,540
Cimarex Energy Co. (a)	14,000	1,002,120
ConocoPhillips	34,500	1,693,605
Marathon Oil Corp.	17,400	540,966
Murphy Oil Corp.	17,900	886,945
		6,907,318
Financials 16.4%		
Capital Markets 0.7%		
Morgan Stanley	20,700	480,447
The Goldman Sachs Group, Inc.	1,300	170,651
		651,098
Commercial Banks 3.1%		
Barclays PLC (ADR)	3,000	47,670
CIT Group, Inc.*	8,400	284,424
Comerica, Inc.	3,900	143,637
Fifth Third Bancorp.	63,100	775,499
Huntington Bancshares, Inc.	59,500	329,630
M&T Bank Corp.	1,500	127,425

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

	Shares	Value ($)
Marshall & Ilsley Corp.	17,000	122,060
PNC Financial Services Group, Inc.	9,500	536,750
SunTrust Banks, Inc.	3,700	86,210
Webster Financial Corp.	3,900	69,966
Wells Fargo & Co.	8,500	217,600
		2,740,871
Consumer Finance 2.1%		
AmeriCredit Corp.* (a)	6,300	114,786
Capital One Financial Corp. (a)	27,000	1,088,100
Discover Financial Services	44,200	617,916
		1,820,802
Diversified Financial Services 4.1%		
Bank of America Corp.	97,400	1,399,638
Citigroup, Inc.* (a)	143,700	540,312
JPMorgan Chase & Co.	44,500	1,629,145
PHH Corp.* (a)	6,000	114,240
		3,683,335
Insurance 6.2%		
ACE Ltd.	21,700	1,117,116
Allied World Assurance Co. Holdings Ltd.	5,200	235,976
Arch Capital Group Ltd.*	3,100	230,950
Aspen Insurance Holdings Ltd.	2,100	51,954
Assurant, Inc.	7,700	267,190
Axis Capital Holdings Ltd.	2,300	68,356
Berkshire Hathaway, Inc. "A"* (a)	2	240,000
Berkshire Hathaway, Inc. "B"* (a)	13,300	1,059,877
Chubb Corp.	9,700	485,097
Old Republic International Corp. (a)	15,400	186,802
Platinum Underwriters Holdings Ltd.	2,700	97,983
RenaissanceRe Holdings Ltd.	1,700	95,659
The Travelers Companies, Inc.	25,500	1,255,875
XL Group PLC	5,100	81,651
		5,474,486
Real Estate Management & Development 0.1%		
Brookfield Asset Management, Inc. "A"	2,400	**54,288**
Thrifts & Mortgage Finance 0.1%		
Radian Group, Inc. (a)	18,200	**131,768**
Health Care 15.1%		
Biotechnology 0.4%		
Amgen, Inc.*	6,000	315,600
Cephalon, Inc.* (a)	800	45,400
		361,000
Health Care Equipment & Supplies 0.1%		
Hospira, Inc.*	900	**51,705**
Health Care Providers & Services 8.9%		
Aetna, Inc.	29,200	770,296
Amedisys, Inc.* (a)	4,000	175,880
AmerisourceBergen Corp.	34,300	1,089,025
Cardinal Health, Inc.	36,700	1,233,487
Coventry Health Care, Inc.*	31,400	555,152
Health Net, Inc.*	6,700	163,279
Humana, Inc.*	20,900	954,503
McKesson Corp.	11,400	765,624
UnitedHealth Group, Inc.	51,400	1,459,760
WellPoint, Inc.*	14,900	729,057
		7,896,063
Life Sciences Tools & Services 0.2%		
Life Technologies Corp.*	5,300	**250,425**

	Shares	Value ($)
Pharmaceuticals 5.5%		
Allergan, Inc.	3,500	203,910
Eli Lilly & Co. (a)	18,900	633,150
Endo Pharmaceuticals Holdings, Inc.*	8,400	183,288
Forest Laboratories, Inc.*	30,300	831,129
Impax Laboratories, Inc.*	4,700	89,582
Johnson & Johnson	36,300	2,143,878
Medicis Pharmaceutical Corp. "A"	2,400	52,512
Novartis AG (ADR)	4,600	222,272
Par Pharmaceutical Companies, Inc.*	4,200	109,032
Perrigo Co. (a)	7,400	437,118
		4,905,871
Industrials 10.6%		
Aerospace & Defense 3.1%		
Honeywell International, Inc.	7,920	309,117
ITT Corp.	2,500	112,300
L-3 Communications Holdings, Inc.	3,300	233,772
Northrop Grumman Corp.	20,000	1,088,800
Raytheon Co.	21,300	1,030,707
		2,774,696
Air Freight & Logistics 1.3%		
Atlas Air Worldwide Holdings, Inc.*	600	28,500
United Parcel Service, Inc. "B"	19,500	1,109,355
		1,137,855
Airlines 0.4%		
Alaska Air Group, Inc.*	5,400	242,730
Southwest Airlines Co.	8,100	89,991
		332,721
Building Products 0.2%		
Owens Corning, Inc.* (a)	4,500	**134,595**
Commercial Services & Supplies 0.5%		
Cintas	3,000	71,910
R.R. Donnelley & Sons Co.	24,000	392,880
		464,790
Construction & Engineering 0.5%		
EMCOR Group, Inc.*	10,900	252,553
Shaw Group, Inc.*	6,800	232,696
		485,249
Electrical Equipment 0.1%		
Rockwell Automation, Inc.	2,600	**127,634**
Industrial Conglomerates 2.1%		
3M Co.	19,800	1,564,002
Tyco International Ltd.	7,400	260,702
		1,824,704
Machinery 1.2%		
Cummins, Inc.	2,300	149,799
Ingersoll-Rand PLC (a)	3,200	110,368
Oshkosh Corp.*	15,600	486,096
Parker Hannifin Corp.	3,800	210,748
Trinity Industries, Inc. (a)	7,200	127,584
		1,084,595
Professional Services 0.3%		
Manpower, Inc. (a)	6,700	**289,306**
Road & Rail 0.9%		
Ryder System, Inc.	18,700	**752,301**
Information Technology 19.0%		
Communications Equipment 0.5%		
Arris Group, Inc.*	5,300	54,007
Cisco Systems, Inc.*	7,200	153,432
Harris Corp.	2,300	95,795

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

	Shares	Value ($)
Tellabs, Inc.	15,800	100,962
		404,196
Computers & Peripherals 4.6%		
Apple, Inc.*	5,700	1,433,721
Dell, Inc.*	63,600	767,016
Lexmark International, Inc. "A"*	10,700	353,421
SanDisk Corp.*	5,500	231,385
Seagate Technology* (a)	21,700	282,968
Western Digital Corp.*	34,000	1,025,440
		4,093,951
Electronic Equipment, Instruments & Components 4.5%		
Anixter International, Inc.*	2,200	93,720
Arrow Electronics, Inc.*	22,000	491,700
Avnet, Inc.*	27,000	650,970
Corning, Inc.	26,800	432,820
Flextronics International Ltd.* (a)	77,100	431,760
Ingram Micro, Inc. "A"*	23,900	363,041
Jabil Circuit, Inc.	44,700	594,510
Tech Data Corp.*	11,100	395,382
Tyco Electronics Ltd.	16,200	411,156
Vishay Intertechnology, Inc.* (a)	15,900	123,066
		3,988,125
Internet Software & Services 2.2%		
AOL, Inc.* (a)	8,400	174,636
Baidu, Inc. (ADR)*	5,800	394,864
Google, Inc. "A"*	2,500	1,112,375
IAC/InterActiveCorp.*	10,500	230,685
		1,912,560
IT Services 3.9%		
Computer Sciences Corp.	27,300	1,235,325
International Business Machines Corp.	17,900	2,210,292
		3,445,617
Semiconductors & Semiconductor Equipment 0.8%		
Intel Corp.	12,600	245,070
Micron Technology, Inc.* (a)	27,600	234,324
Texas Instruments, Inc.	8,300	193,224
TriQuint Semiconductor, Inc.*	11,700	71,487
		744,105
Software 2.5%		
Activision Blizzard, Inc.	6,800	71,332
Check Point Software Technologies Ltd.*	2,800	82,544
Microsoft Corp.	91,475	2,104,840
		2,258,716
Materials 4.6%		
Chemicals 2.7%		
Ashland, Inc.	14,500	673,090
CF Industries Holdings, Inc.	6,200	393,390
Cytec Industries, Inc.	6,200	247,938
Huntsman Corp. (a)	15,400	133,518
Lubrizol Corp.	11,300	907,503
W.R. Grace & Co.*	2,500	52,600
		2,408,039
Metals & Mining 0.9%		
Eldorado Gold Corp. (a)	12,100	217,316
Freeport-McMoRan Copper & Gold, Inc.	5,000	295,650
IAMGOLD Corp.	8,300	146,744
Walter Energy, Inc.	2,700	164,295
		824,005

	Shares	Value ($)
Paper & Forest Products 1.0%		
International Paper Co.	33,500	758,105
MeadWestvaco Corp.	6,500	144,300
		902,405
Telecommunication Services 3.1%		
Diversified Telecommunication Services 3.1%		
AT&T, Inc.	60,380	1,460,592
Verizon Communications, Inc.	44,800	1,255,296
		2,715,888
Wireless Telecommunication Services 0.0%		
MetroPCS Communications, Inc.*	4,600	**37,674**
Utilities 2.3%		
Electric Utilities 0.9%		
Edison International	12,400	393,328
Exelon Corp.	1,500	56,955
Korea Electric Power Corp. (ADR)*	7,200	92,736
Progress Energy, Inc.	5,700	223,554
		766,573
Independent Power Producers & Energy Traders 0.9%		
Constellation Energy Group, Inc.	11,400	367,650
NRG Energy, Inc.*	19,441	412,344
		779,994
Multi-Utilities 0.5%		
Ameren Corp.	3,600	85,572
DTE Energy Co.	5,700	259,977
NiSource, Inc.	8,200	118,900
		464,449
Total Common Stocks (Cost $87,717,035)		**88,778,229**

	Principal Amount ($)	Value ($)
Government & Agency Obligation 0.1%		
US Treasury Obligation		
US Treasury Bill, 0.16%**, 9/16/2010 (b) (Cost $85,971)	86,000	**85,972**

	Shares	Value ($)
Securities Lending Collateral 11.3%		
Daily Assets Fund Institutional, 0.27% (c) (d) (Cost $10,019,809)	10,019,809	**10,019,809**
Cash Equivalents 0.1%		
Central Cash Management Fund, 0.21% (c) (Cost $61,066)	61,066	**61,066**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $97,883,881)†	111.4	**98,945,076**
Other Assets and Liabilities, Net	(11.4)	**(10,128,188)**
Net Assets	100.0	**88,816,888**

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

* Non-income producing security.

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

† The cost for federal income tax purposes was $99,182,270. At June 30, 2010, net unrealized depreciation for all securities based on tax cost was $237,194. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $6,952,550 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $7,189,744.

(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, 2010 amounted to $9,715,486, which is 10.9% of net assets.

(b) At June 30, 2010, 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.

ADR: American Depositary Receipt

At June 30, 2010, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Deppreciation ($)
S&P 500 E-Mini Index	USD	9/17/2010	1	51,330	**(4,272)**

Currency Abbreviation	
USD	United States Dollar

For information on the Portfolio's policy and additional disclosures regarding futures contracts, please refer to the Derivatives section of Note A in the accompanying Notes to Financial Statements.

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks (e)	$ 88,778,229	$ —	$ —	$ 88,778,229
Short-Term Investments (e)	10,080,875	85,972	—	10,166,847
Total	**$ 98,859,104**	**$ 85,972**	**$ —**	**$ 98,945,076**
Liabilities				
Derivatives (f)	$ (4,272)	$ —	$ —	$ (4,272)
Total	**$ (4,272)**	**$ —**	**$ —**	**$ (4,272)**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(e) See Investment Portfolio for additional detailed categorizations.

(f) Derivatives include unrealized appreciation (depreciation) on open futures contracts.

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $87,803,006), including $9,715,486 of securities loaned	$	88,864,201
Investment in Daily Assets Fund Institutional (cost $10,019,809)*		10,019,809
Investment in Central Cash Management Fund (cost $61,066)		61,066
Total investments, at value (cost $97,883,881)		98,945,076
Cash		237
Foreign currency, at value (cost $1,794)		1,725
Receivable for Portfolio shares sold		3,408
Interest receivable		4,751
Dividends receivable		48,597
Other assets		842
Total assets		99,004,636

Liabilities		
Payable upon return of securities loaned		10,019,809
Payable for daily variation margin on open futures contracts		2,604
Payable for Portfolio shares redeemed		64,028
Accrued management fee		31,584
Accrued distribution service fee (Class B)		377
Other accrued expenses and payables		69,346
Total liabilities		10,187,748
Net assets, at value	**$**	**88,816,888**

Net Assets Consist of		
Undistributed net investment income		643,009
Net unrealized appreciation (depreciation) on:		
Investments		1,061,195
Futures		(4,272)
Foreign currency		(87)
Accumulated net realized gain (loss)		(53,122,612)
Paid-in capital		140,239,655
Net assets, at value	**$**	**88,816,888**
Class A		
Net Asset Value, offering and redemption price per share ($87,111,175 ÷ 14,037,261 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**6.21**
Class B		
Net Asset Value, offering and redemption price per share ($1,705,713 ÷ 274,874 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**6.21**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $742)	$	968,642
Interest		574
Income distributions — Central Cash Management Fund		538
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		49,475
Total Income		1,019,229
Expenses:		
Management fee		195,540
Administration fee		50,138
Services to shareholders		2,200
Custodian fee		10,362
Distribution service fee (Class B)		2,508
Legal fees		10,536
Audit and tax fees		20,618
Trustees' fees and expenses		4,284
Reports to shareholders		21,187
Other		6,088
Total expenses before expense reductions		323,461
Expense reductions		(29,359)
Total expenses after expense reductions		294,102
Net investment income (loss)		**725,127**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		5,445,172
Futures		6,206
		5,451,378
Change in net unrealized appreciation (depreciation) on:		
Investments		(11,880,961)
Futures		(12,045)
Foreign currency		(48)
		(11,893,054)
Net gain (loss)		**(6,441,676)**
Net increase (decrease) in net assets resulting from operations	**$**	**(5,716,549)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income	$ 725,127	$ 1,607,557
Net realized gain (loss)	5,451,378	(17,473,719)
Change in net unrealized appreciation (depreciation)	(11,893,054)	42,884,018
Net increase (decrease) in net assets resulting from operations	(5,716,549)	27,017,856
Distributions to shareholders from:		
Net investment income:		
Class A	(1,597,628)	(1,967,417)
Class B	(27,222)	(35,839)
Total distributions	(1,624,850)	(2,003,256)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,900,054	5,456,883
Reinvestment of distributions	1,597,628	1,967,417
Cost of shares redeemed	(11,204,463)	(25,400,088)
Net increase (decrease) in net assets from Class A share transactions	(6,706,781)	(17,975,788)
Class B		
Proceeds from shares sold	15,103	93,741
Reinvestment of distributions	27,222	35,839
Cost of shares redeemed	(269,694)	(431,050)
Net increase (decrease) in net assets from Class B share transactions	(227,369)	(301,470)
Increase (decrease) in net assets	(14,275,549)	6,737,342
Net assets at beginning of period	103,092,437	96,355,095
Net assets at end of period (including undistributed net investment income of $643,009 and $1,542,732, respectively)	**$ 88,816,888**	**$ 103,092,437**

Other Information		
Class A		
Shares outstanding at beginning of period	15,048,001	18,437,278
Shares sold	420,498	954,520
Shares issued to shareholders in reinvestment of distributions	219,153	399,070
Shares redeemed	(1,650,391)	(4,742,867)
Net increase (decrease) in Class A shares	(1,010,740)	(3,389,277)
Shares outstanding at end of period	**14,037,261**	**15,048,001**
Class B		
Shares outstanding at beginning of period	309,228	364,787
Shares sold	2,211	16,377
Shares issued to shareholders in reinvestment of distributions	3,734	7,270
Shares redeemed	(40,299)	(79,206)
Net increase (decrease) in Class B shares	(34,354)	(55,559)
Shares outstanding at end of period	**274,874**	**309,228**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 6.71**	**$ 5.12**	**$10.81**	**$10.94**	**$ 9.72**	**$ 9.29**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.05	.10	.10	.13	.13[d]	.10
Net realized and unrealized gain (loss)	(.44)	1.61	(3.45)	.02	1.19	.45
Total from investment operations	(.39)	1.71	(3.35)	.15	1.32	.55
Less distributions from:						
Net investment income	(.11)	(.12)	(.18)	(.13)	(.10)	(.12)
Net realized gains	—	—	(2.16)	(.15)	—	—
Total distributions	(.11)	(.12)	(2.34)	(.28)	(.10)	(.12)
Net asset value, end of period	**$ 6.21**	**$ 6.71**	**$ 5.12**	**$10.81**	**$10.94**	**$ 9.72**
Total Return (%)[c]	(6.03)**	34.15	(38.31)	1.36	13.63[d]	6.07
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	87	101	94	196	280	294
Ratio of expenses before expense reductions (%)	.64*	.63	.60	.57	.56	.57
Ratio of expenses after expense reductions (%)	.58*	.54	.54	.56	.54	.54
Ratio of net investment income (loss) (%)	1.45*	1.74	1.34	1.18	1.24[d]	1.10
Portfolio turnover rate (%)	70**	82	130	310	105	115

a *For the six months ended June 30, 2010 (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,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 6.70**	**$ 5.12**	**$10.77**	**$10.90**	**$ 9.68**	**$ 9.25**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.04	.08	.08	.09	.09[d]	.07
Net realized and unrealized gain (loss)	(.44)	1.60	(3.42)	.02	1.19	.45
Total from investment operations	(.40)	1.68	(3.34)	.11	1.28	.52
Less distributions from:						
Net investment income	(.09)	(.10)	(.15)	(.09)	(.06)	(.09)
Net realized gains	—	—	(2.16)	(.15)	—	—
Total distributions	(.09)	(.10)	(2.31)	(.24)	(.06)	(.09)
Net asset value, end of period	**$ 6.21**	**$ 6.70**	**$ 5.12**	**$10.77**	**$10.90**	**$ 9.68**
Total Return (%)[c]	(6.13)**	33.64	(38.29)	1.00	13.28[d]	5.73
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	2	2	2	15	52	47
Ratio of expenses before expense reductions (%)	.89*	.89	.82	.95	.94	.95
Ratio of expenses after expense reductions (%)	.84*	.80	.77	.92	.89	.89
Ratio of net investment income (loss) (%)	1.20*	1.48	1.12	.82	.89[d]	.75
Portfolio turnover rate (%)	70**	82	130	310	105	115

a *For the six months ended June 30, 2010 (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*

Performance Summary

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.

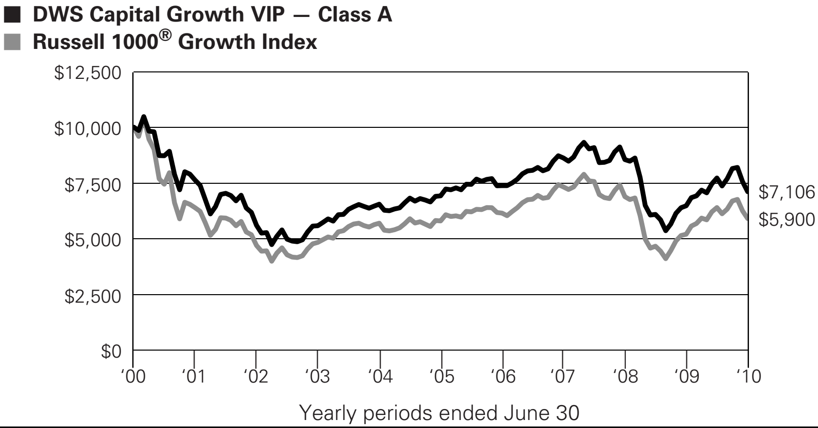
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 0.51% and 0.85% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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

Stocks may decline in value. See the prospectus for details.

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.

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	$9,204	$10,982	$8,246	$10,274	$7,106
	Average annual total return	–7.96%	9.82%	–6.23%	0.54%	–3.36%
Russell 1000 Growth Index	Growth of $10,000	$9,235	$11,362	$8,067	$10,191	$5,900
	Average annual total return	–7.65%	13.62%	–6.91%	0.38%	–5.14%

DWS Capital Growth VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$9,188	$10,948	$8,165	$10,099	$6,873
	Average annual total return	–8.12%	9.48%	–6.53%	0.20%	–3.68%
Russell 1000 Growth Index	Growth of $10,000	$9,235	$11,362	$8,067	$10,191	$5,900
	Average annual total return	–7.65%	13.62%	–6.91%	0.38%	–5.14%

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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$ 920.40	$ 918.80
Expenses Paid per $1,000*	$ 2.38	$ 3.95
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,022.32	$1,020.68
Expenses Paid per $1,000*	$ 2.51	$ 4.16

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Capital Growth VIP	.50%	.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.

Portfolio Summary

DWS Capital Growth VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	99%	99%
Cash Equivalents	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/10**	**12/31/09**
Information Technology	34%	34%
Health Care	15%	17%
Consumer Discretionary	13%	11%
Industrials	13%	12%
Consumer Staples	8%	8%
Energy	7%	6%
Financials	5%	4%
Materials	4%	5%
Telecommunication Services	1%	2%
Utilities	—	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 27.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

Investment Portfolio

June 30, 2010 (Unaudited)

DWS Capital Growth VIP

	Shares	Value ($)
Common Stocks 99.0%		
Consumer Discretionary 13.3%		
Auto Components 0.5%		
BorgWarner, Inc.* (a)	89,900	**3,356,866**
Hotels Restaurants & Leisure 3.0%		
Darden Restaurants, Inc.	164,200	6,379,170
Marriott International, Inc. "A" (a)	247,411	7,407,485
McDonald's Corp. (a)	75,000	4,940,250
		18,726,905
Media 1.8%		
Scripps Networks Interactive "A" (a)	279,500	**11,275,030**
Multiline Retail 2.7%		
Dollar General Corp.* (a)	144,600	3,983,730
Kohl's Corp.* (a)	138,000	6,555,000
Nordstrom, Inc. (a)	193,600	6,231,984
		16,770,714
Specialty Retail 2.9%		
Limited Brands, Inc. (a)	516,800	11,405,776
TJX Companies, Inc. (a)	167,100	7,009,845
		18,415,621
Textiles, Apparel & Luxury Goods 2.4%		
NIKE, Inc. "B" (a)	228,215	**15,415,923**
Consumer Staples 7.6%		
Beverages 1.3%		
PepsiCo, Inc.	134,125	**8,174,919**
Food & Staples Retailing 2.4%		
Sysco Corp. (a)	283,300	8,093,881
Wal-Mart Stores, Inc. (a)	143,100	6,878,817
		14,972,698
Household Products 2.8%		
Church & Dwight Co., Inc.	79,300	4,972,903
Colgate-Palmolive Co.	94,340	7,430,218
Energizer Holdings, Inc.* (a)	99,800	5,017,944
		17,421,065
Personal Products 1.1%		
Alberto-Culver Co. (a)	265,600	**7,195,104**
Energy 6.8%		
Energy Equipment & Services 1.5%		
Schlumberger Ltd. (a)	171,100	**9,468,674**
Oil, Gas & Consumable Fuels 5.3%		
Alpha Natural Resources, Inc.* (a)	242,100	8,199,927
Anadarko Petroleum Corp.	129,800	4,684,482
ExxonMobil Corp. (a)	219,800	12,543,986
Occidental Petroleum Corp.	99,800	7,699,570
		33,127,965
Financials 5.0%		
Capital Markets 3.0%		
Charles Schwab Corp. (a)	382,500	5,423,850
Morgan Stanley	243,900	5,660,919
T. Rowe Price Group, Inc. (a)	180,500	8,012,395
		19,097,164

	Shares	Value ($)
Diversified Financial Services 1.5%		
IntercontinentalExchange, Inc.* (a)	43,700	4,939,411
JPMorgan Chase & Co.	115,000	4,210,150
		9,149,561
Insurance 0.5%		
MetLife, Inc.	79,100	**2,986,816**
Health Care 14.5%		
Biotechnology 5.9%		
Amgen, Inc.* (a)	189,000	9,941,400
Celgene Corp.* (a)	352,170	17,897,280
Gilead Sciences, Inc.* (a)	260,505	8,930,111
		36,768,791
Health Care Equipment & Supplies 4.4%		
Covidien PLC	209,900	8,433,782
Edwards Lifesciences Corp.* (a)	209,500	11,736,190
Zimmer Holdings, Inc.*	143,600	7,761,580
		27,931,552
Health Care Providers & Services 3.6%		
Express Scripts, Inc.* (a)	323,200	15,196,864
McKesson Corp. (a)	112,800	7,575,648
		22,772,512
Pharmaceuticals 0.6%		
Abbott Laboratories	77,500	**3,625,450**
Industrials 12.8%		
Aerospace & Defense 4.3%		
Rockwell Collins, Inc. (a)	177,000	9,404,010
TransDigm Group, Inc. (a)	119,600	6,103,188
United Technologies Corp. (a)	183,600	11,917,476
		27,424,674
Commercial Services & Supplies 1.1%		
Stericycle, Inc.* (a)	103,400	**6,780,972**
Electrical Equipment 3.9%		
AMETEK, Inc. (a)	335,700	13,478,355
Roper Industries, Inc. (a)	197,600	11,057,696
		24,536,051
Machinery 1.9%		
Navistar International Corp.* (a)	94,900	4,669,080
Parker Hannifin Corp. (a)	134,900	7,481,554
		12,150,634
Road & Rail 1.6%		
Norfolk Southern Corp. (a)	186,500	**9,893,825**
Information Technology 33.7%		
Communications Equipment 6.6%		
Cisco Systems, Inc.* (a)	1,183,555	25,221,557
QUALCOMM, Inc.	506,170	16,622,623
		41,844,180
Computers & Peripherals 9.7%		
Apple, Inc.*	140,054	35,227,783
EMC Corp.* (a)	706,115	12,921,904
Hewlett-Packard Co.	295,200	12,776,256
		60,925,943

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

	Shares	Value ($)
Internet Software & Services 2.6%		
Akamai Technologies, Inc.*	74,400	3,018,408
Google, Inc. "A"*	29,525	13,137,149
		16,155,557
IT Services 2.5%		
Accenture PLC "A"	127,300	4,920,145
International Business Machines Corp.	66,510	8,212,655
Visa, Inc. "A" (a)	40,900	2,893,675
		16,026,475
Semiconductors & Semiconductor Equipment 4.6%		
Broadcom Corp. "A" (a)	529,600	17,460,912
Intel Corp.	599,290	11,656,190
		29,117,102
Software 7.7%		
Check Point Software Technologies Ltd.* (a)	164,600	4,852,408
Concur Technologies, Inc.* (a)	166,900	7,123,292
Microsoft Corp.	721,380	16,598,954
Oracle Corp.	750,255	16,100,472
Solera Holdings, Inc. (a)	97,900	3,543,980
		48,219,106
Materials 4.1%		
Chemicals 1.7%		
Celanese Corp. "A"	148,800	3,706,608
The Mosaic Co.	174,800	6,813,704
		10,520,312
Containers & Packaging 0.8%		
Owens-Illinois, Inc.* (a)	200,900	**5,313,805**
Metals & Mining 1.6%		
Freeport-McMoRan Copper & Gold, Inc. (a)	127,800	7,556,814
Steel Dynamics, Inc. (a)	177,400	2,339,906
		9,896,720
Telecommunication Services 1.2%		
Wireless Telecommunication Services		
American Tower Corp. "A"*	173,900	**7,738,550**
Total Common Stocks (Cost $504,296,556)		**623,197,236**

Securities Lending Collateral 44.9%

	Shares	Value ($)
Daily Asset Fund Institutional, 0.27% (b) (c) (Cost $282,332,429)	282,332,429	**282,332,429**

Cash Equivalents 1.0%

	Shares	Value ($)
Central Cash Management Fund, 0.21% (b) (Cost $6,287,820)	6,287,820	**6,287,820**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $792,916,805)†	144.9	**911,817,485**
Other Assets and Liabilities, Net	(44.9)	**(282,532,514)**
Net Assets	100.0	**629,284,971**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $795,692,604. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $116,124,881. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $143,375,875 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $27,250,994.*

(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, 2010 amounted to $273,705,342, which is 43.5% 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.*

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks (d)	$ 623,197,236	$ —	$ —	$ 623,197,236
Short-Term Investments (d)	288,620,249	—	—	288,620,249
Total	**$ 911,817,485**	**$ —**	**$ —**	**$ 911,817,485**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(d) *See Investment Portfolio for additional detailed categorizations.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $504,296,556), including $273,705,342 of securities loaned	$	623,197,236
Investment in Daily Assets Fund Institutional (cost $282,332,429)*		282,332,429
Investment in Central Cash Management Fund (cost $6,287,820)		6,287,820
Total investments, at value (cost $792,916,805)		911,817,485
Foreign currency, at value (cost $40,509)		41,532
Receivable for Portfolio shares sold		24,323
Interest receivable		19,485
Dividends receivable		226,652
Foreign taxes recoverable		33,916
Due from Advisor		302
Other assets		8,278
Total assets		912,171,973
Liabilities		
Payable upon return of securities loaned		282,332,429
Payable for Portfolio shares redeemed		194,716
Accrued management fee		175,563
Accrued distribution service fee (Class B)		1,678
Other accrued expenses and payables		182,616
Total liabilities		282,887,002
Net assets, at value	**$**	**629,284,971**
Net Assets Consist of		
Undistributed net investment income		2,068,302
Net unrealized appreciation (depreciation) on:		
Investments		118,900,680
Foreign currency		2,259
Accumulated net realized gain (loss)		(234,839,766)
Paid-in capital		743,153,496
Net assets, at value	**$**	**629,284,971**
Class A		
Net Asset Value, offering and redemption price per share ($618,706,623 ÷ 40,051,191 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**15.45**
Class B		
Net Asset Value, offering and redemption price per share ($10,578,348 ÷ 686,425 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**15.41**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $284)	$	4,032,904
Income distributions — Central Cash Management Fund		5,727
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		74,642
Total Income		4,113,273
Expenses:		
Management fee		1,324,785
Administration fee		354,463
Services to shareholders		6,333
Record keeping fee (Class B)		5,245
Custodian fee		27,170
Distribution service fee (Class B)		15,038
Professional fees		31,701
Trustees' fees and expenses		9,593
Reports to shareholders		41,708
Other		20,273
Total expenses before expense reductions		1,836,309
Expense reductions		(53,321)
Total expenses after expense reductions		1,782,988
Net investment income (loss)		**2,330,285**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		23,415,296
Foreign currency		4,074
		23,419,370
Change in net unrealized appreciation (depreciation) on:		
Investments		(79,731,747)
Foreign currency		(14,879)
		(79,746,626)
Net gain (loss)		**(56,327,256)**
Net increase (decrease) in net assets resulting from operations	**$**	**(53,996,971)**

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

Statement of Changes in Net Assets

	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ 2,330,285	$ 6,299,270
Net realized gain (loss)	23,419,370	(29,080,095)
Change in net unrealized appreciation (depreciation)	(79,746,626)	184,141,634
Net increase (decrease) in net assets resulting from operations	(53,996,971)	161,360,809
Distributions to shareholders from:		
Net investment income:		
Class A	(6,317,623)	(7,997,037)
Class B	(67,783)	(116,634)
Total distributions	(6,385,406)	(8,113,671)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,908,939	18,231,110
Net assets acquired in tax-free reorganization	—	66,828,943
Reinvestment of distributions	6,317,623	7,997,037
Cost of shares redeemed	(49,019,966)	(122,840,820)
Net increase (decrease) in net assets from Class A share transactions	(36,793,404)	(29,783,730)
Class B		
Proceeds from shares sold	660,807	1,745,917
Reinvestment of distributions	67,783	116,634
Cost of shares redeemed	(1,390,675)	(2,624,791)
Net increase (decrease) in net assets from Class B share transactions	(662,085)	(762,240)
Increase (decrease) in net assets	(97,837,866)	122,701,168
Net assets at beginning of period	727,122,837	604,421,669
Net assets at end of period (including undistributed net investment income of $2,068,302 and $6,123,423, respectively)	**$ 629,284,971**	**$ 727,122,837**

Other Information		
Class A		
Shares outstanding at beginning of period	42,229,316	43,844,542
Shares sold	345,974	1,329,558
Shares issued in tax-free reorganization	—	5,009,687
Shares issued to shareholders in reinvestment of distributions	348,655	644,923
Shares redeemed	(2,872,754)	(8,599,394)
Net increase (decrease) in Class A shares	(2,178,125)	(1,615,226)
Shares outstanding at end of period	**40,051,191**	**42,229,316**
Class B		
Shares outstanding at beginning of period	725,636	777,803
Shares sold	38,213	124,580
Shares issued to shareholders in reinvestment of distributions	3,749	9,421
Shares redeemed	(81,173)	(186,168)
Net increase (decrease) in Class B shares	(39,211)	(52,167)
Shares outstanding at end of period	**686,425**	**725,636**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$16.93**	**$13.55**	**$20.41**	**$18.24**	**$16.90**	**$15.67**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.06	.14	.16	.17[e]	.13[d]	.10
Net realized and unrealized gain (loss)	(1.38)	3.43	(6.83)	2.12	1.31	1.29
Total from investment operations	(1.32)	3.57	(6.67)	2.29	1.44	1.39
Less distributions from:						
Net investment income	(.16)	(.19)	(.19)	(.12)	(.10)	(.16)
Net asset value, end of period	**$15.45**	**$16.93**	**$13.55**	**$20.41**	**$18.24**	**$16.90**
Total Return (%)[c]	(7.96)**	26.87	(32.98)	12.59	8.53[d]	8.96
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	619	715	594	1,058	1,131	1,031
Ratio of expenses before expense reductions (%)	.51*	.51	.50	.53	.52	.50
Ratio of expenses after expense reductions (%)	.50*	.49	.49	.52	.49	.49
Ratio of net investment income (loss) (%)	.66*	.98	.89	.86[e]	.73[d]	.61
Portfolio turnover rate (%)	20**	76	21	30	16	17

a *For the six months ended June 30, 2010 (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,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$16.86**	**$13.49**	**$20.31**	**$18.15**	**$16.81**	**$15.59**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.03	.09	.10	.09[e]	.06[d]	.04
Net realized and unrealized gain (loss)	(1.38)	3.43	(6.81)	2.12	1.31	1.28
Total from investment operations	(1.35)	3.52	(6.71)	2.21	1.37	1.32
Less distributions from:						
Net investment income	(.10)	(.15)	(.11)	(.05)	(.03)	(.10)
Net asset value, end of period	**$15.41**	**$16.86**	**$13.49**	**$20.31**	**$18.15**	**$16.81**
Total Return (%)[c]	(8.12)**	26.49	(33.20)	12.18	8.17[d]	8.51
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	11	12	10	19	107	73
Ratio of expenses before expense reductions (%)	.85*	.85	.85	.94	.91	.89
Ratio of expenses after expense reductions (%)	.83*	.82	.82	.90	.86	.86
Ratio of net investment income (loss) (%)	.33*	.65	.56	.48[e]	.36[d]	.24
Portfolio turnover rate (%)	20**	76	21	30	16	17

a *For the six months ended June 30, 2010 (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*

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.

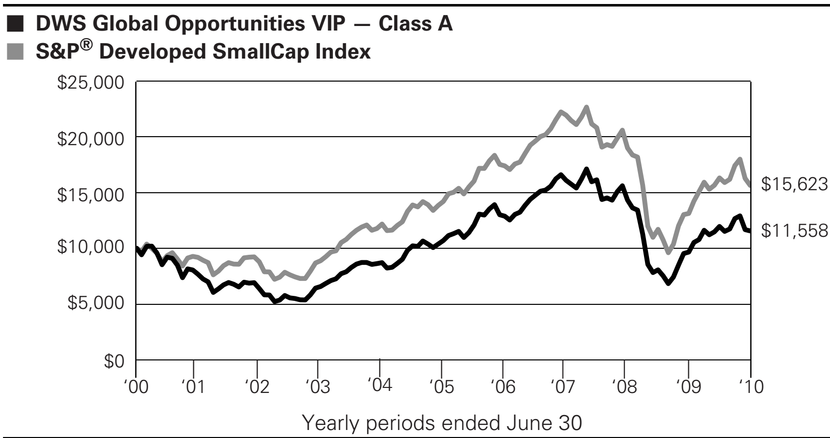
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 1.11% and 1.42% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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

Risk Considerations

Investing in foreign securities, particularly those of emerging markets, presents certain risks, such as currency fluctuations, political and economic changes, and market risks. Stocks of smaller companies involve greater risk than securities of larger, more-established companies. Stocks may decline in value. See the prospectus for details.

Growth of an Assumed $10,000 Investment



The S&P® Developed SmallCap Index 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	$9,666	$11,959	$7,188	$10,814	$11,558
	Average annual total return	–3.34%	19.59%	–10.42%	1.58%	1.46%
S&P Developed SmallCap Index	Growth of $10,000	$9,581	$11,909	$7,125	$11,007	$15,623
	Average annual total return	–4.19%	19.09%	–10.69%	1.94%	4.56%

DWS Global Opportunities VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$9,657	$11,934	$7,110	$10,662	$11,255
	Average annual total return	–3.43%	19.34%	–10.75%	1.29%	1.19%
S&P Developed SmallCap Index	Growth of $10,000	$9,581	$11,909	$7,125	$11,007	$15,623
	Average annual total return	–4.19%	19.09%	–10.69%	1.94%	4.56%

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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$ 966.60	$ 965.70
Expenses Paid per $1,000*	$ 5.17	$ 6.14

Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,019.54	$1,018.55
Expenses Paid per $1,000*	$ 5.31	$ 6.31

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS Global Opportunities VIP	1.06%	1.26%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

Portfolio Summary

DWS Global Opportunities VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	95%	97%
Cash Equivalents	4%	2%
Participatory Notes	1%	1%
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**6/30/10**	**12/31/09**
United States	42%	40%
Continental Europe	24%	27%
Pacific Basin	11%	13%
United Kingdom	9%	7%
Japan	8%	8%
Latin America	2%	1%
Canada	1%	2%
Africa	1%	—
Australia	1%	1%
Other	1%	1%
	100%	100%

Sector Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**6/30/10**	**12/31/09**
Industrials	21%	18%
Health Care	18%	16%
Consumer Discretionary	17%	16%
Information Technology	15%	16%
Financials	11%	12%
Energy	7%	10%
Materials	6%	6%
Consumer Staples	5%	5%
Utilities	0%	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 35.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Global Opportunities VIP

	Shares	Value ($)
Common Stocks 95.8%		
Australia 0.6%		
Austal Ltd. (Cost $799,122)	418,324	**766,496**
Austria 0.4%		
Wienerberger AG* (a) (Cost $432,634)	40,065	**488,551**
Bermuda 0.6%		
Lazard Ltd. "A" (Cost $666,344)	27,300	**729,183**
Brazil 1.6%		
Diagnosticos da America SA	130,000	1,223,656
Fleury SA*	74,300	822,857
(Cost $1,438,096)		**2,046,513**
Canada 1.3%		
North American Palladium Ltd.* (a)	117,500	365,425
SunOpta, Inc.*	286,300	1,253,994
(Cost $3,109,273)		**1,619,419**
Channel Islands 0.9%		
Randgold Resources Ltd. (ADR) (b) (Cost $735,052)	11,800	**1,118,050**
China 2.6%		
hiSoft Technology International Ltd. (ADR)*	61,600	640,640
Minth Group Ltd.	1,105,800	1,308,195
VanceInfo Technologies, Inc. (ADR)*	61,000	1,420,080
(Cost $1,558,764)		**3,368,915**
Cyprus 0.3%		
Prosafe SE (c) (Cost $681,555)	104,343	**415,439**
France 2.5%		
Financiere Marc de Lacharriere SA	12,200	466,976
Flamel Technologies SA (ADR)* (a)	169,600	1,180,416
JC Decaux SA*	45,071	1,044,019
Meetic	19,827	503,743
(Cost $4,512,650)		**3,195,154**
Germany 5.4%		
Fresenius Medical Care AG & Co. KGaA	76,307	4,128,183
M.A.X. Automation AG	261,915	871,785
Rational AG	7,284	1,124,946
United Internet AG (Registered)	78,543	863,643
(Cost $2,735,625)		**6,988,557**
Gibraltar 0.5%		
PartyGaming PLC* (Cost $887,555)	214,906	**681,710**
Greece 0.5%		
Hellenic Exchanges SA	61,000	321,457
Jumbo SA	52,382	317,395
(Cost $1,606,785)		**638,852**
Hong Kong 6.1%		
Dah Sing Banking Group Ltd.*	555,400	714,345
K Wah International Holdings Ltd.	2,450,000	757,206
Kingboard Chemical Holdings Ltd.	321,140	1,374,657
Midland Holdings Ltd.	1,998,357	1,633,449
REXLot Holdings Ltd. (d)	14,450,000	1,318,567
Shui On Construction & Materials Ltd.	522,000	572,086
Wing Hang Bank Ltd.	158,200	1,548,936
(Cost $5,215,881)		**7,919,246**
Ireland 4.4%		
C&C Group PLC (e)	149,879	586,901
C&C Group PLC (e)	185,737	730,627
ICON PLC (ADR)*	44,900	1,297,161
Norkom Group PLC*	292,633	470,009
Paddy Power PLC	39,555	1,228,186
Ryanair Holdings PLC* (e)	2,200	9,607
Ryanair Holdings PLC* (e)	312,536	1,368,300
(Cost $4,121,744)		**5,690,791**
Italy 0.5%		
Prysmian SpA (Cost $837,686)	46,571	**669,020**
Japan 7.6%		
Daiseki Co., Ltd. (a)	42,700	883,803
FP Corp.	13,300	691,650
Internet Initiative Japan, Inc. (a)	332	976,083
Kakaku.com, Inc.	193	797,819
M3, Inc. (a)	228	915,054
MISUMI Group, Inc.	60,600	1,116,952
Nidec Corp.	15,500	1,298,187
Nippon Seiki Co., Ltd.	67,000	731,731
Nitori Co., Ltd.	11,600	998,436
Universal Entertainment Corp.* (a)	77,200	1,396,488
(Cost $7,512,562)		**9,806,203**
Korea 0.7%		
S&T Dynamics Co., Ltd. (Cost $741,138)	60,890	**925,527**
Luxembourg 0.7%		
L'Occitane International SA* (Cost $760,220)	387,500	**844,977**
Netherlands 4.0%		
Brunel International NV	23,026	652,614
Chicago Bridge & Iron Co. NV (NY Registered Shares)*	48,500	912,285
Koninklijke Vopak NV	36,853	1,352,462
QIAGEN NV* (a)	62,600	1,212,657
SBM Offshore NV	74,639	1,065,171
(Cost $3,921,707)		**5,195,189**
Singapore 1.1%		
Venture Corp., Ltd. (Cost $851,930)	221,000	**1,402,019**
South Africa 0.9%		
Life Healthcare Group Holdings Pte Ltd.*	298,705	527,355
Northam Platinum Ltd.	108,524	637,538
(Cost $1,517,016)		**1,164,893**
Spain 0.8%		
Tecnicas Reunidas SA	14,090	635,912
Telvent GIT SA (NY Registered Shares)* (a)	25,400	424,180
(Cost $1,251,360)		**1,060,092**
Switzerland 1.2%		
Advanced Digital Broadcast Holdings SA (ADB Group) (Registered)	11,700	398,784
Partners Group Holding AG	9,900	1,194,608
(Cost $1,103,006)		**1,593,392**

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

	Shares	Value ($)
Taiwan 0.5%		
Nan Ya Printed Circuit Board Corp. (Cost $725,068)	164,000	**664,514**
Thailand 0.6%		
Kiatnakin Bank PCL (Cost $769,666)	913,600	**768,620**
United Arab Emirates 0.5%		
Lamprell PLC (Cost $670,976)	220,696	**702,346**
United Kingdom 8.8%		
Aegis Group PLC	277,722	440,153
ARM Holdings PLC	450,227	1,862,767
Ashmore Group PLC	317,788	1,143,370
Babcock International Group PLC (a)	180,919	1,604,006
Burberry Group PLC	65,480	738,380
Domino's Pizza UK & IRL PLC	126,845	711,722
ICAP PLC	98,470	590,250
John Wood Group PLC	122,820	571,092
Michael Page International PLC	190,557	1,051,831
Northgate PLC*	176,640	454,501
Rotork PLC	46,454	877,955
Serco Group PLC	149,780	1,304,728
(Cost $9,515,424)		**11,350,755**
United States 40.2%		
Accuray, Inc.*	89,500	593,385
Advance Auto Parts, Inc.	18,150	910,767
Aecom Technology Corp.*	48,468	1,117,672
Aeropostale, Inc.*	54,050	1,547,992
Affiliated Managers Group, Inc.*	10,000	607,700
Allegheny Energy, Inc.	11,600	239,888
Alpha Natural Resources, Inc.*	25,400	860,298
athenahealth, Inc.* (a)	20,100	525,213
Atlas Air Worldwide Holdings, Inc.*	27,000	1,282,500
BE Aerospace, Inc.*	42,000	1,068,060
BorgWarner, Inc.*	19,500	728,130
Cameron International Corp.*	19,200	624,384
Carter's, Inc.*	41,900	1,099,875
Central European Distribution Corp.* (f)	31,300	669,194
Cliffs Natural Resources, Inc.	17,700	834,732
Darling International, Inc.*	84,100	631,591
Deckers Outdoor Corp.*	11,000	1,571,570
Diamond Foods, Inc. (a)	35,100	1,442,610
Dresser-Rand Group, Inc.*	31,400	990,670
EnerNOC, Inc.* (a)	27,700	870,888
EXCO Resources, Inc.	43,000	628,230
FSI International, Inc.*	85,100	356,569
FTI Consulting, Inc.* (a)	38,850	1,693,472
Genoptix, Inc.*	15,100	259,720
Green Mountain Coffee Roasters, Inc.*	34,350	882,795
Guess?, Inc.	22,700	709,148
Harris Corp.	23,500	978,775
iGATE Corp.	63,900	819,198
Itron, Inc.*	26,900	1,662,958
Jarden Corp.	23,400	628,758
Jefferies Group, Inc. (a)	56,400	1,188,912
Joy Global, Inc.	22,075	1,105,737
Lam Research Corp.*	20,300	772,618
Lexmark International, Inc. "A"* (a)	17,700	584,631
Life Technologies Corp.*	28,200	1,332,450
Martin Marietta Materials, Inc. (a)	8,500	720,885
Merge Healthcare, Inc.*	150,025	439,573
Metabolix, Inc.* (a)	45,800	655,398
NIC, Inc.	102,000	653,820
Northern Oil & Gas, Inc.* (a)	52,400	672,816
NxStage Medical, Inc.*	115,900	1,719,956
Owens & Minor, Inc.	43,650	1,238,787
Owens-Illinois, Inc.*	25,800	682,410
Prosperity Bancshares, Inc. (a)	25,700	893,075
Questcor Pharmaceuticals, Inc.*	65,000	663,650
Rovi Corp.*	23,300	883,303
Schawk, Inc.	30,200	451,490
Schweitzer-Mauduit International, Inc.	33,200	1,674,940
Somanetics Corp.*	27,500	686,125
Stericycle, Inc.* (a)	17,600	1,154,208
Thoratec Corp.* (a)	52,300	2,234,779
TiVo, Inc.*	64,100	473,058
Ultra Petroleum Corp.*	29,400	1,300,950
Urban Outfitters, Inc.*	42,100	1,447,819
Vista Gold Corp.* (a)	104,400	177,480
VIVUS, Inc.* (a)	74,100	711,360
Waddell & Reed Financial, Inc. "A"	26,800	586,384
(Cost $38,192,320)		**51,943,356**
Total Common Stocks (Cost $96,871,159)		**123,757,779**

Participatory Note 0.6%

	Shares	Value ($)
Indonesia		
PT AKR Corporindo Tbk (issuer Merrill Lynch International & Co.), Expiration Date 11/6/2014* (Cost $725,992)	6,135,000	**718,408**

Warrants 0.0%

	Shares	Value ($)
Hong Kong		
Kingboard Chemical Holdings Ltd. Expiration Date 10/31/2012* (Cost $0)	39,014	**17,536**

Securities Lending Collateral 12.6%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.27% (g) (h) (Cost $16,291,582)	16,291,582	**16,291,582**

Cash Equivalents 4.4%

	Shares	Value ($)
Central Cash Management Fund, 0.21% (g) (Cost $5,689,236)	5,689,236	**5,689,236**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $119,577,969)†	113.4	**146,474,541**
Other Assets and Liabilities, Net	(13.4)	**(17,363,126)**
Net Assets	100.0	**129,111,415**

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

* Non-income producing security.

† The cost for federal income tax purposes was $120,906,280. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $25,568,261. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $36,885,352 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $11,317,091.

(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, 2010 amounted to $15,620,403, which is 12.1% of net assets.

(b) Security is listed in country of domicile. Significant business activities of the company are in Africa.

(c) Security is listed in country of domicile. Significant business activities of the company are in Norway.

(d) Security is listed in country of domicile. Significant business activities of the company are in China.

(e) Securities with the same description are the same corporate entity but trade on different stock exchanges.

(f) Security is listed in country of domicile. Sigificant business activities of the company are in Poland.

(g) Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

(h) Represents collateral held in connection with securities lending. Income earned by the Portfolio is net of borrower rebates.

ADR: American Depositary Receipt

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks & Warrants				
Australia	$ —	$ 766,496	$ —	$ 766,496
Austria	—	488,551	—	488,551
Bermuda	729,183	—	—	729,183
Brazil	2,046,513	—	—	2,046,513
Canada	1,619,419	—	—	1,619,419
Channel Islands	1,118,050	—	—	1,118,050
China	2,060,720	1,308,195	—	3,368,915
Cyprus	—	415,439	—	415,439
France	1,180,416	2,014,738	—	3,195,154
Germany	—	6,988,557	—	6,988,557
Gibraltar	—	681,710	—	681,710
Greece	—	638,852	—	638,852
Hong Kong	—	7,936,782	—	7,936,782
Ireland	1,297,161	4,393,630	—	5,690,791
Italy	—	669,020	—	669,020
Japan	—	9,806,203	—	9,806,203
Korea	—	925,527	—	925,527
Luxembourg	—	844,977	—	844,977
Netherlands	912,285	4,282,904	—	5,195,189
Singapore	—	1,402,019	—	1,402,019
South Africa	—	1,164,893	—	1,164,893
Spain	424,180	635,912	—	1,060,092
Switzerland	—	1,593,392	—	1,593,392
Taiwan	—	664,514	—	664,514
Thailand	—	768,620	—	768,620
United Arab Emirates	—	702,346	—	702,346
United Kingdom	—	11,350,755	—	11,350,755
United States	51,943,356	—	—	51,943,356
Participatory Note	—	718,408	—	718,408
Short-Term Investments (i)	21,980,818	—	—	21,980,818
Total	**$ 85,312,101**	**$ 61,162,440**	**$ —**	**$ 146,474,541**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(i) See Investment Portfolio for additional detailed categorizations.

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $97,597,151), including $15,620,403 of securities loaned	$	124,493,723
Investment in Daily Assets Fund Institutional (cost $16,291,582)*		16,291,582
Investment in Central Cash Management Fund (cost $5,689,236)		5,689,236
Total investments, at value (cost $119,577,969)		146,474,541
Foreign currency, at value (cost $8,859)		8,756
Receivable for Portfolio shares sold		8,038
Interest receivable		9,072
Dividends receivable		126,434
Foreign taxes recoverable		50,794
Other assets		874
Total assets		146,678,509

Liabilities		
Payable for investments purchased		823,950
Payable upon return of securities loaned		16,291,582
Payable for Portfolio shares redeemed		301,977
Accrued management fee		79,770
Accrued distribution service fee (Class B)		427
Other accrued expenses and payables		69,388
Total liabilities		17,567,094
Net assets, at value	**$**	**129,111,415**

Net Assets Consist of		
Undistributed net investment income		81,325
Net unrealized appreciation (depreciation) on:		
Investments		26,896,572
Foreign currency		(876)
Accumulated net realized gain (loss)		(17,065,252)
Paid-in capital		119,199,646
Net assets, at value	**$**	**129,111,415**
Class A		
Net Asset Value, offering and redemption price per share ($127,109,491 ÷ 11,658,827 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.90**
Class B		
Net Asset Value, offering and redemption price per share ($2,001,924 ÷ 186,621 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**10.73**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $79,587)	$	1,184,659
Income distributions — Central Cash Management Fund		3,097
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		57,913
Total Income		1,245,669
Expenses:		
Management fee		631,935
Administration fee		71,004
Services to shareholders		3,567
Custodian fee		26,948
Distribution service fee (Class B)		6,224
Professional fees		29,101
Trustees' fees and expenses		5,100
Reports to shareholders		24,106
Other		11,229
Total expenses before expense reductions		809,214
Expense reductions		(51,578)
Total expenses after expense reductions		757,636
Net investment income (loss)		**488,033**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		6,276,674
Foreign currency		(79,719)
		6,196,955
Change in net unrealized appreciation (depreciation) on:		
Investments		(10,937,739)
Foreign currency		(2,144)
		(10,939,883)
Net gain (loss)		**(4,742,928)**
Net increase (decrease) in net assets resulting from operations	**$**	**(4,254,895)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ 488,033	$ 582,620
Net realized gain (loss)	6,196,955	(7,267,367)
Change in net unrealized appreciation (depreciation)	(10,939,883)	55,600,054
Net increase (decrease) in net assets resulting from operations	(4,254,895)	48,915,307
Distributions to shareholders from:		
Net investment income:		
Class A	(567,314)	(2,053,958)
Class B	(5,306)	(80,052)
Total distributions	(572,620)	(2,134,010)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,298,638	8,747,386
Reinvestment of distributions	567,314	2,053,958
Cost of shares redeemed	(12,898,068)	(33,699,813)
Net increase (decrease) in net assets from Class A share transactions	(7,032,116)	(22,898,469)
Class B		
Proceeds from shares sold	202,265	692,203
Reinvestment of distributions	5,306	80,052
Cost of shares redeemed	(4,958,487)	(1,476,946)
Net increase (decrease) in net assets from Class B share transactions	(4,750,916)	(704,691)
Increase (decrease) in net assets	(16,610,547)	23,178,137
Net assets at beginning of period	145,721,962	122,543,825
Net assets at end of period (including undistributed net investment income of $81,325 and $165,912, respectively)	**$ 129,111,415**	**$ 145,721,962**

Other Information		
Class A		
Shares outstanding at beginning of period	12,301,988	15,069,861
Shares sold	450,206	905,526
Shares issued to shareholders in reinvestment of distributions	46,236	264,685
Shares redeemed	(1,139,603)	(3,938,084)
Net increase (decrease) in Class A shares	(643,161)	(2,767,873)
Shares outstanding at end of period	**11,658,827**	**12,301,988**
Class B		
Shares outstanding at beginning of period	586,186	669,567
Shares sold	17,308	75,308
Shares issued to shareholders in reinvestment of distributions	439	10,492
Shares redeemed	(417,312)	(169,181)
Net increase (decrease) in Class B shares	(399,565)	(83,381)
Shares outstanding at end of period	**186,621**	**586,186**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$11.32**	**$ 7.79**	**$18.28**	**$18.15**	**$15.00**	**$12.77**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.04	.04	.20[e]	.08[e]	.03[d]	.04
Net realized and unrealized gain (loss)	(.41)	3.64	(8.18)	1.61	3.28	2.27
Total from investment operations	(.37)	3.68	(7.98)	1.69	3.31	2.31
Less distributions from:						
Net investment income	(.05)	(.15)	(.04)	(.23)	(.16)	(.08)
Net realized gains	—	—	(2.47)	(1.33)	—	—
Total distributions	(.05)	(.15)	(2.51)	(1.56)	(.16)	(.08)
Net asset value, end of period	**$10.90**	**$11.32**	**$ 7.79**	**$18.28**	**$18.15**	**$15.00**
Total Return (%)	(3.34)[c]**	48.20[c]	(49.96)[c]	9.33[c]	22.08[d]	18.19
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	127	139	117	310	331	285
Ratio of expenses before expense reductions (%)	1.13*	1.11	1.11	1.14	1.12	1.17
Ratio of expenses after expense reductions (%)	1.06*	.99	.99	1.12	1.12	1.17
Ratio of net investment income (loss) (%)	.69*	.47	1.53[e]	.45[e]	.16[d]	.32
Portfolio turnover rate (%)	20**	53	21	19	28	30

a *For the six months ended June 30, 2010 (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 $0.05 and $0.02 per share and 0.37% and 0.09% of average daily net assets for the years ended December 31, 2008 and 2007, respectively.*

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$11.11**	**$ 7.65**	**$18.03**	**$17.93**	**$14.84**	**$12.62**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.03	.02	.16[f]	.01[f]	(.00)[c,e]	.03
Net realized and unrealized gain (loss)	(.40)	3.57	(8.07)	1.61	3.24	2.24
Total from investment operations	(.37)	3.59	(7.91)	1.62	3.24	2.27
Less distributions from:						
Net investment income	(.01)	(.13)	—	(.19)	(.15)	(.05)
Net realized gains	—	—	(2.47)	(1.33)	—	—
Total distributions	(.01)	(.13)	(2.47)	(1.52)	(.15)	(.05)
Net asset value, end of period	**$10.73**	**$11.11**	**$ 7.65**	**$18.03**	**$17.93**	**$14.84**
Total Return (%)[d]	(3.43)**	47.66	(50.16)	8.92	21.88[e]	18.06
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	2	7	5	12	37	33
Ratio of expenses before expense reductions (%)	1.33*	1.42	1.42	1.53	1.51	1.54
Ratio of expenses after expense reductions (%)	1.26*	1.30	1.30	1.50	1.31	1.24
Ratio of net investment income (loss) (%)	.49*	.16	1.21[f]	.07[f]	(.03)[e]	.25
Portfolio turnover rate (%)	20**	53	21	19	28	30

a *For the six months ended June 30, 2010 (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 $0.05 and $0.02 per share and 0.37% and 0.09% of average daily net assets for the years ended December 31, 2008 and 2007, respectively.*

* *Annualized*

** *Not annualized*

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.

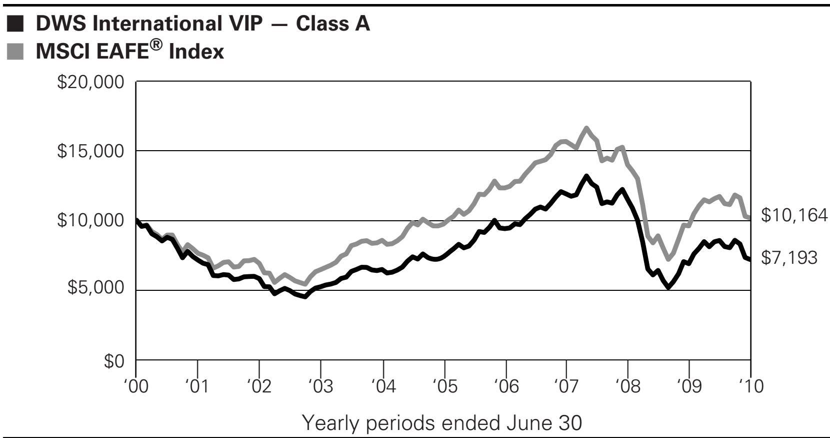
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 0.96% and 1.24% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

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

Risk Considerations

Investing in foreign securities, particularly those of emerging markets, presents certain risks, such as currency fluctuations, political and economic changes, and market risks. Stocks may decline in value. See the prospectus for details.

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	$8,407	$10,442	$6,047	$9,764	$7,193
	Average annual total return	–15.93%	4.42%	–15.44%	–0.48%	–3.24%
MSCI EAFE® Index	Growth of $10,000	$8,677	$10,592	$6,499	$10,446	$10,164
	Average annual total return	–13.23%	5.92%	–13.38%	0.88%	0.16%

DWS International VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class B	Growth of $10,000	$8,395	$10,412	$5,993	$9,616	$7,009
	Average annual total return	–16.05%	4.12%	–15.69%	–0.78%	–3.49%
MSCI EAFE® Index	Growth of $10,000	$8,677	$10,592	$6,499	$10,446	$10,164
	Average annual total return	–13.23%	5.92%	–13.38%	0.88%	0.16%

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, 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$ 840.70	$ 839.50
Expenses Paid per $1,000*	$ 4.47	$ 5.70
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,019.93	$1,018.60
Expenses Paid per $1,000*	$ 4.91	$ 6.26

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series I — DWS International VIP	.98%	1.25%

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.

Portfolio Summary

DWS International VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	91%	93%
Cash Equivalents	5%	4%
Exchange-Traded Funds	4%	3%
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**6/30/10**	**12/31/09**
Continental Europe	60%	63%
Japan	23%	18%
United Kingdom	13%	9%
Australia	4%	4%
Pacific Basin	—	6%
	100%	100%

Sector Diversification (As a % of Common Stocks and Rights)	**6/30/10**	**12/31/09**
Industrials	21%	13%
Materials	16%	15%
Consumer Staples	13%	5%
Consumer Discretionary	13%	9%
Energy	11%	13%
Information Technology	7%	3%
Financials	7%	24%
Utilities	5%	5%
Telecommunication Services	4%	5%
Health Care	3%	8%
	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 45.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS International VIP

	Shares	Value ($)
Common Stocks 87.4%		
Australia 3.4%		
BHP Billiton Ltd.	171,588	5,336,362
Woodside Petroleum Ltd.	113,178	3,947,535
(Cost $8,988,135)		**9,283,897**
Belgium 0.3%		
Belgacom SA (Cost $768,040)	23,824	**749,976**
Denmark 2.8%		
A P Moller-Maersk AS "B"	796	6,241,199
Carlsberg AS "B"	16,726	1,271,634
(Cost $7,172,585)		**7,512,833**
Finland 2.6%		
Fortum Oyj (Cost $10,590,679)	326,215	**7,181,358**
France 11.6%		
Air Liquide SA	51,248	5,147,452
Atos Origin SA*	32,502	1,298,145
AXA SA	121,797	1,847,159
BNP Paribas	92,068	4,915,916
Bouygues SA	67,879	2,599,972
Cap Gemini	143,928	6,288,236
Carrefour SA	70,584	2,786,910
Compagnie de Saint-Gobain	70,351	2,597,568
Sanofi-Aventis	23,088	1,392,273
Vinci SA	63,130	2,599,570
(Cost $35,323,752)		**31,473,201**
Germany 16.4%		
Allianz SE (Registered)	44,236	4,392,477
BASF SE	121,711	6,640,134
Bayerische Motoren Werke (BMW) AG	141,676	6,852,616
E.ON AG	106,749	2,873,658
Fresenius Medical Care AG & Co. KGaA	19,661	1,063,653
HeidelbergCement AG	88,400	4,210,536
Linde AG	49,445	5,191,854
MAN SE	50,213	4,139,665
RWE AG	20,883	1,361,165
Siemens AG (Registered)	86,478	7,738,648
(Cost $45,687,595)		**44,464,406**
Ireland 0.7%		
CRH PLC (b)	51,475	1,077,411
CRH PLC (b)	37,493	762,458
(Cost $1,912,190)		**1,839,869**
Italy 5.2%		
Atlantia SpA	78,476	1,391,270
Eni SpA	144,820	2,658,479
Fiat SpA	381,998	3,931,439
Prysmian SpA	250,628	3,600,420
Saipem SpA	82,877	2,518,700
(Cost $16,118,244)		**14,100,308**
Japan 17.0%		
Canon, Inc.	127,266	4,744,869
FANUC Ltd.	47,888	5,372,557
Komatsu Ltd.	266,442	4,814,625
Mitsubishi Corp.	189,680	3,952,517
Mitsubishi UFJ Financial Group, Inc.	303,953	1,377,868
Mitsui O.S.K Lines Ltd.	241,890	1,596,328
Nintendo Co., Ltd.	19,966	5,816,022
NTT DoCoMo, Inc.	1,898	2,870,211
Panasonic Corp.	181,442	2,265,636
Seven & I Holdings Co., Ltd.	144,949	3,325,749
Shin-Etsu Chemical Co., Ltd.	86,920	4,043,718
Sumitomo Mitsui Financial Group, Inc.	38,113	1,075,956
Yamada Denki Co., Ltd.	74,793	4,882,525
(Cost $47,181,483)		**46,138,581**
Netherlands 3.5%		
Koninklijke Ahold NV	230,880	2,859,279
Royal Dutch Shell PLC "A"	264,431	6,677,800
(Cost $10,857,776)		**9,537,079**
Norway 2.1%		
Statoil ASA (Cost $6,911,364)	302,672	**5,837,604**
Russia 0.8%		
Sberbank (Cost $1,016,739)	859,923	**2,062,501**
Sweden 1.9%		
Alfa Laval AB	107,118	1,383,613
Hennes & Mauritz AB "B"	132,794	3,651,508
(Cost $4,273,899)		**5,035,121**
Switzerland 7.1%		
Compagnie Financiere Richemont SA "A"	72,432	2,519,952
Holcim Ltd. (Registered)	69,359	4,642,691
Nestle SA (Registered)	162,079	7,820,307
SGS SA (Registered)	2,107	2,836,812
Swatch Group AG (Bearer)	5,387	1,507,620
(Cost $16,912,861)		**19,327,382**
United Kingdom 12.0%		
AMEC PLC	412,420	5,027,620
British American Tobacco PLC	224,630	7,112,866
Diageo PLC	212,633	3,331,760
GlaxoSmithKline PLC	224,876	3,811,014
Lloyds Banking Group PLC*	868,973	689,466
Unilever PLC	77,169	2,056,649
Vodafone Group PLC	2,929,840	6,071,274
WPP PLC	489,349	4,601,730
(Cost $34,404,380)		**32,702,379**
Total Common Stocks (Cost $248,119,721)		**237,246,495**
Exchange-Traded Fund 4.3%		
Japan		
iShares MSCI Japan Index Fund (a) (Cost $14,325,710)	1,257,210	**11,566,332**
Securities Lending Collateral 1.7%		
Daily Asset Fund Institutional, 0.27% (c) (d) (Cost $4,750,000)	4,750,000	**4,750,000**
Cash Equivalents 4.9%		
Central Cash Management Fund, 0.21% (c) (Cost $13,308,798)	13,308,798	**13,308,798**

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

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $280,504,229)[†]	98.3	**266,871,625**
Other Assets and Liabilities, Net	1.7	**4,667,233**
Net Assets	100.0	**271,538,858**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $287,651,153. At June 30, 2010, net unrealized depreciation for all securities based on tax cost was $20,779,528. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $14,574,796 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $35,354,324.*

(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, 2010 amounted to $4,600,000, which is 1.7% 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.*

MSCI: Morgan Stanley Capital International

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks				
Australia	$ —	$ 9,283,897	$ —	$ 9,283,897
Belgium	—	749,976	—	749,976
Denmark	—	7,512,833	—	7,512,833
Finland	—	7,181,358	—	7,181,358
France	—	31,473,201	—	31,473,201
Germany	—	44,464,406	—	44,464,406
Ireland	—	1,839,869	—	1,839,869
Italy	—	14,100,308	—	14,100,308
Japan	—	46,138,581	—	46,138,581
Netherlands	—	9,537,079	—	9,537,079
Norway	—	5,837,604	—	5,837,604
Russia	—	2,062,501	—	2,062,501
Sweden	—	5,035,121	—	5,035,121
Switzerland	—	19,327,382	—	19,327,382
United Kingdom	—	32,702,379	—	32,702,379
Exchange-Traded Fund	11,566,332	—	—	11,566,332
Short-Term Investments (e)	18,058,798	—	—	18,058,798
Total	**$ 29,625,130**	**$ 237,246,495**	**$ —**	**$ 266,871,625**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(e) *See Investment Portfolio for additional detailed categorizations.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $262,445,431), including $4,600,000 of securities loaned	$ 248,812,827
Investment in Daily Assets Fund Institutional (cost $4,750,000)*	4,750,000
Investment in Central Cash Management Fund (cost $13,308,798)	13,308,798
Total investments, at value (cost $280,504,229)	266,871,625
Foreign currency, at value (cost $5,717,617)	5,656,773
Receivable for investments sold	10,961,232
Receivable for Portfolio shares sold	78,889
Interest receivable	54,366
Dividends receivable	554,655
Foreign taxes recoverable	260,415
Other assets	2,622
Total assets	284,440,577

Liabilities	
Payable for investments purchased	7,782,583
Payable upon return of securities loaned	4,750,000
Payable for Portfolio shares redeemed	90,220
Accrued management fee	168,414
Accrued distribution service fee (Class B)	74
Other accrued expenses and payables	110,428
Total liabilities	12,901,719
Net assets, at value	**$ 271,538,858**

Net Assets Consist of	
Undistributed net investment income	1,620,202
Net unrealized appreciation (depreciation) on:	
Investments	(13,632,604)
Foreign currency	125,700
Accumulated net realized gain (loss)	(153,509,382)
Paid-in capital	436,934,942
Net assets, at value	**$ 271,538,858**
Class A	
Net Asset Value, offering and redemption price per share ($271,194,222 ÷ 39,879,189 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 6.80**
Class B	
Net Asset Value, offering and redemption price per share ($344,636 ÷ 50,566 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$ 6.82**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $702,127)	$ 5,314,916
Income distributions — Central Cash Management Fund	14,313
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	287,615
Total Income	5,616,844
Expenses:	
Management fee	1,247,908
Administration fee	157,963
Services to shareholders	12,238
Custodian fee	58,893
Distribution service fee (Class B)	530
Professional fees	29,524
Trustees' fees and expenses	8,715
Reports to shareholders	32,583
Other	19,618
Total expenses before expense reductions	1,567,972
Expense reductions	(12,879)
Total expenses after expense reductions	1,555,093
Net investment income (loss)	**4,061,751**

Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments	30,291,919
Foreign currency	(1,449,637)
	28,842,282
Change in net unrealized appreciation (depreciation) on:	
Investments	(86,243,059)
Foreign currency	131,999
	(86,111,060)
Net gain (loss)	**(57,268,778)**
Net increase (decrease) in net assets resulting from operations	**$ (53,207,027)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ 4,061,751	$ 5,093,925
Net realized gain (loss)	28,842,282	(62,986,953)
Change in net unrealized appreciation (depreciation)	(86,111,060)	145,310,993
Net increase (decrease) in net assets resulting from operations	(53,207,027)	87,417,965
Distributions to shareholders from:		
Net investment income:		
Class A	(6,697,099)	(13,459,468)
Class B	(8,035)	(17,118)
Total distributions	(6,705,134)	(13,476,586)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	6,605,099	14,392,350
Reinvestment of distributions	6,697,099	13,459,468
Cost of shares redeemed	(26,245,279)	(55,084,882)
Net increase (decrease) in net assets from Class A share transactions	(12,943,081)	(27,233,064)
Class B		
Proceeds from shares sold	14,071	18,639
Reinvestment of distributions	8,035	17,118
Cost of shares redeemed	(64,288)	(67,424)
Net increase (decrease) in net assets from Class B share transactions	(42,182)	(31,667)
Increase (decrease) in net assets	(72,897,424)	46,676,648
Net assets at beginning of period	344,436,282	297,759,634
Net assets at end of period (including undistributed net investment income of $1,620,202 and $4,263,585, respectively)	**$ 271,538,858**	**$ 344,436,282**

Other Information		
Class A		
Shares outstanding at beginning of period	41,648,336	45,605,566
Shares sold	746,098	2,028,682
Shares issued to shareholders in reinvestment of distributions	845,593	2,308,657
Shares redeemed	(3,360,838)	(8,294,569)
Net increase (decrease) in Class A shares	(1,769,147)	(3,957,230)
Shares outstanding at end of period	**39,879,189**	**41,648,336**
Class B		
Shares outstanding at beginning of period	56,405	60,497
Shares sold	1,766	2,856
Shares issued to shareholders in reinvestment of distributions	1,012	2,931
Shares redeemed	(8,617)	(9,879)
Net increase (decrease) in Class B shares	(5,839)	(4,092)
Shares outstanding at end of period	**50,566**	**56,405**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.26**	**$ 6.52**	**$15.01**	**$13.42**	**$10.85**	**$ 9.50**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.10	.12	.29[d]	.21[d]	.28[d]	.15
Net realized and unrealized gain (loss)	(1.39)	1.93	(6.46)	1.73	2.51	1.36
Total from investment operations	(1.29)	2.05	(6.17)	1.94	2.79	1.51
Less distributions from:						
Net investment income	(.17)	(.31)	(.17)	(.35)	(.22)	(.16)
Net realized gains	—	—	(2.15)	—	—	—
Total distributions	(.17)	(.31)	(2.32)	(.35)	(.22)	(.16)
Net asset value, end of period	**$ 6.80**	**$ 8.26**	**$ 6.52**	**$15.01**	**$13.42**	**$10.85**
Total Return (%)	(15.93)[c]**	33.52	(48.21)[c,e]	14.59	25.91	16.17
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	271	344	297	702	702	558
Ratio of expenses before expense reductions (%)	.99*	.94	1.01	.98	.98	1.02
Ratio of expenses after expense reductions (%)	.98*	.94	.97	.98	.98	1.02
Ratio of net investment income (loss) (%)	2.57*	1.69	2.74[d]	1.48[d]	2.32[d]	1.59
Portfolio turnover rate (%)	119**	81	123	108	105	59

a *For the six months ended June 30, 2010 (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 $0.09, $0.05 and $0.11 per share and 0.82%, 0.33% and 0.92% of average daily net assets for the years ended December 31, 2008, 2007 and 2006, 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 0.06% lower.*

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.26**	**$ 6.52**	**$14.98**	**$13.38**	**$10.82**	**$ 9.48**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.09	.10	.23[d]	.16[d]	.24[d]	.12
Net realized and unrealized gain (loss)	(1.38)	1.94	(6.43)	1.73	2.50	1.35
Total from investment operations	(1.29)	2.04	(6.20)	1.89	2.74	1.47
Less distributions from:						
Net investment income	(.15)	(.30)	(.11)	(.29)	(.18)	(.13)
Net realized gains	—	—	(2.15)	—	—	—
Total distributions	(.15)	(.30)	(2.26)	(.29)	(.18)	(.13)
Net asset value, end of period	**$ 6.82**	**$ 8.26**	**$ 6.52**	**$14.98**	**$13.38**	**$10.82**
Total Return (%)	(16.05)[c]**	32.89	(48.25)[c,e]	14.25[c]	25.44[c]	15.71[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.30	.50	.40	12	51	40
Ratio of expenses before expense reductions (%)	1.26*	1.22	1.33	1.41	1.37	1.41
Ratio of expenses after expense reductions (%)	1.25*	1.22	1.28	1.39	1.36	1.37
Ratio of net investment income (loss) (%)	2.30*	1.42	2.42[d]	1.07[d]	1.94[d]	1.24
Portfolio turnover rate (%)	119**	81	123	108	105	59

a *For the six months ended June 30, 2010 (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 $0.09, $0.05 and $0.11 per share and 0.82%, 0.33% and 0.92% of average daily net assets for the years ended December 31, 2008, 2007 and 2006, 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 0.06% lower.*

* *Annualized*

** *Not annualized*

DWS Health Care VIP

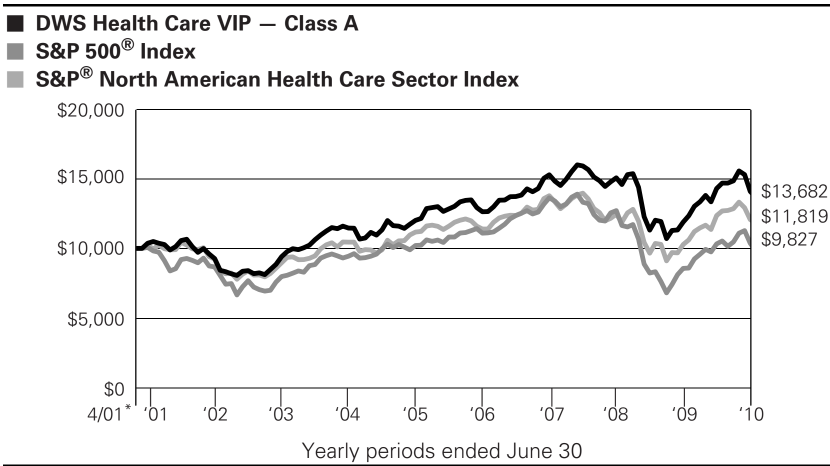
All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when redeemed, shares may be worth more or less then their original 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 gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 0.96% and 1.34% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

Any portfolio that concentrates in a particular segment of the market will generally be more volatile than a portfolio that invests more broadly. Stocks may decline in value. See the prospectus for details.

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® North American Health Care Sector Index (name changed from The S&P GSSI Healthcare Sector Index, effective March 31, 2008) is an unmanaged, market-capitalization weighted index of 123 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	$9,318	$11,088	$9,234	$11,270	$13,682
	Average annual total return	–6.82%	10.88%	–2.62%	2.42%	3.47%
S&P 500 Index	Growth of $10,000	$9,335	$11,443	$7,336	$9,609	$9,827
	Average annual total return	–6.65%	14.43%	–9.81%	–0.79%	–0.19%
S&P North American Health Care Sector Index	Growth of $10,000	$9,319	$11,138	$8,860	$10,534	$11,819
	Average annual total return	–6.81%	11.38%	–3.96%	1.05%	1.84%

DWS Health Care VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class**
Class B	Growth of $10,000	$9,291	$11,047	$9,120	$11,059	$16,445
	Average annual total return	–7.09%	10.47%	–3.02%	2.03%	6.42%
S&P 500 Index	Growth of $10,000	$9,335	$11,443	$7,336	$9,609	$12,200
	Average annual total return	–6.65%	14.43%	–9.81%	–0.79%	2.52%
S&P North American Health Care Sector Index	Growth of $10,000	$9,319	$11,138	$8,860	$10,534	$14,150
	Average annual total return	–6.81%	11.38%	–3.96%	1.05%	4.43%

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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$ 931.80	$ 929.10
Expenses Paid per $1,000*	$ 4.84	$ 6.51
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,019.79	$1,018.05
Expenses Paid per $1,000*	$ 5.06	$ 6.80

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series I — DWS Health Care VIP	1.01%	1.36%

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.

Portfolio Summary

DWS Health Care VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	98%	100%
Cash Equivalents	2%	0%
	100%	100%

Industry Diversification (As a % of Common Stocks)	**6/30/10**	**12/31/09**
Pharmaceuticals	32%	34%
Biotechnology	23%	23%
Medical Supply & Specialty	19%	20%
Health Care Services	19%	17%
Life Sciences Equipment	7%	6%
	100%	100%

Asset allocation and industry diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 54.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

Investment Portfolio

June 30, 2010 (Unaudited)

DWS Health Care VIP

	Shares	Value ($)
Common Stocks 97.7%		
Health Care 97.7%		
Biotechnology 23.0%		
Acorda Therapeutics, Inc.*	5,300	164,883
Alexion Pharmaceuticals, Inc.*	19,800	1,013,562
Allos Therapeutics, Inc.* (a)	22,300	136,699
AMAG Pharmaceuticals, Inc.* (a)	8,100	278,235
Amgen, Inc.*	26,450	1,391,270
Amylin Pharmaceuticals, Inc.* (a)	12,000	225,600
ArQule, Inc.* (a)	21,500	92,450
Biogen Idec, Inc.* (a)	9,520	451,724
BioMarin Pharmaceutical, Inc.* (a)	27,100	513,816
Celera Corp.*	32,700	214,185
Celgene Corp.*	21,760	1,105,843
Cepheid, Inc.* (a)	6,500	104,130
Dendreon Corp.*	4,900	158,417
Exelixis, Inc.* (a)	35,300	122,491
Gen-Probe, Inc.* (a)	5,900	267,978
Genzyme Corp.* (a)	11,400	578,778
Gilead Sciences, Inc.*	22,400	767,872
Halozyme Therapeutics, Inc.*	32,400	228,096
Human Genome Sciences, Inc.* (a)	14,400	326,304
ImmunoGen, Inc.* (a)	24,500	227,115
Immunomedics, Inc.* (a)	29,700	91,773
Incyte Corp.* (a)	36,700	406,269
InterMune, Inc.*	4,000	37,400
Myriad Genetics, Inc.*	6,900	103,155
Regeneron Pharmaceuticals, Inc.*	10,800	241,056
Savient Pharmaceuticals, Inc.* (a)	13,100	165,060
Theravance, Inc.* (a)	9,400	118,158
United Therapeutics Corp.*	8,700	424,647
Vertex Pharmaceuticals, Inc.* (a)	18,700	615,230
		10,572,196
Health Care Services 18.2%		
Aetna, Inc.	16,400	432,632
Allscripts-Misys Healthcare Solutions, Inc.*	20,200	325,220
Cardinal Health, Inc.	14,100	473,901
Cerner Corp.* (a)	8,000	607,120
CIGNA Corp.	11,300	350,978
CVS Caremark Corp.	14,931	437,777
Express Scripts, Inc.*	19,600	921,592
Fresenius Medical Care AG & Co. KGaA	15,297	827,563
Genoptix, Inc.* (a)	7,200	123,840
Laboratory Corp. of America Holdings*	5,500	414,425
McKesson Corp.	14,700	987,252
MedAssets, Inc.* (a)	6,700	154,636
Medco Health Solutions, Inc.*	14,268	785,881
Quest Diagnostics, Inc.	6,200	308,574
UnitedHealth Group, Inc.	35,400	1,005,360
WellPoint, Inc.*	4,600	225,078
		8,381,829
Life Sciences Tools & Services 6.6%		
Illumina, Inc.* (a)	3,700	161,061
Life Technologies Corp.* (a)	18,129	856,595
Mettler-Toledo International, Inc.*	2,800	312,564
PerkinElmer, Inc.	13,300	274,911
Pharmaceutical Product Development, Inc.	11,600	294,756
Thermo Fisher Scientific, Inc.*	16,900	828,945
Waters Corp.*	4,300	278,210
		3,007,042
Medical Supply & Specialty 18.4%		
Baxter International, Inc.	26,000	1,056,640
Beckman Coulter, Inc. (a)	4,100	247,189
Becton, Dickinson & Co.	9,800	662,676
C.R. Bard, Inc. (a)	4,700	364,391
Covidien PLC	22,976	923,176
Hologic, Inc.*	14,500	201,985
Kinetic Concepts, Inc.* (a)	7,100	259,221
Masimo Corp. (a)	5,400	128,574
Medtronic, Inc.	34,300	1,244,061
Owens & Minor, Inc. (a)	9,000	255,420
ResMed, Inc.* (a)	4,500	273,645
Sirona Dental Systems, Inc.*	6,500	226,460
Sonova Holding AG (Registered)	2,018	247,467
St. Jude Medical, Inc.*	16,500	595,485
Stryker Corp. (a)	10,900	545,654
Varian Medical Systems, Inc.* (a)	6,600	345,048
Wright Medical Group, Inc.* (a)	7,700	127,897
Zimmer Holdings, Inc.*	14,100	762,105
		8,467,094
Pharmaceuticals 31.5%		
Abbott Laboratories	30,900	1,445,502
Allergan, Inc.	8,500	495,210
Ardea Biosciences, Inc.* (a)	7,300	150,088
Auxilium Pharmaceuticals, Inc.* (a)	6,100	143,350
Biovail Corp. (a)	26,300	506,012
Bristol-Myers Squibb Co.	42,500	1,059,950
Cardiome Pharma Corp.*	19,700	160,555
Eli Lilly & Co. (a)	14,600	489,100
Forest Laboratories, Inc.*	15,000	411,450
Furiex Pharmaceuticals, Inc.*	966	9,815
Inspire Pharmaceuticals, Inc.*	22,300	111,277
Johnson & Johnson	28,800	1,700,928
Merck & Co., Inc.	69,383	2,426,323
Mylan, Inc.* (a)	24,200	412,368
Novartis AG (Registered)	14,474	702,227
Pfizer, Inc.	153,050	2,182,493
Pharmasset, Inc.* (a)	4,100	112,094
Questcor Pharmaceuticals, Inc.* (a)	21,600	220,536
Roche Holding AG (Genusschein)	5,224	717,379
Salix Pharmaceuticals Ltd.* (a)	7,700	300,531
Shire PLC (ADR)	9,000	552,420
VIVUS, Inc.* (a)	18,200	174,719
		14,484,327
Total Common Stocks (Cost $36,844,046)		**44,912,488**

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

	Shares	Value ($)
Securities Lending Collateral 23.3%		
Daily Assets Fund Institutional, 0.27% (b) (c) (Cost $10,688,893)	10,688,893	**10,688,893**
Cash Equivalents 2.5%		
Central Cash Management Fund, 0.21% (b) (Cost $1,135,063)	1,135,063	**1,135,063**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $48,668,002)†	123.5	**56,736,444**
Other Assets and Liabilities, Net	(23.5)	**(10,795,272)**
Net Assets	100.0	**45,941,172**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $49,125,609. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $7,610,835. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $10,217,419 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,606,584.*

(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, 2010 amounted to $10,337,134, which is 22.5% 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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks				
Biotechnology	$ 10,572,196	$ —	$ —	$ 10,572,196
Health Care Services	7,554,266	827,563	—	8,381,829
Life Sciences Tools & Specialty	3,007,042	—	—	3,007,042
Medical Supply & Specialty	8,219,627	247,467	—	8,467,094
Pharmaceuticals	13,064,721	1,419,606	—	14,484,327
Short-Term Investments (d)	11,823,956	—	—	11,823,956
Total	**$ 54,241,808**	**$ 2,494,636**	**$ —**	**$ 56,736,444**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(d) *See Investment Portfolio for additional detailed categorizations.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $36,844,046), including $10,337,134 of securities loaned	$	44,912,488
Investment in Daily Assets Fund Institutional (cost $10,688,893)*		10,688,893
Investment in Central Cash Management Fund (cost $1,135,063)		1,135,063
Total investments, at value (cost $48,668,002)		56,736,444
Cash		10,000
Foreign currency, at value (cost $286,221)		275,195
Interest receivable		1,623
Dividends receivable		56,660
Foreign taxes recoverable		14,703
Total assets		57,094,625
Liabilities		
Payable for investments purchased		244,722
Payable upon return of securities loaned		10,688,893
Payable for Portfolio shares redeemed		114,466
Accrued management fee		25,706
Accrued distribution service fee (Class B)		578
Other accrued expenses and payables		79,088
Total liabilities		11,153,453
Net assets, at value	**$**	**45,941,172**
Net Assets Consist of		
Undistributed net investment income		146,995
Net unrealized appreciation (depreciation) on:		
Investments		8,068,442
Foreign currency		(11,740)
Accumulated net realized gain (loss)		(65,526)
Paid-in capital		37,803,001
Net assets, at value	**$**	**45,941,172**
Class A		
Net Asset Value, offering and redemption price per share ($43,221,409 ÷ 4,425,986 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.77**
Class B		
Net Asset Value, offering and redemption price per share ($2,719,763 ÷ 286,265 outstanding shares of beneficial interest, $.01 par value, unlimited number of shares authorized)	**$**	**9.50**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $12,772)	$	401,293
Income distributions — Central Cash Management Fund		612
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		8,813
Total Income		410,718
Expenses:		
Management fee		170,590
Administration fee		25,653
Services to shareholders		1,279
Record keeping fee (Class B)		1,489
Custodian fee		7,606
Distribution service fee (Class B)		3,752
Audit and tax fees		15,322
Legal fees		10,022
Trustees' fees and expenses		3,183
Reports to shareholders		16,386
Other		8,441
Total expenses		263,723
Net investment income		**146,995**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		413,526
Foreign currency		(7,315)
		406,211
Change in net unrealized appreciation (depreciation) on:		
Investments		(3,909,477)
Foreign currency		(7,612)
		(3,917,089)
Net gain (loss)		**(3,510,878)**
Net increase (decrease) in net assets resulting from operations	**$**	**(3,363,883)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income	$ 146,995	$ (54,312)
Net realized gain (loss)	406,211	4,360,035
Change in net unrealized appreciation (depreciation)	(3,917,089)	5,459,026
Net increase (decrease) in net assets resulting from operations	(3,363,883)	9,764,749
Distributions to shareholders from:		
Net investment income:		
Class A	—	(711,488)
Class B	—	(35,875)
Net realized gains:		
Class A	(3,243,143)	(673,607)
Class B	(203,682)	(45,473)
Total distributions	(3,446,825)	(1,466,443)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,707,047	3,080,971
Reinvestment of distributions	3,243,143	1,385,095
Cost of shares redeemed	(5,575,828)	(23,233,574)
Net increase (decrease) in net assets from Class A share transactions	374,362	(18,767,508)
Class B		
Proceeds from shares sold	116,723	467,768
Reinvestment of distributions	203,682	81,348
Cost of shares redeemed	(275,097)	(1,479,410)
Net increase (decrease) in net assets from Class B share transactions	45,308	(930,294)
Increase (decrease) in net assets	(6,391,038)	(11,399,496)
Net assets at beginning of period	52,332,210	63,731,706
Net assets at end of period (including undistributed net investment income of $146,995 and $0, respectively)	**$ 45,941,172**	**$ 52,332,210**

Other Information		
Class A		
Shares outstanding at beginning of period	4,392,554	6,373,629
Shares sold	242,811	320,687
Shares issued to shareholders in reinvestment of distributions	294,563	164,892
Shares redeemed	(503,942)	(2,466,654)
Net increase (decrease) in Class A shares	33,432	(1,981,075)
Shares outstanding at end of period	**4,425,986**	**4,392,554**
Class B		
Shares outstanding at beginning of period	281,083	379,018
Shares sold	11,066	50,217
Shares issued to shareholders in reinvestment of distributions	19,000	9,896
Shares redeemed	(24,884)	(158,048)
Net increase (decrease) in Class B shares	5,182	(97,935)
Shares outstanding at end of period	**286,265**	**281,083**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$11.21**	**$ 9.45**	**$14.68**	**$13.77**	**$13.02**	**$12.00**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.03	(.01)	.09[d]	.03[d]	(.01)[c]	(.02)
Net realized and unrealized gain (loss)	(.71)	2.02	(3.08)	1.75	.81	1.04
Total from investment operations	(.68)	2.01	(2.99)	1.78	.80	1.02
Less distributions from:						
Net investment income	—	(.13)	(.04)	—	—	—
Net realized gains	(.76)	(.12)	(2.20)	(.87)	(.05)	—
Total distributions	(.76)	(.25)	(2.24)	(.87)	(.05)	—
Net asset value, end of period	**$ 9.77**	**$11.21**	**$ 9.45**	**$14.68**	**$13.77**	**$13.02**
Total Return (%)	(6.82)**	22.19	(23.20)	13.20	6.17[c]	8.50
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	43	49	60	98	101	109
Ratio of expenses (%)	1.01*	.96	.92	.93	.89	.88
Ratio of net investment income (loss) (%)	.59*	(.08)	.79[d]	.19[d]	(.03)[c]	(.18)
Portfolio turnover rate (%)	10**	31	24	37	47	43

a *For the six months ended June 30, 2010 (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 $0.03 and $0.02 per share and 0.28% and 0.13% of average daily net assets for the years ended December 31, 2008 and 2007, respectively.*

* *Annualized*

** *Not annualized*

Class B

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$10.95**	**$ 9.23**	**$14.40**	**$13.55**	**$12.87**	**$11.91**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.02	(.04)	.05[d]	(.03)[d]	(.06)[c]	(.07)
Net realized and unrealized gain (loss)	(.71)	1.98	(3.02)	1.75	.79	1.03
Total from investment operations	(.69)	1.94	(2.97)	1.72	.73	.96
Less distributions from:						
Net investment income	—	(.10)	—	—	—	—
Net realized gains	(.76)	(.12)	(2.20)	(.87)	(.05)	—
Total distributions	(.76)	(.22)	(2.20)	(.87)	(.05)	—
Net asset value, end of period	**$ 9.50**	**$10.95**	**$ 9.23**	**$14.40**	**$13.55**	**$12.87**
Total Return (%)	(7.09)**	21.80	(23.50)	12.88	5.77[c]	8.06
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	3	3	3	5	21	23
Ratio of expenses (%)	1.36*	1.34	1.27	1.34	1.28	1.27
Ratio of net investment income (loss) (%)	.24*	(.46)	.43[d]	(.22)[d]	(.42)[c]	(.57)
Portfolio turnover rate (%)	10**	31	24	37	47	43

a *For the six months ended June 30, 2010 (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 $0.03 and $0.02 per share and 0.28% and 0.13% of average daily net assets for the year ended December 31, 2008 and 2007, respectively.*

* *Annualized*

** *Not annualized*

Notes to Financial Statements (Unaudited)

A. Organization and 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. DWS Bond VIP offers one class of shares (Class A shares). DWS Growth & Income VIP, DWS Capital Growth VIP, DWS Global Opportunities VIP, DWS International VIP and DWS Health Care VIP each offer two classes of shares (Class A shares and Class B shares). Class B shares are subject to Rule 12b-1 distribution fees under the 1940 Act and record keeping fees equal to an annual rate of 0.25% and up to 0.15%, respectively, of the average daily net assets of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

Investment income, realized and unrealized gains and losses, and certain portfolio-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares, except that each class bears certain expenses unique to that class (including the applicable 12b-1 distribution fees and record keeping fees). Differences in class-level expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class-specific arrangements.

The Series' financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Series in the preparation of the financial statements for its Portfolios.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading.

Various inputs are used in determining the value of each Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

Equity securities and exchange traded funds ("ETFs") 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 they trade and are classified as Level 1 securities. Securities or ETFs 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. For certain 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, a fair valuation model may be used. This fair valuation model takes into account comparisons to the valuation of American Depository Receipts (ADRs), exchange-traded funds, futures contracts and certain indices and these securities are classified as Level 2.

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 one or more broker-dealers. 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. These securities are generally categorized as Level 2.

Futures contracts are generally valued at the settlement prices established each day on the exchange on which they are traded and are classified as Level 1.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and are classified as Level 2.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 and are generally categorized as Level 3. In accordance with each Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following each Portfolios' Investment Portfolio.

Securities Lending. Each Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

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.

Mortgage Dollar Rolls. DWS Bond 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 Securities. DWS Bond VIP may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Derivatives. Authoritative accounting guidance requires that disclosures about the Portfolio's derivative and hedging activities and derivatives accounted for as hedging instruments must be disclosed separately from derivatives that do not qualify for hedge accounting. Because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings, the Portfolio's derivatives are not accounted for as hedging instruments. As such, even though the Portfolio may use derivatives in an attempt to achieve an economic hedge, the Portfolio's derivatives are not considered to be hedging instruments. The disclosure below is presented in accordance with authoritative accounting guidance.

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). During the period, DWS Bond VIP and DWS Growth & Income VIP invested in futures contracts. DWS Growth & Income VIP enters into futures contracts 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. DWS Bond VIP invests in interest rate futures to gain exposure to different parts of the yield curve while managing the overall duration. DWS Bond VIP also enters into currency futures contracts for non-hedging purposes to seek to enhance potential gains.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary cash or securities ("initial margin") in an amount 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 and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. Gains or losses are realized when the contract expires or is closed. Since all futures contracts are exchange traded, counterparty risk is minimized as the exchange's clearinghouse acts as the counterparty, and guarantees the futures against default.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid 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 underlying hedged security, index or currency. Risk of loss may exceed amounts recognized on the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2010 is included in a table following DWS Bond VIP and DWS Growth & Income VIP's Investment Portfolios. For the six months ended June 30, 2010, DWS Bond VIP and DWS Growth & Income VIP invested in futures contracts with total notional values generally indicative of a range from approximately $35,511,000 to $39,198,000, and $51,000 to $1,515,000, respectively.

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 is subject to foreign exchange rate risk in its securities denominated in foreign currencies. Changes in exchange rates between foreign currencies and the US dollar may affect the US dollar value of foreign securities or the income or gains received on these securities. To reduce the effect of currency fluctuations, each Portfolio may enter into forward foreign currency exchange contracts. During the period, DWS Bond VIP and DWS International VIP invested in forward foreign currency contracts to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated securities.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. The maximum counterparty credit risk to the Portfolio is measured by the unrealized gain on appreciated 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.

A summary of the open forward currency contracts as of June 30, 2010 is included in a table following DWS Bond VIP's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in forward currency contracts with total values generally indicative of a range from approximately $113,000 to $120,000.

There are no open forward currency contracts for DWS International VIP as of June 30, 2010. For the six months ended June 30, 2010, the Portfolio invested in forward currency contracts with total values generally indicative of a range from $0 to approximately $24,890,000.

The following tables summarize the value of DWS Bond VIP and DWS Growth & Income VIP's derivative instruments held as of June 30, 2010 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

DWS Bond VIP

Asset Derivatives	Futures Contracts
Foreign Exchange Contracts (a)	$ (58,502)
Interest Rate Contracts (a)	(28,049)
	$ (86,551)

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Net unrealized appreciation (depreciation) on futures. Asset of Receivable for daily variation margin on open futures contracts reflects unsettled variation margin.*

Liability Derivatives	Forward Contracts
Foreign Exchange Contracts (b)	$ 1,663

The above derivative is located in the following Statement of Assets and Liabilities account:

(b) *Unrealized depreciation on forward foreign currency exchange contracts*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the six months ended June 30, 2010 and the related location on the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	Forward Contracts	Futures Contracts	Total
Foreign Exchange Contracts (a) (b)	$ 3,161	$ 215,429	$ 218,590
Interest Rate Contracts (b)	—	(1,273,170)	(1,273,170)
	$ 3,161	**$ (1,057,741)**	**$ (1,054,580)**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Net realized gain (loss) from foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

(b) *Net realized gain (loss) from futures*

Change in Net Unrealized Appreciation (Depreciation)	Forward Contracts	Futures Contracts	Total
Foreign Exchange Contracts (a) (b)	$ (3,504)	$ (153,917)	$ (157,421)
Interest Rate Contracts (b)	—	(489,230)	(489,230)
	$ (3,504)	**$ (643,147)**	**$ (646,651)**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Change in net unrealized appreciation (depreciation) on foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

(b) *Change in net unrealized appreciation (depreciation) on futures*

DWS Growth & Income VIP

Liability Derivatives	Futures Contracts
Equity Contracts (a)	$ (4,272)

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Net unrealized appreciation (depreciation) on futures. Liability of Payable for daily variation margin on open futures contracts reflects unsettled variation margin.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the six months ended June 30, 2010 and the related location on the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	Futures Contracts
Equity Contracts (a)	$ 6,206

The above derivative is located in the following Statement of Operations account:

(a) *Net realized gain (loss) from futures*

Change in Net Unrealized Appreciation (Depreciation)	Futures Contracts
Equity Contracts (a)	$ (12,045)

The above derivative is located in the following Statement of Operations account:

(a) *Change in net unrealized appreciation (depreciation) on futures*

DWS International VIP

The amount of realized gains and losses on derivative instruments recognized in Portfolio earnings during the six months ended June 30, 2010 and the related location on the accompanying Statement of Operations is summarized in the following table by primary underlying risk exposure:

Realized Gain (Loss)	Forward Contracts
Foreign Exchange Contracts (a)	$ (1,370,343)

The above derivative is located in the following Statement of Operations account:

(a) *Net realized gain (loss) from foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

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, each Portfolio will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2009, 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	42,815,000	12/31/2014–12/31/2017
DWS Growth & Income VIP	57,014,000	12/31/2010–12/31/2017
DWS Capital Growth VIP	256,579,000	12/31/2010–12/31/2017
DWS Global Opportunities VIP	22,316,000	12/31/2016–12/31/2017
DWS International VIP	176,529,000	12/31/2016–12/31/2017

In addition, from November 1, 2009 through December 31, 2009, DWS Growth & Income VIP and DWS International VIP incurred approximately $254,000 and $961,000, respectively, of net realized capital losses. As permitted by tax regulations, the Portfolios intend to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2010.

At December 31, 2009, DWS Growth & Income VIP had a net tax basis capital loss carryforward of approximately $57,014,000, including $4,777,000 inherited from its merger with SVS II Focus Value & Growth, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2017 (the expiration date), whichever occurs first, subject to certain limitations under Sections 381–384 of the Internal Revenue Code.

At December 31, 2009, DWS Capital Growth VIP had a net tax basis capital loss carryforward of approximately $256,579,000 including $27,075,000 inherited from its merger with DWS Janus Growth & Income VIP in fiscal year 2009 and $229,513,000 inherited from its mergers with affiliated funds in fiscal years 2005 and 2006 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized and which may be subject to certain limitations under Sections 382–384 of the Internal Revenue Code.

Each Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open 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, 2010, purchases and sales of investment securities (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Bond VIP excluding US Treasury Obligations	219,220,349	266,454,984
US Treasury Obligations	76,094,077	66,821,163
DWS Growth & Income VIP	68,791,456	75,236,569
DWS Capital Growth VIP	141,775,519	182,020,301
DWS Global Opportunities VIP	27,467,866	40,942,570
DWS International VIP	352,205,954	377,045,105
DWS Health Care VIP	4,990,185	8,630,054

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 Growth & Income 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%

Portfolio	Annual Management Fee Rate
DWS Growth & Income VIP	
first $250 million of average daily net assets	.390%
next $750 million of average daily net assets	.365%
over $1 billion of average daily net assets	.340%
DWS Capital Growth VIP	
first $250 million of average daily net assets	.390%
next $750 million of average daily net assets	.365%
over $1 billion of average daily net assets	.340%
DWS Global Opportunities VIP	
first $500 million of average daily net assets	.890%
next $500 million of average daily net assets	.875%
next $1 billion of average daily net assets	.860%
over $2 billion of average daily net assets	.845%
DWS International VIP	
first $500 million of average daily net assets	.790%
over $500 million of average daily net assets	.640%
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%

Effective August 1, 2010, QS Investors, LLC ("QS Investors") acts as investment sub-advisor to DWS Growth & Income VIP. On August 1, 2010, members of the Advisor's Quantitative Strategies Group ("QS Group"), including members of the DWS Growth & Income VIP portfolio management team, separated from the Advisor and formed QS Investors as a separate investment advisory firm unaffiliated with the Advisor (the "Separation"). In order for the Portfolio to continue to access the investment expertise offered by members of the QS Group following the Separation, the Advisor recommended that the Portfolio's Board approve a sub-advisory agreement between the Advisor and QS Investors (the "Sub-Advisory Agreement"). On May 4, 2010, following a review of QS Investors' capabilities and the terms of the Separation and the Sub-Advisory Agreement, the Portfolio's Board approved the Sub-Advisory Agreement. This action was taken pursuant to an order the Portfolio and the Advisor requested and received from the Securities and Exchange Commission that permits the Advisor, with the approval of the Portfolio's Board, to appoint sub-advisors that are not affiliated with the Advisor to manage all or a portion of the Portfolio's assets without the need for a shareholder meeting or vote. As an investment sub-advisor to DWS Growth & Income VIP, QS Investors makes investment decisions and buys and sells securities for the Portfolio. QS Investors is paid by the Advisor, not the Portfolio, for the services QS Investors provides to the Portfolio.

For the period from January 1, 2010 through September 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 Global Opportunities VIP Class A	1.06%
DWS Global Opportunities VIP Class B	1.46%

In addition, for the period from January 1, 2010 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 Growth & Income VIP Class A	.54%
DWS Growth & Income VIP Class B	.87%
DWS Capital Growth VIP Class A	.49%
DWS Capital Growth VIP Class B	.82%
DWS International VIP Class A	.96%
DWS International VIP Class B	1.29%

In addition, for the period from January 1, 2010 through April 27, 2010, the Advisor had contractually agreed to waive 0.01% of the management fee for Growth & Income VIP.

Accordingly, for the six months ended June 30, 2010, the total management fee, management fee waived and effective management fee rate are as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Bond VIP	310,183	—	.39%
DWS Growth & Income VIP	195,540	29,075	.33%
DWS Capital Growth VIP	1,324,785	52,591	.36%
DWS Global Opportunities VIP	631,935	51,329	.82%
DWS International VIP	1,247,908	12,457	.78%
DWS Health Care VIP	170,590	—	.67%

In addition, for the six months ended June 30, 2010, the Advisor waived record keeping expenses of Class B shares of the Portfolio as follows:

Portfolio	Waived ($)
DWS Capital Growth VIP	281

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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Bond VIP	79,534	13,231
DWS Growth & Income VIP	50,138	7,806
DWS Capital Growth VIP	354,463	55,079
DWS Global Opportunities VIP	71,004	10,975
DWS International VIP	157,963	23,218
DWS Health Care VIP	25,653	3,924

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, 2010, the amounts charged to the Portfolios by DISC were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Unpaid at June 30, 2010 ($)
DWS Bond VIP Class A	362	—	180
DWS Growth & Income VIP Class A	284	284	—
DWS Growth & Income VIP Class B	47	—	23
DWS Capital Growth VIP Class A	401	401	—
DWS Capital Growth VIP Class B	48	48	—
DWS Global Opportunities VIP Class A	249	249	—
DWS Global Opportunities VIP Class B	71	—	35

Portfolio	Total Aggregated ($)	Waived ($)	Unpaid at June 30, 2010 ($)
DWS International VIP Class A	422	422	—
DWS International VIP Class B	47	—	23
DWS Health Care VIP Class A	132	—	60
DWS Health Care VIP Class B	42	—	29

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, 2010, the amount charged to the Portfolios by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Bond VIP	8,398	1,412
DWS Growth & Income VIP	8,765	1,156
DWS Capital Growth VIP	6,828	174
DWS Global Opportunities VIP	13,006	5,492
DWS International VIP	8,933	1,265
DWS Health Care VIP	9,472	3,273

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.

Affiliated Cash Management Vehicles. Each Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. Each Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

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 developed markets. These risks include revaluation of currencies, high rates of inflation or deflation, 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 or less easily assessed than those of comparable securities of issuers in developed markets.

E. Ownership of the Portfolios

At the end of the year, 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 61%.

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 35%, 26% and 15%. Two participating insurance companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 86% and 11%.

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 42%, 23% and 12%. Two participating insurance companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 83% and 16%.

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 47%,19% and 12%. One participating insurance company was an owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 95%.

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 40% and 13%. Three participating insurance companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 70%, 19% and 11%.

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 69% and 22%. One participating insurance company was an owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 98%.

F. Line of Credit

The Series and other affiliated funds (the "Participants") share in a $450 million revolving credit facility provided by a syndication of banks. Each 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. Each Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

G. Payments Made by Affiliates

During the six months ended June 30, 2010, the Advisor fully reimbursed DWS Bond VIP $7,050 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.

H. Acquisition of Assets

On April 24, 2009, DWS Capital Growth VIP acquired all of the net assets of DWS Janus Growth & Income VIP pursuant to a plan of reorganization approved by shareholders on April 20, 2009. The purpose of the transaction was to combine two funds managed by DWS with comparable investment objectives and strategies. The acquisition was accomplished by a tax-free exchange of 9,556,588 Class A shares of DWS Janus Growth & Income VIP for 5,009,687 Class A shares of DWS Capital Growth VIP outstanding on April 24, 2009. DWS Janus Growth & Income VIP's net assets at that date, $66,828,943, including $510,610 of net unrealized appreciation, were combined with those of DWS Capital Growth VIP. The aggregate net assets of DWS Capital Growth VIP immediately before the acquisition were $572,408,860. The combined net assets of DWS Capital Growth VIP immediately following the acquisition were $639,237,803.

I. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Series' financial statements.

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.

Portfolio Management Team Update

The current portfolio management team is as follows:

DWS Growth & Income VIP

QS Investors, LLC, Subadvisor to the fund (effective August 1, 2010)

Robert Wang
Head of Portfolio Management and Trading

Russell Shtern
Head of Equity Portfolio Management and Trading

New Sub-Advisory Agreement Approval

DWS Growth & Income VIP

The Board of Trustees, including the Independent Trustees, unanimously approved the New Sub-Advisory Agreement (the "New Agreement") between Deutsche Investment Management Americas Inc. ("DWS") and QS Investors, LLC ("QS Investors") in May 2010.

In terms of the process that the Board followed prior to approving the New Agreement, shareholders should know that:

- In May 2010, all of the Fund's Trustees were independent of DWS and its affiliates.
- The Board engaged in a comprehensive review of the operational, financial and investment capabilities of QS Investors and the terms of the proposed Separation. As part of this review, the Board also reviewed and considered the terms of the New Agreement.
- To facilitate its review, the Board created several ad hoc subcommittees, each focused on different aspects of the Board's consideration of the Separation, and each comprised solely of Independent Trustees.
- The Board and its subcommittees conducted numerous meetings between January 2010 and May 2010 to review and discuss the Separation, including the New Agreement, and were assisted in this review by their independent legal counsel and fund counsel.
- In the course of its review, the Board requested and received substantial additional information.
- As part of its review process, the Board and its subcommittees met with various representatives of DWS and QS Investors, including key investment personnel and other members of senior management.
- The Board requested and evaluated all information that it deemed reasonably necessary to evaluate the New Agreement.

In connection with the approval of the New Agreement, the Board considered the factors described below, among others.

Continuity of Investment Management Services. In reviewing the New Agreement, the Board considered that it had renewed the investment management agreement between DWS and the Fund as part of the annual contract renewal process (the "Annual Review") in September 2009, at which time it had determined that such renewal was in the best interests of the Fund, given the nature, quality and extent of services provided by DWS (among other considerations). In considering the New Agreement, the Board noted that in light of the transition of the group within DWS responsible for day-to-day portfolio management of the Fund to a separate, unaffiliated firm (i.e., QS Investors), it was necessary to approve a sub-advisory agreement between DWS and QS Investors to secure continued access to these same personnel and services. The Board also considered that, despite the change in corporate identity of the portfolio management services provider and the fact that it would no longer be affiliated with DWS, the nature, quality and extent of services provided to the Fund are not expected to change under the New Agreement.

Fees and Expenses. The Board noted that it had concluded during the Annual Review that the overall investment management fees paid by the Fund are reasonable and appropriate in light of the nature, quality and extent of services provided. The Board considered that, under the New Agreement, QS Investors' sub-advisory fee would be paid by DWS out of its management fee and not directly by the Fund, and therefore there would be no change in the Fund's overall investment management fees under the New Agreement.

Profitability. The Board noted that it had considered the profitability of DWS during the Annual Review. The Board did not consider the profitability of QS Investors to be a material factor. In particular, the Board noted that QS Investors has not yet commenced operations, and that any projections of profitability are likely to be of limited value. The Board also noted that DWS would pay QS Investors' sub-advisory fee out of its management fee, and further noted that the sub-advisory fee arrangement with respect to the Fund was the product of an arm's length negotiation.

Other Benefits to QS Investors. The Board noted that it had considered fallout benefits to DWS during the Annual Review in its determination that management fees paid were reasonable. The Board also considered the character and amount of incidental benefits expected to be realized by QS Investors in light of the New Agreement, including the incidental public relations benefits to QS Investors related to DWS US mutual funds advertising and cross-selling opportunities among DWS products and services. The Board noted that QS Investors did not propose to implement a "soft dollar" program. The Board reaffirmed its determination from the Annual Review process that management fees paid were reasonable in light of fallout benefits to its investment advisory service providers.

Compliance. The Board considered QS Investors' proposed compliance program and resources. The Board also considered that DWS would oversee QS Investors' compliance program and its compliance with applicable Fund policies and procedures, and considered the attention and resources DWS would dedicate to that oversight. The Board also noted that it had considered DWS's compliance monitoring capabilities in connection with the Annual Review, at which time it had noted (i) the experience and seniority of both DWS's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the terms of the New Agreement are fair and reasonable and that the approval of the New Agreement is in the best interests of the Fund. In reaching this conclusion, the Board did not give particular weight to any single factor identified above. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the New Agreement.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 Funds are reasonable.

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.

DWS Investments Distributors, Inc.
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VS1-3 (R-18031-1 8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Balanced VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

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DWS
INVESTMENTS
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Performance Summary

June 30, 2010

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.

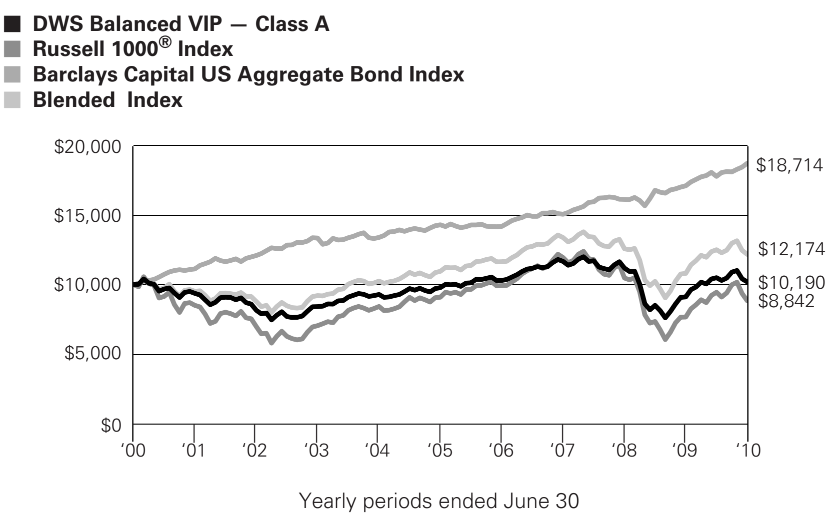
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 is 0.62% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Risk Considerations

Although allocation among different asset categories generally limits risk, the investment advisor may favor an asset category that underperforms other assets or markets as a whole. Bond investments are subject to interest-rate and credit risks. When interest rates rise, bond prices generally fall. Credit risk refers to the ability of an issuer to make timely payments of principal and interest. The portfolio may use derivatives, including as part of its global alpha strategy. Investing in derivatives entails special risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. Stocks may decline in value. See the prospectus for details.

Portfolio returns for the 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.

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.

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

The Blended Index consists of the Barclays Capital US Aggregate Bond Index (27%), Russell 1000 Growth Index (20%), Russell 1000 Value Index (20%), MSCI EAFE Index (8%), Russell 2000 Index (6%), Merrill Lynch 3 Month Treasury Bill Index (5%), Barclays Capital Global TIPS Index (5%), Credit Suisse High Yield Index (3%), MSCI Emerging Markets Free Index (3%), and the MSCI EAFE Small Cap index (3%).

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 Balanced VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$9,705	$11,176	$8,737	$10,414	$10,190
	Average annual total return	–2.95%	11.76%	–4.40%	.81%	.19%
Russell 1000 Index	Growth of $10,000	$9,360	$11,524	$7,403	$9,725	$8,842
	Average annual total return	–6.40%	15.24%	–9.54%	–.56%	–1.22%
Barclays Capital US Aggregate Bond Index	Growth of $10,000	$10,533	$10,950	$12,439	$13,094	$18,714
	Average annual total return	5.33%	9.50%	7.55%	5.54%	6.47%
Blended Index	Growth of $10,000	$9,733	$11,269	$9,102	$11,110	$12,174
	Average annual total return	–2.67%	12.69%	–3.09%	2.13%	1.99%

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 Balanced VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	Class A
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$ 970.50
Expenses Paid per $1,000*	$ 3.08

Hypothetical 5% Portfolio Return	Class A
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,021.67
Expenses Paid per $1,000*	$ 3.16

* *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 six-month period, then divided by 365.*

Annualized Expense Ratio	Class A
DWS Variable Series II — DWS Balanced VIP	.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.

Portfolio Summary

DWS Balanced VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	52%	54%
Cash Equivalents	12%	10%
Government & Agency Obligations	12%	13%
Exchange-Traded Funds	10%	6%
Corporate Bonds	6%	8%
Mortgage-Backed Securities Pass-Throughs	6%	8%
Commercial Mortgage-Backed Securities	1%	1%
Asset-Backed	1%	0%
Collateralized Mortgage Obligations	0%	0%
	100%	100%

Sector Diversification (Excludes Cash Equivalents and Securities Lending)	**6/30/10**	**12/31/09**
Information Technology	15%	15%
Industrials	13%	11%
Health Care	12%	13%
Energy	11%	10%
Financials	11%	16%
Consumer Discretionary	11%	11%
Consumer Staples	10%	9%
Materials	7%	6%
Telecommunication Services	5%	5%
Utilities	5%	4%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

Investment Portfolio

June 30, 2010 (Unaudited)

DWS Balanced VIP

	Shares	Value ($)
Common Stocks 52.6%		
Consumer Discretionary 5.7%		
Auto Components 0.2%		
BorgWarner, Inc.* (a)	10,300	384,602
Minth Group Ltd.	99,600	117,830
Nippon Seiki Co., Ltd.	6,000	65,528
S&T Dynamics Co., Ltd.	5,770	87,704
		655,664
Automobiles 0.4%		
Bayerische Motoren Werke (BMW) AG	15,323	741,146
Fiat SpA	41,433	426,419
		1,167,565
Distributors 0.4%		
Genuine Parts Co.	28,877	**1,139,198**
Diversified Consumer Services 0.2%		
H&R Block, Inc.	36,172	**567,539**
Hotels Restaurants & Leisure 1.0%		
Carnival Corp. (Units)	24,777	749,257
Darden Restaurants, Inc.	15,600	606,060
Domino's Pizza UK & IRL PLC	11,569	64,913
Marriott International, Inc. "A" (a)	23,439	701,764
McDonald's Corp.	7,100	467,677
Paddy Power PLC	3,880	120,474
PartyGaming PLC*	19,353	61,390
REXLot Holdings Ltd.	1,375,000	125,469
		2,897,004
Household Durables 0.1%		
Advanced Digital Broadcast Holdings SA (Registered)	1,086	37,015
Jarden Corp.	2,100	56,427
Panasonic Corp.	19,637	245,204
		338,646
Leisure Equipment & Products 0.0%		
Universal Entertainment Corp.*	7,000	**126,625**
Media 0.6%		
Aegis Group PLC	28,472	45,124
Dex One Corp.*	245	4,655
JC Decaux SA*	4,189	97,033
Scripps Networks Interactive "A"	26,400	1,064,976
SuperMedia, Inc.*	43	787
Vertis Holdings, Inc.*	1,645	0
WPP PLC	52,927	497,714
		1,710,289
Multiline Retail 0.6%		
Dollar General Corp.* (a)	13,700	377,435
Kohl's Corp.*	13,080	621,300
Nordstrom, Inc. (a)	18,210	586,180
		1,584,915
Specialty Retail 1.2%		
Advance Auto Parts, Inc.	1,900	95,342
Aeropostale, Inc.* (a)	4,950	141,768
Guess?, Inc.	2,100	65,604
Hennes & Mauritz AB "B"	15,315	421,125
Jumbo SA	4,530	27,448
L'Occitane International SA*	28,500	62,147
Limited Brands, Inc.	48,870	1,078,561
Nitori Co., Ltd.	1,500	129,108
TJX Companies, Inc. (a)	15,900	667,005
Urban Outfitters, Inc.* (a)	3,700	127,243
Yamada Denki Co., Ltd.	8,095	528,445
		3,343,796
Textiles, Apparel & Luxury Goods 1.0%		
Burberry Group PLC	5,165	58,243
Carter's, Inc.* (a)	3,800	99,750
Compagnie Financiere Richemont SA "A"	7,839	272,723
Deckers Outdoor Corp.* (a)	1,000	142,870
NIKE, Inc. "B"	21,400	1,445,570
Swatch Group AG (Bearer)	583	163,160
VF Corp.	10,815	769,812
		2,952,128
Consumer Staples 5.2%		
Beverages 0.8%		
C&C Group PLC	33,885	133,292
Carlsberg AS "B"	1,810	137,609
Central European Distribution Corp.* (a)	3,000	64,140
Diageo PLC	23,063	361,376
PepsiCo, Inc.	23,785	1,449,696
		2,146,113
Food & Staples Retailing 1.4%		
Carrefour SA	7,639	301,615
CVS Caremark Corp.	33,877	993,274
Koninklijke Ahold NV	24,988	309,458
Kroger Co.	40,670	800,792
Seven & I Holdings Co., Ltd.	15,688	359,950
Sysco Corp.	26,800	765,676
Wal-Mart Stores, Inc.	13,400	644,138
		4,174,903
Food Products 1.1%		
Darling International, Inc.*	7,000	52,570
Diamond Foods, Inc. (a)	3,200	131,520
General Mills, Inc.	16,996	603,698
Green Mountain Coffee Roasters, Inc.* (a)	3,050	78,385
Kellogg Co.	14,406	724,622
Mead Johnson Nutrition Co.	10,412	521,849
Nestle SA (Registered)	17,542	846,401
SunOpta, Inc.*	24,400	106,872
Unilever PLC	8,352	222,591
		3,288,508
Household Products 0.6%		
Church & Dwight Co., Inc.	7,500	470,325
Colgate-Palmolive Co.	8,870	698,601
Energizer Holdings, Inc.* (a)	9,400	472,632
		1,641,558
Personal Products 0.2%		
Alberto-Culver Co. (a)	25,100	**679,959**
Tobacco 1.1%		
Altria Group, Inc.	66,729	1,337,249
British American Tobacco PLC	24,364	771,482
Philip Morris International, Inc.	24,548	1,125,280
		3,234,011

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

	Shares	Value ($)
Energy 6.0%		
Energy Equipment & Services 1.9%		
AMEC PLC	44,636	544,137
Cameron International Corp.*	1,800	58,536
Dresser-Rand Group, Inc.*	2,800	88,340
Ensco PLC (ADR)	21,845	858,072
Halliburton Co.	33,291	817,294
John Wood Group PLC	12,187	56,667
Lamprell PLC	19,981	63,588
Noble Corp.*	30,692	948,690
ProSafe SE	10,440	41,566
Saipem SpA	8,970	272,606
SBM Offshore NV	6,972	99,497
Schlumberger Ltd. (a)	16,360	905,362
Tecnicas Reunidas SA	1,292	58,311
Transocean Ltd.*	14,015	649,315
		5,461,981
Oil, Gas & Consumable Fuels 4.1%		
Alpha Natural Resources, Inc.*	26,100	884,007
Anadarko Petroleum Corp.	12,300	443,907
Canadian Natural Resources Ltd.	22,590	750,666
Chevron Corp.	16,917	1,147,988
ConocoPhillips	6,160	302,394
Eni SpA	15,674	287,730
EXCO Resources, Inc.	3,300	48,213
ExxonMobil Corp.	37,721	2,152,737
Marathon Oil Corp.	40,022	1,244,284
Nexen, Inc.	33,727	663,410
Northern Oil & Gas, Inc.*	4,800	61,632
Occidental Petroleum Corp.	9,500	732,925
Royal Dutch Shell PLC "A"	28,619	722,729
Statoil ASA	32,758	631,800
Suncor Energy, Inc.	41,786	1,230,180
Ultra Petroleum Corp.*	2,700	119,475
Woodside Petroleum Ltd.	12,249	427,233
		11,851,310
Financials 4.6%		
Capital Markets 1.0%		
Affiliated Managers Group, Inc.*	1,000	60,770
Ameriprise Financial, Inc.	11,996	433,415
Ashmore Group PLC	30,500	109,736
Charles Schwab Corp.	36,300	514,734
ICAP PLC	9,091	54,493
Jefferies Group, Inc. (a)	5,200	109,616
Lazard Ltd. "A"	1,700	45,407
Morgan Stanley	23,000	533,830
Partners Group Holding AG	1,000	120,668
T. Rowe Price Group, Inc. (a)	17,400	772,386
Waddell & Reed Financial, Inc. "A" (a)	2,600	56,888
		2,811,943
Commercial Banks 0.5%		
BNP Paribas	9,979	532,823
Dah Sing Banking Group Ltd.*	50,500	64,952
Dexia SA*	46	160
Lloyds Banking Group PLC*	94,048	74,620
Mitsubishi UFJ Financial Group, Inc.	32,897	149,127
Prosperity Bancshares, Inc.	2,300	79,925
Sberbank	93,069	223,223
Sumitomo Mitsui Financial Group, Inc.	4,134	116,706
Wing Hang Bank Ltd.	15,000	146,865
		1,388,401
Consumer Finance 0.0%		
Kiatnakin Bank PCL	88,500	**74,456**
Diversified Financial Services 1.0%		
Bank of America Corp.	69,099	992,953
Financiere Marc de Lacharriere SA	1,212	46,391
Hellenic Exchanges SA	4,800	25,295
IntercontinentalExchange, Inc.*	4,100	463,423
JPMorgan Chase & Co.	40,952	1,499,253
		3,027,315
Insurance 2.0%		
Allianz SE (Registered)	4,788	475,431
Assurant, Inc.	25,562	887,002
AXA SA	13,206	200,281
Fidelity National Financial, Inc. "A"	50,001	649,513
HCC Insurance Holdings, Inc.	24,678	611,027
Lincoln National Corp.	45,168	1,097,131
MetLife, Inc.	23,463	885,963
PartnerRe Ltd.	17,152	1,203,041
		6,009,389
Real Estate Management & Development 0.1%		
K Wah International Holdings Ltd.	181,000	55,940
Midland Holdings Ltd.	186,000	152,036
		207,976
Health Care 6.3%		
Biotechnology 1.2%		
Amgen, Inc.* (a)	17,900	941,540
Celgene Corp.* (a)	33,300	1,692,306
Gilead Sciences, Inc.*	24,580	842,602
Metabolix, Inc.* (a)	4,200	60,102
		3,536,550
Health Care Equipment & Supplies 1.6%		
Accuray, Inc.* (a)	8,200	54,366
Baxter International, Inc.	24,238	985,032
Becton, Dickinson & Co.	11,055	747,539
Covidien PLC	20,000	803,600
Edwards Lifesciences Corp.* (a)	19,800	1,109,196
NxStage Medical, Inc.*	8,800	130,592
Thoratec Corp.* (a)	4,900	209,377
Zimmer Holdings, Inc.*	13,700	740,485
		4,780,187
Health Care Providers & Services 1.7%		
Diagnosticos da America SA	11,900	112,012
Express Scripts, Inc.*	30,500	1,434,110
Fleury SA*	6,700	74,201
Fresenius Medical Care AG & Co. KGaA	8,928	483,002
Genoptix, Inc.* (a)	1,400	24,080
Life Healthcare Group Holdings Pte Ltd.*	27,295	48,188
McKesson Corp.	29,947	2,011,240
Owens & Minor, Inc. (a)	3,900	110,682
WellPoint, Inc.*	12,948	633,546
		4,931,061
Health Care Technology 0.1%		
athenahealth, Inc.* (a)	1,800	47,034
M3, Inc. (a)	22	88,295
Merge Healthcare, Inc.*	14,266	41,799
		177,128

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

	Shares	Value ($)
Life Sciences Tools & Services 0.4%		
ICON PLC (ADR)*	4,200	121,338
Life Technologies Corp.* (a)	2,800	132,300
QIAGEN NV* (a)	6,000	116,229
Thermo Fisher Scientific, Inc.*	17,670	866,714
		1,236,581
Pharmaceuticals 1.3%		
Abbott Laboratories	7,340	343,365
Flamel Technologies SA (ADR)*	14,500	100,920
GlaxoSmithKline PLC	24,341	412,512
Merck & Co., Inc.	36,470	1,275,356
Questcor Pharmaceuticals, Inc.* (a)	6,200	63,302
Sanofi-Aventis	2,499	150,697
Teva Pharmaceutical Industries Ltd. (ADR)	25,281	1,314,359
VIVUS, Inc.* (a)	7,400	71,040
		3,731,551
Industrials 7.2%		
Aerospace & Defense 2.2%		
BE Aerospace, Inc.* (a)	3,800	96,634
Honeywell International, Inc.	24,225	945,502
L-3 Communications Holdings, Inc.	10,061	712,721
Lockheed Martin Corp.	12,829	955,761
Rockwell Collins, Inc. (a)	16,800	892,584
Rolls-Royce Group PLC "C" (Interim Shares)*	177,930	266
TransDigm Group, Inc. (a)	11,300	576,639
United Technologies Corp.	33,441	2,170,655
		6,350,762
Air Freight & Logistics 0.1%		
Atlas Air Worldwide Holdings, Inc.* (a)	2,600	**123,500**
Airlines 0.0%		
Ryanair Holdings PLC (ADR)* (a)	3,800	102,942
Singapore Airlines Ltd.	1,000	10,361
		113,303
Building Products 0.1%		
Compagnie de Saint-Gobain (a)	7,630	281,722
Wienerberger AG*	3,495	42,618
		324,340
Commercial Services & Supplies 0.4%		
Babcock International Group PLC (a)	16,506	146,340
Daiseki Co., Ltd.	3,900	80,722
EnerNOC, Inc.* (a)	2,600	81,744
Schawk, Inc.	2,900	43,355
Serco Group PLC	13,767	119,924
Stericycle, Inc.* (a)	11,500	754,170
World Color Press, Inc.*	178	1,985
		1,228,240
Construction & Engineering 0.3%		
Aecom Technology Corp.*	4,300	99,158
Bouygues SA	7,347	281,412
Chicago Bridge & Iron Co. NV (NY Registered Shares)* (a)	4,600	86,526
Shui On Construction & Materials Ltd.	50,000	54,798
Vinci SA	6,847	281,946
		803,840
Electrical Equipment 1.3%		
AMETEK, Inc.	31,700	1,272,755
Emerson Electric Co.	20,016	874,499
Nidec Corp.	1,700	142,382
Prysmian SpA	31,188	448,034
Roper Industries, Inc. (a)	18,700	1,046,452
		3,784,122
Industrial Conglomerates 0.3%		
Siemens AG (Registered)	9,337	**835,539**
Machinery 1.4%		
Alfa Laval AB	11,615	150,028
Austal Ltd.	40,516	74,237
Dover Corp.	21,486	897,900
FANUC Ltd.	5,194	582,715
Joy Global, Inc.	2,000	100,180
Komatsu Ltd.	28,897	522,171
MAN SE	5,435	448,073
Navistar International Corp.*	9,000	442,800
Parker Hannifin Corp.	12,800	709,888
Rational AG	700	108,108
Rotork PLC	4,206	79,491
		4,115,591
Marine 0.3%		
A P Moller-Maersk AS "B"	86	674,301
Mitsui O.S.K Lines Ltd.	26,180	172,772
		847,073
Professional Services 0.2%		
Brunel International NV	2,130	60,369
FTI Consulting, Inc.* (a)	3,400	148,206
Michael Page International PLC	17,577	97,021
SGS SA (Registered)	229	308,320
		613,916
Road & Rail 0.3%		
Norfolk Southern Corp.	17,600	933,680
Northgate PLC*	16,286	41,904
		975,584
Trading Companies & Distributors 0.2%		
MISUMI Group, Inc.	6,400	117,962
Mitsubishi Corp.	20,529	427,780
PT AKR Corporindo Tbk	703,000	81,609
		627,351
Transportation Infrastructure 0.1%		
Atlantia SpA	8,493	150,569
Koninklijke Vopak NV	3,327	122,097
		272,666
Information Technology 8.8%		
Communications Equipment 1.5%		
Brocade Communications Systems, Inc.*	83,510	430,912
Cisco Systems, Inc.*	112,070	2,388,212
Harris Corp.	2,200	91,630
QUALCOMM, Inc.	47,830	1,570,737
		4,481,491
Computers & Peripherals 2.3%		
Apple, Inc.*	13,300	3,345,349
EMC Corp.*	66,730	1,221,159
Hewlett-Packard Co.	46,227	2,000,705
Lexmark International, Inc. "A"* (a)	1,700	56,151
		6,623,364
Electronic Equipment, Instruments & Components 0.2%		
Itron, Inc.* (a)	2,600	160,732
Kingboard Chemical Holdings Ltd.	28,500	121,996
Nan Ya Printed Circuit Board Corp.	14,000	56,727
Venture Corp., Ltd.	20,000	126,879
		466,334

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

	Shares	Value ($)
Internet Software & Services 0.6%		
Akamai Technologies, Inc.*	7,100	288,047
Google, Inc. "A"*	2,665	1,185,792
Internet Initiative Japan, Inc.	36	105,840
Kakaku.com, Inc.	18	74,408
Meetic	1,991	50,585
NIC, Inc. (a)	9,500	60,895
United Internet AG (Registered)	7,100	78,070
		1,843,637
IT Services 1.1%		
Accenture PLC "A"	12,010	464,187
Atos Origin SA*	3,524	140,750
Automatic Data Processing, Inc.	16,953	682,528
Cap Gemini SA	15,579	680,649
hiSoft Technology International Ltd. (ADR)*	5,600	58,240
iGATE Corp.	5,800	74,356
International Business Machines Corp.	6,240	770,515
Telvent GIT SA*	3,500	58,450
Visa, Inc. "A"	3,900	275,925
		3,205,600
Office Electronics 0.2%		
Canon, Inc.	13,803	**514,618**
Semiconductors & Semiconductor Equipment 1.0%		
ARM Holdings PLC	36,054	149,169
Broadcom Corp. "A"	50,040	1,649,819
FSI International, Inc.*	7,800	32,682
Intel Corp.	56,700	1,102,815
Lam Research Corp.*	1,800	68,508
		3,002,993
Software 1.9%		
Check Point Software Technologies Ltd.* (a)	15,590	459,593
Concur Technologies, Inc.* (a)	15,800	674,344
Microsoft Corp.	68,150	1,568,132
Nintendo Co., Ltd.	2,161	629,491
Norkom Group PLC*	27,634	44,384
Oracle Corp.	71,000	1,523,660
Rovi Corp.*	2,100	79,611
Solera Holdings, Inc. (a)	9,200	333,040
TiVo, Inc.* (a)	6,100	45,018
VanceInfo Technologies, Inc. (ADR)* (a)	5,500	128,040
		5,485,313

Materials 3.7%

	Shares	Value ($)
Chemicals 1.8%		
Air Liquide SA	5,557	558,156
Air Products & Chemicals, Inc.	14,919	966,900
BASF SE	13,174	718,728
Celanese Corp. "A"	14,200	353,722
Linde AG	5,351	561,869
Praxair, Inc.	12,545	953,295
Shin-Etsu Chemical Co., Ltd.	9,427	438,566
The Mosaic Co.	16,600	647,068
		5,198,304
Construction Materials 0.4%		
CRH PLC	9,649	201,961
HeidelbergCement AG	9,567	455,681
Holcim Ltd. (Registered)	7,507	502,497
Martin Marietta Materials, Inc.	900	76,329
		1,236,468
Containers & Packaging 0.6%		
FP Corp.	1,300	67,605
Owens-Illinois, Inc.*	22,700	600,415
Sonoco Products Co.	34,392	1,048,268
		1,716,288
Metals & Mining 0.8%		
BHP Billiton Ltd.	18,558	577,151
Cliffs Natural Resources, Inc.	1,670	78,757
Freeport-McMoRan Copper & Gold, Inc.	12,100	715,473
Kinross Gold Corp.	35,142	600,577
North American Palladium Ltd.*	10,600	32,966
Northam Platinum Ltd.	9,938	58,382
Randgold Resources Ltd. (ADR) (a)	1,100	104,225
Steel Dynamics, Inc.	16,800	221,592
Vista Gold Corp.*	8,300	14,110
		2,403,233
Paper & Forest Products 0.1%		
Schweitzer-Mauduit International, Inc.	2,900	**146,305**

Telecommunication Services 2.6%

	Shares	Value ($)
Diversified Telecommunication Services 1.7%		
AT&T, Inc.	61,210	1,480,670
BCE, Inc.	28,104	822,604
Belgacom	2,584	81,344
CenturyLink, Inc.	42,731	1,423,370
Singapore Telecommunications Ltd.	31,000	66,961
Verizon Communications, Inc.	37,237	1,043,381
		4,918,330
Wireless Telecommunication Services 0.9%		
American Tower Corp. "A"* (a)	16,500	734,250
NTT DoCoMo, Inc.	206	311,519
Vodafone Group PLC	317,782	658,515
Vodafone Group PLC (ADR) (a)	46,990	971,283
		2,675,567

Utilities 2.5%

	Shares	Value ($)
Electric Utilities 2.0%		
Allegheny Energy, Inc. (a)	32,959	681,592
American Electric Power Co., Inc.	24,687	797,390
Duke Energy Corp.	35,616	569,856
E.ON AG	11,526	310,277
Entergy Corp.	11,757	842,036
Exelon Corp.	10,252	389,269
FirstEnergy Corp.	21,963	773,757
Fortum Oyj	35,306	777,233
Southern Co.	22,055	733,990
		5,875,400
Multi-Utilities 0.5%		
PG&E Corp.	33,397	1,372,617
RWE AG	2,265	147,634
		1,520,251
Total Common Stocks (Cost $147,450,444)		**153,203,573**

Warrants 0.0%

Consumer Discretionary 0.0%

	Shares	Value ($)
Reader's Digest Association, Inc., Expiration Date 2/19/2014*	80	**0**

Financials 0.0%

	Shares	Value ($)
New ASAT (Finance) Ltd., Expiration Date 2/1/2011*	24,700	**0**

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

	Shares	Value ($)
Industrials 0.0%		
World Color Press, Inc., Expiration Date 7/20/2014*	202	**234**
Information Technology 0.0%		
Kingboard Chemical Holdings Ltd., Expiration Date 10/31/2012*	3,400	**1,528**
Materials 0.0%		
Ashland, Inc., Expiration Date 3/31/2029*	170	**0**
Total Warrants (Cost $30,284)		**1,762**

	Principal Amout ($) (b)	Value ($)
Corporate Bonds 6.2%		
Consumer Discretionary 0.7%		
AMC Entertainment, Inc.:		
8.0%, 3/1/2014	35,000	33,687
8.75%, 6/1/2019	35,000	35,175
American Achievement Corp., 144A, 8.25%, 4/1/2012	15,000	14,888
Ameristar Casinos, Inc., 9.25%, 6/1/2014	25,000	26,187
Asbury Automotive Group, Inc.:		
7.625%, 3/15/2017	35,000	32,900
8.0%, 3/15/2014	15,000	14,813
CanWest MediaWorks LP, 144A, 9.25%, 8/1/2015**	25,000	6,000
Carrols Corp., 9.0%, 1/15/2013	15,000	14,925
CBS Corp., 7.875%, 7/30/2030	162,000	187,565
DirecTV Holdings LLC, 6.35%, 3/15/2040	51,000	54,612
Discovery Communications LLC, 5.05%, 6/1/2020	500,000	519,734
DISH DBS Corp.:		
6.625%, 10/1/2014	40,000	40,000
7.125%, 2/1/2016	35,000	35,087
Dollarama Group Holdings LP, 7.287%***, 8/15/2012 (c)	24,000	24,240
Fontainebleau Las Vegas Holdings LLC, 144A, 11.0%, 6/15/2015**	25,000	94
Goodyear Tire & Rubber Co., 10.5%, 5/15/2016	10,000	10,875
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015	30,000	29,550
Hertz Corp., 8.875%, 1/1/2014	55,000	55,687
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014	17,000	15,300
Norcraft Holdings LP, 9.75%, 9/1/2012	36,000	34,065
Penske Automotive Group, Inc., 7.75%, 12/15/2016	50,000	47,000
Sabre Holdings Corp., 8.35%, 3/15/2016	25,000	23,875
TCI Communications, Inc., 8.75%, 8/1/2015	135,000	166,141
Time Warner Cable, Inc., 8.25%, 2/14/2014	50,000	59,102
Time Warner, Inc.:		
5.875%, 11/15/2016	147,000	165,714
6.2%, 3/15/2040	175,000	184,584
7.625%, 4/15/2031	175,000	210,520
Travelport LLC:		
5.163%***, 9/1/2014	20,000	18,700
9.875%, 9/1/2014	5,000	5,013
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015**	5,000	6
United Components, Inc., 9.375%, 6/15/2013	5,000	5,025
Vertis, Inc., 13.5%, 4/1/2014 (PIK)	39,915	16,665
WMG Acquisition Corp., 9.5%, 6/15/2016	20,000	21,300
Young Broadcasting, Inc., 8.75%, 1/15/2014**	130,000	78
		2,109,107
Consumer Staples 0.6%		
Anheuser-Busch InBev Worldwide, Inc., 144A, 7.75%, 1/15/2019	500,000	606,881
CVS Caremark Corp.:		
6.125%, 9/15/2039	275,000	293,957
6.25%, 6/1/2027	300,000	327,317
General Nutrition Centers, Inc., 5.75%***, 3/15/2014 (PIK)	15,000	13,763
Kraft Foods, Inc., 5.375%, 2/10/2020	500,000	535,775
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012	108,750	92,981
SUPERVALU, Inc., 8.0%, 5/1/2016	10,000	9,900
		1,880,574
Energy 0.8%		
Atlas Energy Operating Co., LLC, 10.75%, 2/1/2018	55,000	58,644
Belden & Blake Corp., 8.75%, 7/15/2012	130,000	121,225
Bristow Group, Inc., 7.5%, 9/15/2017	30,000	28,650
Chaparral Energy, Inc., 8.5%, 12/1/2015	40,000	37,200
Chesapeake Energy Corp., 6.25%, 1/15/2018	10,000	10,100
DCP Midstream LLC, 144A, 9.75%, 3/15/2019	200,000	257,225
El Paso Corp., 7.25%, 6/1/2018	20,000	20,054
Enterprise Products Operating LLC, 6.125%, 10/15/2039	230,000	229,507
Frontier Oil Corp., 6.625%, 10/1/2011	20,000	20,075
Kinder Morgan Energy Partners LP:		
6.5%, 9/1/2039	50,000	51,526
7.3%, 8/15/2033	360,000	393,710
Linn Energy LLC, 11.75%, 5/15/2017	35,000	39,725
Newfield Exploration Co., 7.125%, 5/15/2018	40,000	39,600
ONEOK Partners LP, 6.15%, 10/1/2016	201,000	225,866
OPTI Canada, Inc.:		
7.875%, 12/15/2014	35,000	30,450
8.25%, 12/15/2014	15,000	13,050
Petrohawk Energy Corp., 7.875%, 6/1/2015	15,000	15,037
Plains All American Pipeline LP, 8.75%, 5/1/2019	600,000	716,191
Plains Exploration & Production Co., 7.0%, 3/15/2017	15,000	14,325

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

		Principal Amout ($) (b)	Value ($)
Regency Energy Partners LP, 8.375%, 12/15/2013		31,000	31,930
Stone Energy Corp., 6.75%, 12/15/2014		25,000	21,250
			2,375,340
Financials 2.1%			
Algoma Acquisition Corp., 144A, 9.875%, 6/15/2015		60,000	51,000
American Express Co., 7.0%, 3/19/2018		390,000	449,823
Ashton Woods USA LLC, 144A, Step-up Coupon, 0% to 6/30/2012, 11.0% to 6/30/2015		36,400	21,112
Bank of America Corp., 7.625%, 6/1/2019		410,000	469,658
Buffalo Thunder Development Authority, 144A, 9.375%, 12/15/2014**		15,000	2,700
Calpine Construction Finance Co., LP, 144A, 8.0%, 6/1/2016		30,000	30,675
Citigroup, Inc.:			
6.125%, 5/15/2018		350,000	365,289
8.5%, 5/22/2019		174,000	207,430
Covidien International Finance SA, 4.2%, 6/15/2020		395,000	404,255
Fifth Third Bancorp., 5.45%, 1/15/2017		429,000	439,138
Ford Motor Credit Co., LLC, 9.875%, 8/10/2011		60,000	63,134
General Electric Capital Corp., Series A, 5.25%, 10/19/2012		550,000	587,890
Hartford Financial Services Group, Inc., 5.95%, 10/15/2036		150,000	128,154
iPayment, Inc., 9.75%, 5/15/2014		25,000	22,750
Jefferies Group, Inc., 6.875%, 4/15/2021		100,000	100,259
KeyBank NA, 5.7%, 11/1/2017		250,000	262,273
Lincoln National Corp., 8.75%, 7/1/2019		190,000	232,862
MetLife, Inc.:			
6.75%, 6/1/2016		113,000	127,842
7.717%, 2/15/2019		250,000	297,555
Morgan Stanley, Series F, 6.625%, 4/1/2018		225,000	235,830
New ASAT (Finance) Ltd., 9.25%, 2/1/2011**		95,000	19,000
Orascom Telecom Finance SCA, 144A, 7.875%, 2/8/2014		100,000	91,750
PNC Bank NA, 6.875%, 4/1/2018		300,000	338,938
Prudential Financial, Inc.:			
Series B, 5.1%, 9/20/2014		100,000	106,348
6.2%, 1/15/2015		100,000	110,053
7.375%, 6/15/2019		30,000	34,739
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014		4,000	4,165
Sprint Capital Corp., 7.625%, 1/30/2011		20,000	20,350
Telecom Italia Capital SA, 5.25%, 11/15/2013		200,000	206,579
The Goldman Sachs Group, Inc., 6.15%, 4/1/2018		400,000	419,007
Tropicana Entertainment LLC, 9.625%, 12/15/2014**		75,000	6
UCI Holdco, Inc., 8.537%***, 12/15/2013 (PIK)		40,147	38,943
Wind Acquisition Finance SA, 144A, 11.0%, 12/1/2015	EUR	55,000	67,257
			5,956,764
Health Care 0.7%			
Community Health Systems, Inc., 8.875%, 7/15/2015		120,000	123,750
Express Scripts, Inc.:			
6.25%, 6/15/2014		250,000	283,054
7.25%, 6/15/2019		320,000	386,808
HCA, Inc.:			
8.5%, 4/15/2019		10,000	10,600
9.125%, 11/15/2014		35,000	36,619
9.25%, 11/15/2016		130,000	137,800
9.625%, 11/15/2016 (PIK)		42,000	44,940
IASIS Healthcare LLC, 8.75%, 6/15/2014		30,000	29,850
Medco Health Solutions, Inc., 7.125%, 3/15/2018		425,000	507,734
Quest Diagnostics, Inc., 6.95%, 7/1/2037		255,000	291,307
The Cooper Companies, Inc., 7.125%, 2/15/2015		45,000	45,112
Valeant Pharmaceuticals International, 8.375%, 6/15/2016		15,000	16,950
			1,914,524
Industrials 0.3%			
Actuant Corp., 6.875%, 6/15/2017		20,000	19,500
ARAMARK Corp., 8.5%, 2/1/2015		10,000	10,100
BE Aerospace, Inc., 8.5%, 7/1/2018		50,000	52,500
Belden, Inc., 7.0%, 3/15/2017		25,000	24,156
Cenveo Corp., 144A, 10.5%, 8/15/2016		10,000	10,175
Congoleum Corp., 8.625%, 8/1/2008**		190,000	43,225
Corrections Corp. of America, 7.75%, 6/1/2017		10,000	10,375
CSX Corp.:			
6.15%, 5/1/2037		150,000	164,023
6.25%, 3/15/2018		190,000	218,156
Great Lakes Dredge & Dock Co., 7.75%, 12/15/2013		20,000	19,800
K. Hovnanian Enterprises, Inc., 8.875%, 4/1/2012		25,000	23,375
Kansas City Southern de Mexico SA de CV, 7.375%, 6/1/2014		20,000	20,350
Mobile Mini, Inc., 9.75%, 8/1/2014		25,000	25,563
Navios Maritime Holdings, Inc., 9.5%, 12/15/2014		35,000	33,600
Owens Corning, Inc., 9.0%, 6/15/2019		10,000	11,824
Titan International, Inc., 8.0%, 1/15/2012		85,000	88,400
TransDigm, Inc., 7.75%, 7/15/2014		15,000	15,038

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

	Principal Amout ($) (b)	Value ($)
United Rentals North America, Inc.:		
7.0%, 2/15/2014	15,000	14,100
10.875%, 6/15/2016	35,000	37,537
		841,797

Information Technology 0.0%

Alcatel-Lucent USA, Inc., 6.45%, 3/15/2029	30,000	19,800
MasTec, Inc., 7.625%, 2/1/2017	35,000	34,037
SunGard Data Systems, Inc., 10.25%, 8/15/2015	70,000	72,275
Vangent, Inc., 9.625%, 2/15/2015	15,000	14,344
		140,456

Materials 0.4%

Appleton Papers, Inc., 144A, 11.25%, 12/15/2015	15,000	12,750
CPG International I, Inc., 10.5%, 7/1/2013	50,000	49,750
Crown Americas LLC, 144A, 7.625%, 5/15/2017	10,000	10,350
Domtar Corp., 10.75%, 6/1/2017	20,000	24,000
Dow Chemical Co., 8.55%, 5/15/2019	400,000	489,645
Exopack Holding Corp., 11.25%, 2/1/2014	80,000	81,000
GEO Specialty Chemicals, Inc.:		
144A, 7.5%, 3/31/2015 (PIK)	209,283	177,891
10.0%, 3/31/2015	206,080	175,168
Georgia-Pacific LLC, 144A, 7.125%, 1/15/2017	15,000	15,300
Graphic Packaging International, Inc., 9.5%, 6/15/2017	30,000	31,350
Hexcel Corp., 6.75%, 2/1/2015	95,000	93,100
Innophos, Inc., 8.875%, 8/15/2014	10,000	10,300
Millar Western Forest Products Ltd., 7.75%, 11/15/2013	15,000	12,900
NewMarket Corp., 7.125%, 12/15/2016	65,000	63,050
Owens-Brockway Glass Container, Inc., 7.375%, 5/15/2016	10,000	10,425
Radnor Holdings Corp., 11.0%, 3/15/2010**	40,000	4
Silgan Holdings, Inc., 7.25%, 8/15/2016	20,000	20,500
Wolverine Tube, Inc., 15.0%, 3/31/2012 (PIK)	41,865	24,072
		1,301,555

Telecommunication Services 0.3%

AT&T Mobility LLC, 6.5%, 12/15/2011		275,000	295,681
Cricket Communications, Inc.:			
9.375%, 11/1/2014		40,000	40,600
10.0%, 7/15/2015		50,000	52,250
ERC Ireland Preferred Equity Ltd., 144A, 7.683%***, 2/15/2017 (PIK)	EUR	104,304	15,356
Intelsat Corp.:			
9.25%, 8/15/2014		10,000	10,225
9.25%, 6/15/2016		110,000	115,500
Intelsat Subsidiary Holding Co. SA, 8.875%, 1/15/2015		60,000	60,975
iPCS, Inc., 2.469%***, 5/1/2013		10,000	9,350
MetroPCS Wireless, Inc., 9.25%, 11/1/2014		35,000	36,050
Millicom International Cellular SA, 10.0%, 12/1/2013		80,000	82,400
Telesat Canada, 11.0%, 11/1/2015		70,000	75,600
Windstream Corp.:			
7.0%, 3/15/2019		25,000	23,062
8.625%, 8/1/2016		10,000	10,075
			827,124

Utilities 0.3%

AES Corp.:		
8.0%, 10/15/2017	35,000	35,350
8.0%, 6/1/2020	30,000	30,150
144A, 8.75%, 5/15/2013	72,000	73,080
DTE Energy Co., 7.625%, 5/15/2014	81,000	94,662
Energy Future Holdings Corp., 10.875%, 11/1/2017	15,000	11,100
FirstEnergy Solutions Corp., 6.8%, 8/15/2039	234,000	231,520
Kinder Morgan, Inc., 6.5%, 9/1/2012	15,000	15,488
Mirant North America LLC, 7.375%, 12/31/2013	20,000	20,450
NRG Energy, Inc.:		
7.375%, 2/1/2016	50,000	49,750
7.375%, 1/15/2017	60,000	59,400
NV Energy, Inc.:		
6.75%, 8/15/2017	25,000	25,185
8.625%, 3/15/2014	8,000	8,220
Sempra Energy, 6.5%, 6/1/2016	135,000	154,912
Texas Competitive Electric Holdings Co., LLC, Series A, 10.25%, 11/1/2015	25,000	16,500
		825,767
Total Corporate Bonds (Cost $17,652,229)		**18,173,008**

Asset-Backed 0.3%

Automobile Receivables 0.1%

Ford Credit Auto Owner Trust, "B", Series 2007-B, 5.69%, 11/15/2012	379,000	**403,460**

Credit Card Receivables 0.2%

Citibank Omni Master Trust, "A8", Series 2009-A8, 144A, 2.45%***, 5/16/2016	500,000	**505,110**
Total Asset-Backed (Cost $885,529)		**908,570**

Mortgage-Backed Securities Pass-Throughs 6.0%

Federal Home Loan Mortgage Corp., 6.0%, 3/1/2038	42,794	46,431
Federal National Mortgage Association:		
4.5%, with various maturities from 11/1/2020 until 9/1/2038 (d)	3,266,703	3,434,726
4.547%***, 8/1/2037	275,317	288,500
5.0%, 5/1/2036	3,804,961	4,033,110
5.5%, with various maturities from 4/1/2035 until 4/1/2038 (d)	2,259,566	2,430,975

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

		Principal Amout ($) (b)	Value ($)
6.0%, with various maturities from 1/1/2024 until 8/1/2037 (d)		4,421,807	4,808,527
6.5%, with various maturities from 5/1/2017 until 1/1/2038		69,578	75,934
8.0%, 9/1/2015		83,825	91,231
Government National Mortgage Association:			
4.5%, 5/1/2039 (d)		750,000	781,230
5.0%, 5/1/2038 (d)		750,000	798,867
5.5%, 6/1/2036 (d)		750,000	810,352
Total Mortgage-Backed Securities Pass-Throughs (Cost $16,866,513)			**17,599,883**

Commercial Mortgage-Backed Securities 1.4%

	Principal Amout ($) (b)	Value ($)
Banc of America Commercial Mortgage, Inc., "A4", Series 2007-4, 5.935%***, 2/10/2051	750,000	782,949
Bear Stearns Commercial Mortgage Securities, Inc., "A4", Series 2007-PW18, 5.7%, 6/11/2050	862,000	871,808
LB-UBS Commercial Mortgage Trust:		
"A2", Series 2005-C2, 4.821%, 4/15/2030	87,584	87,584
"A4", Series 2006-C1, 5.156%, 2/15/2031	1,250,000	1,300,311
"A3", Series 2006-C7, 5.347%, 11/15/2038	700,000	722,297
"A4", Series 2007-C6, 5.858%, 7/15/2040	300,000	297,613
Total Commercial Mortgage-Backed Securities (Cost $3,768,718)		**4,062,562**

Collateralized Mortgage Obligations 0.2%

	Principal Amout ($) (b)	Value ($)
FDIC Structured Sale Guaranteed Notes, "1A", Series 2010-S1, 144A, 0.896%***, 2/25/2048	684,516	687,037
Federal Home Loan Mortgage Corp., "H", Series 2278, 6.5%, 1/15/2031	5,499	6,054
Total Collateralized Mortgage Obligations (Cost $691,367)		**693,091**

Government & Agency Obligations 12.0%

Sovereign Bonds 2.5%

		Principal Amout ($) (b)	Value ($)
Federal Republic of Germany, 2.25%, 4/15/2013	EUR	213,722	279,218
Government of Canada, 4.0%, 12/1/2031	CAD	444,234	616,135
Government of France:			
1.0%, 7/25/2017	EUR	242,631	304,080
2.25%, 7/25/2020	EUR	507,420	676,840
3.15%, 7/25/2032	EUR	529,141	847,306
Government of Japan, Series 9, 1.1%, 9/10/2016	JPY	41,622,000	461,342
Government of Sweden, Series 3105, 3.5%, 12/1/2015	SEK	2,650,000	458,375
Republic of Italy, 2.1%, 9/15/2017	EUR	293,231	355,626
Republic of Poland, 6.375%, 7/15/2019		100,000	110,622
State of Qatar, 144A, 6.4%, 1/20/2040		100,000	106,250
United Kingdom Treasury-Inflation Linked Bonds:			
1.125%, 11/22/2037	GBP	248,405	403,060
1.875%, 11/22/2022	GBP	389,884	658,982
2.0%, 1/26/2035	GBP	225,000	533,133
2.5%, 8/16/2013	GBP	120,000	496,261
2.5%, 7/26/2016	GBP	112,000	517,225
2.5%, 4/16/2020	GBP	96,000	448,893
			7,273,348

US Treasury Obligations 9.5%

	Principal Amout ($) (b)	Value ($)
US Treasury Bills:		
0.11%****, 9/16/2010 (e)	24,000	23,992
0.22%****, 9/16/2010 (e)	4,155,000	4,153,621
US Treasury Bonds:		
4.75%, 2/15/2037	2,000,000	2,296,250
5.375%, 2/15/2031	3,000,000	3,690,936
US Treasury Inflation-Indexed Bonds:		
2.375%, 1/15/2025	721,723	800,605
3.625%, 4/15/2028	539,128	697,708
US Treasury Inflation-Indexed Notes:		
1.875%, 7/15/2015	184,924	198,143
2.0%, 1/15/2016	414,336	446,997
2.375%, 1/15/2017	729,668	805,542
2.5%, 7/15/2016	460,424	512,365
3.375%, 1/15/2012	814,835	859,014
US Treasury Notes:		
1.75%, 1/31/2014	5,000,000	5,080,470
3.125%, 5/15/2019	500,000	510,429
4.5%, 11/15/2015 (a)	6,750,000	7,663,356
		27,739,428
Total Government & Agency Obligations (Cost $33,587,962)		**35,012,776**

Loan Participations and Assignments 0.1%

Senior Loans***

	Principal Amout ($) (b)	Value ($)
Hawker Beechcraft Acquisition Co., LLC:		
Term Loan, 2.347%, 3/26/2014	22,462	18,225
Letter of Credit, 2.533%, 3/26/2014	1,336	1,084
Hexion Specialty Chemicals, Inc.:		
Term Loan C1, 2.563%, 5/6/2013	35,083	32,094
Term Loan C2, 2.813%, 5/6/2013	10,759	9,842
IASIS Healthcare LLC, Term Loan, 5.588%, 6/13/2014 (PIK)	88,808	80,038
Sabre, Inc., Term Loan B, 2.347%, 9/30/2014	22,817	20,331
Sbarro, Inc., Term Loan, 4.847%, 1/31/2014	15,000	13,387
Total Loan Participations and Assignments (Cost $190,210)		**175,001**

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

	Principal Amout ($) (b)	Value ($)

Municipal Bonds and Notes 0.1%

Illinois, State General Obligation, 4.421%, 1/1/2015 (f) (Cost $130,000)	130,000	**130,585**

Preferred Securities 0.1%

Financials 0.1%

Farm Credit Bank of Texas, Series 1, 7.561%, 12/15/2013 (g)	218,000	**178,876**

Materials 0.0%

Hercules, Inc., 6.5%, 6/30/2029	40,000	**31,200**
Total Preferred Securities (Cost $245,629)		**210,076**

	Units	Value ($)

Other Investments 0.0%

Consumer Discretionary

AOT Bedding Super Holdings LLC* (Cost $2,000)	2	**1,969**

	Shares	Value ($)

Exchange-Traded Funds 10.3%

	Shares	Value ($)
iShares Barclays Aggregate Bond Fund	131,967	14,153,461
iShares MSCI Japan Index Fund	136,067	1,251,816
iShares Russell 2000 Value Index Fund	99,817	5,693,562
Vanguard Emerging Markets	236,859	8,998,274
Total Exchange-Traded Funds (Cost $26,056,664)		**30,097,113**

Securities Lending Collateral 6.2%

Daily Assets Fund Institutional, 0.27% (h) (i) (Cost $18,178,248)	18,178,248	**18,178,248**

Cash Equivalents 12.3%

Central Cash Management Fund, 0.21% (h) (Cost $35,705,378)	35,705,378	**35,705,378**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $301,441,175)†	107.8	**314,153,595**
Other Assets and Liabilities, Net	(7.8)	**(22,829,573)**
Net Assets	100.0	**291,324,022**

* *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 ($)
Buffalo Thunder Development Authority	9.375%	12/15/2014	15,000	USD	15,000	2,700
CanWest MediaWorks LP	9.25%	8/1/2015	25,000	USD	25,000	6,000
Congoleum Corp.	8.625%	8/1/2008	190,000	USD	190,156	43,225
Fontainebleau Las Vegas Holdings LLC	11.0%	6/15/2015	25,000	USD	25,000	94
New ASAT (Finance) Ltd.	9.25%	2/1/2011	95,000	USD	83,256	19,000
Radnor Holdings Corp.	11.0%	3/15/2010	40,000	USD	25,775	4
Tropicana Entertainment LLC	9.625%	12/15/2014	75,000	USD	55,245	6
Trump Entertainment Resorts, Inc.	8.5%	6/1/2015	5,000	USD	4,788	6
Young Broadcasting, Inc.	8.75%	1/15/2014	130,000	USD	111,175	78
					535,395	**71,113**

*** *These securities are shown at their current rate as of June 30, 2010. Floating rate securities' yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate.*

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

† *The cost for federal income tax purposes was $307,599,914. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $6,553,681. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $20,867,963 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $14,314,282.*

(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, 2010 amounted to $17,745,582, which is 6.1% of net assets.*

(b) *Principal amount stated in US dollars unless otherwise noted.*

(c) *Security has deferred its 6/15/2008, 12/15/2008 and 6/15/2009 interest payments until 8/15/2012.*

(d) *When-issued or delayed delivery security included.*

(e) *At June 30, 2010, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(f) *Taxable issue.*

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

(h) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

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

(i) *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

FDIC: Federal Deposit Insurance Corp.

MSCI: Morgan Stanley Capital International

PIK: Denotes that all or a portion of the income is paid in-kind.

Included in the portfolio are investments in mortgage or asset-backed securities which are interests in separate pools of mortgages or assets. Effective maturities of these investments may be shorter than stated maturities due to prepayments. Some separate investments in the Federal National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in this investment portfolio.

At June 30, 2010, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Australian Treasury Bond	AUD	9/15/2010	3	270,055	4,438
10 Year Japanese Government Bond	JPY	9/9/2010	23	36,850,987	275,426
10 Year US Treasury Note	USD	9/21/2010	63	7,720,453	84,883
CAC 40 Index	EUR	7/16/2010	49	2,062,434	(121,742)
Federal Republic of Germany Euro-Schatz	EUR	9/8/2010	56	7,500,569	589
FTSE 100 Index	GBP	9/17/2010	45	3,281,381	(212,915)
FTSE MIB Index	EUR	9/17/2010	5	591,431	(30,556)
IBEX 35 Index	EUR	7/16/2010	15	1,688,083	(73,771)
NASDAQ 1000 E-Mini Index	USD	9/17/2010	36	1,251,360	(78,201)
TOPIX Index	JPY	9/10/2010	18	1,707,063	(42,244)
United Kingdom Long Gilt Bond	GBP	9/28/2010	27	4,883,244	95,606
Total net unrealized depreciation					**(98,487)**

At June 30, 2010, open futures contracts sold were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Canadian Government Bond	CAD	9/21/2010	69	8,026,180	(187,136)
10 Year US Treasury Note	USD	9/21/2010	3	367,641	(5,959)
2 Year US Treasury Note	USD	9/30/2010	101	22,101,641	(68,061)
AEX Index	EUR	7/16/2010	10	774,064	41,716
ASX SPI 200 Index	AUD	9/16/2010	19	1,704,081	97,511
DAX Index	EUR	9/17/2010	1	182,250	6,295
DJ Euro Stoxx 50 Index	EUR	9/17/2010	83	2,606,431	133,772
Federal Republic of Germany Euro-Bund	EUR	9/8/2010	217	34,334,721	(136,536)
Hang Seng Index	HKD	7/29/2010	15	1,933,921	56,126
Russell 2000 Mini Index	USD	9/17/2010	7	425,460	29,804
S&P 500 E-Mini Index	USD	9/17/2010	30	1,539,900	89,254
S&P TSX 60 Index	CAD	9/16/2010	13	1,609,995	54,919
Total net unrealized appreciation					**111,705**

As of June 30, 2010, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)	Counterparty
EUR	67,700	USD	82,984	7/27/2010	186	Citigroup, Inc.
EUR	13,099,000	USD	16,136,396	8/18/2010	114,280	UBS AG
GBP	6,938,000	USD	10,396,281	8/18/2010	30,530	Royal Bank of Scotland PLC
Total unrealized appreciation					**144,996**	

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)	Counterparty
USD	603,258	NOK	3,926,000	8/18/2010	(1,492)	Royal Bank of Scotland PLC
USD	3,697,866	AUD	4,295,000	8/18/2010	(103,417)	Royal Bank of Scotland PLC
USD	1,294,005	NZD	1,842,000	8/18/2010	(35,077)	Royal Bank of Scotland PLC

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

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)	Counterparty
USD	5,082,294	CAD	5,305,000	8/18/2010	(100,465)	UBS AG
USD	2,927,563	SEK	22,751,000	8/18/2010	(9,825)	UBS AG
CHF	944,000	USD	856,624	8/18/2010	(19,935)	Royal Bank of Scotland PLC
JPY	523,801,000	USD	5,866,618	8/18/2010	(62,425)	UBS AG
Total unrealized depreciation					**(332,636)**	

Currency Abbreviations

AUD	Australian Dollar	GBP	British Pound	NZD	New Zealand Dollar
CAD	Canadian Dollar	HKD	Hong Kong Dollar	SEK	Swedish Krona
CHF	Swiss Franc	JPY	Japanese Yen	USD	United States Dollar
EUR	Euro	NOK	Norwegian Krone		

For information on the Portfolio's policy and additional disclosures regarding futures contracts and forward foreign currency exchange contracts, please refer to the Derivatives section of Note A in the accompanying Notes to Financial Statements.

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks and/or Other Equity Investments (j)				
Consumer Discretionary	$ 11,961,382	$ 4,521,987	$ 0	$ 16,483,369
Consumer Staples	11,721,278	3,443,774	—	15,165,052
Energy	14,107,427	3,205,864	—	17,313,291
Financials	10,896,277	2,623,203	0	13,519,480
Health Care	17,094,135	1,298,923	—	18,393,058
Industrials	14,070,236	6,945,825	—	21,016,061
Information Technology	22,851,312	2,773,566	—	25,624,878
Materials	6,560,002	4,140,596	0	10,700,598
Telecommunication Services	6,475,558	1,118,339	—	7,593,897
Utilities	6,160,507	1,235,144	—	7,395,651
Fixed Income Investments (j)				
Corporate Bonds	—	17,819,949	353,059	18,173,008
Asset Backed	—	908,570	—	908,570
Mortgage-Backed Securities Pass-Throughs	—	17,599,883	—	17,599,883
Commercial Mortgage-Backed Securities	—	4,062,562	—	4,062,562
Collateralized Mortgage Obligations	—	693,091	—	693,091
Government & Agency Obligations	—	30,835,163	—	30,835,163
Loan Participations and Assignments	—	175,001	—	175,001
Municipal Bonds and Notes	—	130,585	—	130,585
Preferred Securities	—	210,076	—	210,076
Other Investments	—	—	1,969	1,969
Exchange-Traded Funds	30,097,113	—	—	30,097,113
Short-Term Investments (j)	53,883,626	4,177,613	—	58,061,239
Derivatives (k)	13,218	144,996	—	158,214
Total	**$ 205,892,071**	**$ 108,064,710**	**$ 355,028**	**$ 314,311,809**

Liabilities				
Derivatives (k)	$ —	$ (332,636)	$ —	$ (322,636)
Total	**$ —**	**$ (332,636)**	**$ —**	**$ (332,636)**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(j) *See Investment Portfolio for additional detailed categorizations.*

(k) *Derivatives include unrealized appreciation (depreciation) on open futures contracts and forward foreign currency exchange contracts.*

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

Level 3 Reconciliation

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining value:

	Common Stocks and/or Other Equity Investments					
	Consumer Discretionary	**Financials**	**Materials**	**Corporate Bonds**	**Other Investments**	**Total**
Balance as of December 31, 2009	$ 0	$ 278,682	$ 0	$ 383,110	$ —	**$ 661,792**
Realized gains (loss)	(8,344)	107,337	—	—	—	**98,993**
Change in unrealized appreciation (depreciation)	8,344	(37,614)	—	20,075	(31)	**(9,226)**
Amortization premium/discount	—	—	—	694	—	**694**
Net purchases (sales)	0	(348,405)	—	—	2,000	**(346,405)**
Transfers into Level 3	—	—	—	—	—	**—**
Transfers (out) of Level 3	—	—	—	(50,820) (l)	—	**(50,820)**
Balance as of June 30, 2010	**$ 0**	**$ 0**	**$ 0**	**$ 353,059**	**$ 1,969**	**$ 355,028**
Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2010	**$ —**	**$ (989)**	**$ —**	**$ 20,075**	**$ (31)**	**$ 19,055**

Transfers between price levels are recognized at the beginning of the reporting period.

(l) *The investment was transferred from Level 3 to Level 2 as a result of the availability of a pricing source supported by observable inputs.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $247,557,549) — including $17,745,582 of securities loaned	$ 260,269,969
Investment in Daily Assets Fund Institutional (cost $18,178,248)*	18,178,248
Investment in Central Cash Management Fund (cost $35,705,378)	35,705,378
Total investments, at value (cost $301,441,175)	314,153,595
Cash	100,181
Foreign currency, at value (cost $271,550)	271,131
Receivable for investments sold	2,960,207
Receivable for when-issued and delayed delivery securities sold	7,162,415
Receivable for Portfolio shares sold	15,682
Dividends receivable	238,411
Interest receivable	714,347
Unrealized appreciation on open forward foreign currency exchange contracts	144,996
Foreign taxes recoverable	53,674
Other assets	3,135
Total assets	325,817,774

Liabilities	
Payable upon return of securities loaned	18,178,248
Payable for investments purchased	1,854,969
Payable for when-issued and delayed delivery securities purchased	13,737,604
Payable for Portfolio shares redeemed	84,524
Payable for daily variation margin on open futures contracts	23,686
Unrealized depreciation on open forward foreign currency exchange contracts	332,636
Accrued management fee	101,987
Other accrued expenses and payables	180,098
Total liabilities	34,493,752
Net assets, at value	**$ 291,324,022**

Net Assets Consist of	
Undistributed net investment income	2,460,660
Net unrealized appreciation (depreciation) on:	
Investments	12,712,420
Futures	13,218
Foreign currency	(189,243)
Accumulated net realized gain (loss)	(63,251,869)
Paid-in capital	339,578,836
Net assets, at value	**$ 291,324,022**
Class A	
Net Asset Value, offering and redemption price per share ($291,324,022 ÷ 15,085,753 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 19.31**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $74,082)	$ 2,099,142
Interest	1,769,144
Income distributions — Central Cash Management Fund	31,776
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	29,122
Total Income	3,929,184
Expenses:	
Management fee	567,671
Administration fee	155,559
Custodian fee	109,044
Services to shareholders	2,200
Professional fees	52,461
Trustees' fees and expenses	6,264
Reports to shareholders	34,185
Other	53,804
Total expenses	981,188
Net investment income (loss)	2,947,996

Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments	11,032,446
Futures	(1,067,557)
Foreign currency	607,753
	10,572,642
Change in net unrealized appreciation (depreciation) on:	
Investments	(21,929,455)
Futures	263,370
Foreign currency	(405,051)
	(22,071,136)
Net gain (loss)	**(11,498,494)**
Net increase (decrease) in net assets resulting from operations	**$ (8,550,498)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ 2,947,996	$ 7,279,172
Net realized gain (loss)	10,572,642	(21,287,397)
Change in net unrealized appreciation (depreciation)	(22,071,136)	77,797,202
Net increase (decrease) in net assets resulting from operations	(8,550,498)	63,788,977
Distributions to shareholders from:		
Net investment income:		
Class A	(9,827,154)	(11,680,702)
Total distributions	(9,827,154)	(11,680,702)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,912,456	6,740,726
Shares issued to shareholders in reinvestment of distributions	9,827,154	11,680,702
Cost of shares redeemed	(22,106,900)	(58,626,337)
Shares converted*	—	39,887
Net increase (decrease) in net assets from Class A share transactions	(9,367,290)	(40,165,022)
Class B		
Cost of shares redeemed	—	(307)
Shares converted*	—	(39,887)
Net increase (decrease) in net assets from Class B share transactions	—	(40,194)
Increase (decrease) in net assets	(27,744,942)	11,903,059
Net assets at beginning of period	319,068,964	307,165,905
Net assets at end of period (including undistributed net investment income of $2,460,660 and $9,339,818, respectively)	**$ 291,324,022**	**$ 319,068,964**

Other Information		
Class A		
Shares outstanding at beginning of period	15,551,177	17,697,143
Shares sold	140,973	369,933
Shares issued to shareholders in reinvestment of distributions	467,070	740,222
Shares redeemed	(1,073,467)	(3,258,791)
Shares converted*	—	2,670
Net increase (decrease) in Class A shares	(465,424)	(2,145,966)
Shares outstanding at end of period	**15,085,753**	**15,551,177**
Class B		
Shares outstanding at beginning of period	—	2,694
Shares redeemed	—	(19)
Shares converted*	—	(2,675)
Net increase (decrease) in Class B shares	—	(2,694)
Shares outstanding at end of period	**—**	**—**

* *On March 6, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$20.52**	**$17.35**	**$24.81**	**$24.46**	**$22.75**	**$22.37**
Income (loss) from investment operations:						
Net investment income[b]	.19	.44	.61	.74	.69[d]	.59
Net realized and unrealized gain (loss)	(.74)	3.43	(7.20)	.42	1.60	.34
Total from investment operations	(.55)	3.87	(6.59)	1.16	2.29	.93
Less distributions from:						
Net investment income	(.66)	(.70)	(.87)	(.81)	(.58)	(.55)
Net asset value, end of period	**$19.31**	**$20.52**	**$17.35**	**$24.81**	**$24.46**	**$22.75**
Total Return (%)	(2.95)**	23.43	(27.33)[c]	4.84[c]	10.24[c,d]	4.30[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	291	319	307	528	600	653
Ratio of expenses before expense reductions (%)	.63*	.60	.64	.52	.55	.55
Ratio of expenses after expense reductions (%)	.63*	.60	.62	.51	.51	.53
Ratio of net investment income (%)	1.90*	2.40	2.83	3.00	2.99[d]	2.66
Portfolio turnover rate (%)	135**	207	263	199	108	122

a *For the six months ended June 30, 2010 (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 $0.024 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*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

Equity securities and exchange traded funds ("ETFs") 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 they trade and are classified as Level 1 securities. Securities or ETFs 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. For certain 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, a fair valuation model may be used. This fair valuation model takes into account comparisons to the valuation of American Depository Receipts (ADRs), exchange-traded funds, futures contracts and certain indices and these securities are classified as Level 2.

Debt securities are valued by independent pricing services approved by the Portfolio's Board. 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 one or more broker-dealers. 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. These securities are generally categorized as Level 2. Senior loans are valued by independent pricing services approved by the Portfolio's Board. If the pricing services are unable to provide valuations, senior loans are valued at the mean of the most recent bid and asked quotations or evaluated price, as applicable, obtained from one or more broker-dealers. 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. Certain senior loans may be valued on the basis of a price provided by a single source or broker-dealer. Senior loans are generally categorize as Level 2.

Futures contracts are generally valued at the settlement prices established each day on the exchange on which they are traded and are classified as Level 1.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and are classified as Level 2.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

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.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Loan Participations and Assignments. The Portfolio 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. The Portfolio 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. The Portfolio may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Derivatives. Authoritative accounting guidance requires that disclosures about the Portfolio's derivative and hedging activities and derivatives accounted for as hedging instruments must be disclosed separately from derivatives that do not qualify for hedge accounting. Because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings, the Portfolio's derivatives are not accounted for as hedging instruments. As such, even though the Portfolio may use derivatives in an attempt to achieve an economic hedge, the Portfolio's derivatives are not considered to be hedging instruments. The disclosure below is presented in accordance with authoritative accounting guidance.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The Portfolio enters into interest rate futures to gain exposure to different parts of the yield curve while managing overall duration. In addition, the Portfolio seeks to enhance returns by employing a global tactical asset allocation overlay strategy. The Portfolio enters into futures contracts on fixed-income securities and equities, including on financial indices, and security indices and on currency as part of its global tactical asset allocation overlay strategy. As part of this strategy, the Portfolio uses futures contracts to attempt to take advantage of short-term and medium-term inefficiencies within the global equity, bond and currency markets.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary cash or securities ("initial margin") in an amount 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 and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. Gains or losses are realized when the contract expires or is closed. Since all futures contracts are exchange-traded, counterparty risk is minimized as the exchange's clearinghouse acts as the counterparty, and guarantees the futures against default.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid 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 underlying hedged security, index or currency. Risk of loss may exceed amounts recognized on the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in futures contracts with a total notional value generally indicative of a range from approximately $127,826,000 to $180,993,000.

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 Portfolio enters 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. The Portfolio also enters into forward currency contracts as part of its 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. Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. The maximum counterparty credit risk to the Portfolio is measured by the unrealized gain on appreciated 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.

A summary of the open forward currency contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in forward currency contracts with a total contract value generally indicative of a range from approximately $43,144,000 to $46,944,000.

The following table summarizes the value of the Portfolio's derivative instruments held as of June 30, 2010 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivative	Forward Contracts	Futures Contracts	Total
Equity Contracts (a)	$ —	$ (50,032)	$ (50,032)
Interest Rate Contracts (a)	—	63,250	63,250
Foreign Exchange Contracts (b)	144,996	—	144,996
	$ 144,996	**$ 13,218**	**$ 158,214**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Net unrealized appreciation (depreciation) on futures. Liability of payable for daily variation margin on open futures contracts reflects unsettled variation margin*

(b) *Unrealized appreciation on open forward foreign currency exchange contracts*

Liability Derivative	Forward Contracts
Foreign Exchange Contracts (a)	$ 332,636

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Unrealized depreciation on open forward foreign currency exchange contracts*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the six months ended June 30, 2010 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	Forward Contracts	Futures Contracts	Total
Equity Contracts (a)	$ —	$ (1,331,836)	$ (1,331,836)
Interest Rate Contracts (a)	—	264,279	264,279
Foreign Exchange Contracts (b)	756,466	—	756,466
	$ 756,466	**$ (1,067,557)**	**$ (311,091)**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Net realized gain (loss) from futures*

(b) *Net realized gain (loss) from foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

Change in Net Unrealized Appreciation (Depreciation)	Forward Contracts	Futures Contracts	Total
Equity Contracts (a)	$ —	$ (136,061)	$ (136,061)
Interest Rate Contracts (a)	—	399,431	399,431
Foreign Exchange Contracts (b)	(330,777)	—	(330,777)
	$ (330,777)	**$ 263,370**	**$ (67,407)**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Change in net unrealized appreciation (depreciation) on futures*

(b) *Change in net unrealized appreciation (depreciation) on foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

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 income to its shareholders.

Additionally, based on the Portfolio's understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which it invests, the Portfolio will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2009, the Portfolio 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	1,366,000	12/31/2011
	21,426,000	12/31/2016
	45,043,000	12/31/2017

In addition, from November 1, 2009 through December 31, 2009, the Portfolio incurred 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, 2010.

Portfolio	
DWS Balanced VIP	$ 77,000

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 remains open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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 investments in foreign denominated investments, investments in forward currency contracts, 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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 the Portfolio, with the exception of securities in default of principal.

B. Purchases and Sales of Securities

During the six months ended June 30, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Balanced VIP		
excluding US Treasury Obligations	323,748,077	350,204,824
US Treasury Obligations	59,756,127	60,302,206

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the 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%

Effective August 1, 2010, QS Investors, LLC ("QS Investors") acts as investment sub-advisor to the Portfolio. On August 1, 2010, members of the Advisor's Quantitative Strategies Group ("QS Group"), including members of the portfolio management teams of the Portfolio, separated from the Advisor and formed QS Investors as a separate investment advisory firm unaffiliated with the Advisor (the "Separation"). In order for the Portfolio to continue to access the investment expertise offered by members of the QS Group following the Separation, the Advisor recommended that the Portfolio's Board approve a sub-advisory agreement between the Advisor and QS Investors (the "Sub-Advisory Agreement"). On May 4, 2010, following a review of QS Investors' capabilities and the terms of the Separation and the Sub-Advisory Agreement, the Portfolio's Board approved the Sub-Advisory Agreement. This action was taken pursuant to an order the Portfolio and the Advisor requested and received from the Securities and Exchange Commission that permits the Advisor, with the approval of the Portfolio's Board, to appoint sub-advisors that are not affiliated with the Advisor to manage all or a portion of a Portfolio's assets without the need for a shareholder meeting or vote. As an investment sub-advisor to the Portfolio, QS Investors renders strategic asset allocation services to the Portfolio and manages the assets attributable to the Portfolio's iGAP strategy. QS Investors is paid by the Advisor, not the Portfolio, for the services QS Investors provides to the Portfolio.

DeAMi serves as subadvisor to a portion of the Portfolio's large cap value allocation of the portfolio. DeAMi is paid by the Advisor for its services.

Accordingly, for the six months ended June 30, 2010, the total management fee and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Annualized Effective Rate
DWS Balanced VIP	567,671	.37%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Balanced VIP	155,559	24,682

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Balanced VIP Class A	211	60

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Balanced VIP	3,906	154

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Investing in High Yield Securities

The Portfolio's performance could be hurt if a security declines in credit quality or goes into default, or if an issuer does not make timely payments of interest or principal. Because the issuers of high-yield debt securities or junk bonds (debt securities rated below the fourth-highest category) may be in uncertain financial health, the prices of their debt securities can be more vulnerable to bad economic news, or even the expectation of bad news, than investment-grade debt securities. Because the Portfolio may invest in securities not paying current interest or in securities already in default, these risks may be more pronounced.

E. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the 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 44%, 22% and 15%.

F. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

G. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Portfolio Management Team Update

The current portfolio management team is as follows:

QS Investors, LLC, Subadvisor to the Portfolio (effective August 1, 2010)

Robert Wang
Head of Portfolio Management and Trading

Inna Okounkova
Head of Strategic Asset Allocation Portfolio Management

Thomas Picciochi
Head of GTAA Management and Implementation

New Sub-Advisory Agreement Approval

The Board of Trustees, including the Independent Trustees, unanimously approved the New Sub-Advisory Agreement (the "New Agreement") between Deutsche Investment Management Americas Inc. ("DWS") and QS Investors, LLC ("QS Investors") in May 2010.

In terms of the process that the Board followed prior to approving the New Agreement, shareholders should know that:

- In May 2010, all but one of the Fund's Trustees were independent of DWS and its affiliates.
- The Board engaged in a comprehensive review of the operational, financial and investment capabilities of QS Investors and the terms of the proposed Separation. As part of this review, the Board also reviewed and considered the terms of the New Agreement.
- To facilitate its review, the Board created several ad hoc subcommittees, each focused on different aspects of the Board's consideration of the Separation, and each comprised solely of Independent Trustees.
- The Board and its subcommittees conducted numerous meetings between January 2010 and May 2010 to review and discuss the Separation, including the New Agreement, and were assisted in this review by their independent legal counsel and fund counsel.
- In the course of its review, the Board requested and received substantial additional information.
- As part of its review process, the Board and its subcommittees met with various representatives of DWS and QS Investors, including key investment personnel and other members of senior management.
- The Board requested and evaluated all information that it deemed reasonably necessary to evaluate the New Agreement.

In connection with the approval of the New Agreement, the Board considered the factors described below, among others.

Continuity of Investment Management Services. In reviewing the New Agreement, the Board considered that it had renewed the investment management agreement between DWS and the Fund as part of the annual contract renewal process (the "Annual Review") in September 2009, at which time it had determined that such renewal was in the best interests of the Fund, given the nature, quality and extent of services provided by DWS (among other considerations). In considering the New Agreement, the Board noted that in light of the transition of the group within DWS responsible for day-to-day portfolio management of the Fund to a separate, unaffiliated firm (i.e., QS Investors), it was necessary to approve a sub-advisory agreement between DWS and QS Investors to secure continued access to these same personnel and services. The Board also considered that, despite the change in corporate identity of the portfolio management services provider and the fact that it would no longer be affiliated with DWS, the nature, quality and extent of services provided to the Fund are not expected to change under the New Agreement.

Fees and Expenses. The Board noted that it had concluded during the Annual Review that the overall investment management fees paid by the Fund are reasonable and appropriate in light of the nature, quality and extent of services provided. The Board considered that, under the New Agreement, QS Investors' sub-advisory fee would be paid by DWS out of its management fee and not directly by the Fund, and therefore there would be no change in the Fund's overall investment management fees under the New Agreement.

Profitability. The Board noted that it had considered the profitability of DWS during the Annual Review. The Board did not consider the profitability of QS Investors to be a material factor. In particular, the Board noted that QS Investors has not yet commenced operations, and that any projections of profitability are likely to be of limited value. The Board also noted that DWS would pay QS Investors' sub-advisory fee out of its management fee, and further noted that the sub-advisory fee arrangement with respect to the Fund was the product of an arm's length negotiation.

Other Benefits to QS Investors. The Board noted that it had considered fallout benefits to DWS during the Annual Review in its determination that management fees paid were reasonable. The Board also considered the character and amount of incidental benefits expected to be realized by QS Investors in light of the New

Agreement, including the incidental public relations benefits to QS Investors related to DWS US mutual funds advertising and cross-selling opportunities among DWS products and services. The Board noted that QS Investors did not propose to implement a "soft dollar" program. The Board reaffirmed its determination from the Annual Review process that management fees paid were reasonable in light of fallout benefits to its investment advisory service providers.

Compliance. The Board considered QS Investors' proposed compliance program and resources. The Board also considered that DWS would oversee QS Investors' compliance program and its compliance with applicable Fund policies and procedures, and considered the attention and resources DWS would dedicate to that oversight. The Board also noted that it had considered DWS's compliance monitoring capabilities in connection with the Annual Review, at which time it had noted (i) the experience and seniority of both DWS's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the terms of the New Agreement are fair and reasonable and that the approval of the New Agreement is in the best interests of the Fund. In reaching this conclusion, the Board did not give particular weight to any single factor identified above. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the New Agreement.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 Funds are reasonable.

Thomas H. Mack

Thomas H. Mack

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

VS2BAL-3 (8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Blue Chip VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

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DWS
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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.

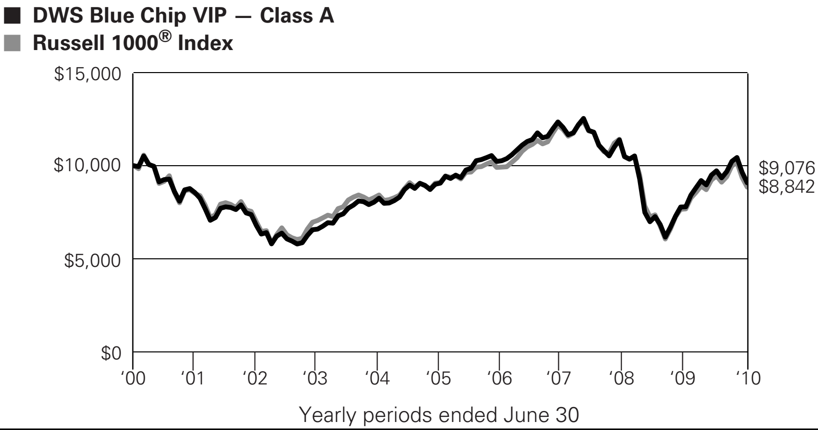
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 0.75% and 1.02% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

Any portfolio that concentrates in a particular segment of the market will generally be more volatile than a fund that invests more broadly. Stocks may decline in value. See the prospectus for details.

Portfolio returns shown during the 3-year, 5-year and 10-year/Life of Class 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	$9,337	$11,659	$7,529	$10,024	$9,076
	Average annual total return	–6.63%	16.59%	–9.03%	.05%	–.97%
Russell 1000 Index	Growth of $10,000	$9,360	$11,524	$7,403	$9,725	$8,842
	Average annual total return	–6.40%	15.24%	–9.54%	–.56%	–1.22%

DWS Blue Chip VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$9,335	$11,635	$7,485	$9,894	$13,307
	Average annual total return	–6.65%	16.35%	–9.20%	–.21%	3.64%
Russell 1000 Index	Growth of $10,000	$9,360	$11,524	$7,403	$9,725	$12,660
	Average annual total return	–6.40%	15.24%	–9.54%	–.56%	2.99%

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. 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$ 933.70	$ 933.50
Expenses Paid per $1,000*	$ 3.69	$ 4.07
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,020.98	$1,020.58
Expenses Paid per $1,000*	$ 3.86	$ 4.26

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Blue Chip VIP	.77%	.85%

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.

Portfolio Summary

DWS Blue Chip VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	99%	99%
Cash Equivalents*	1%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/10**	**12/31/09**
Information Technology	19%	19%
Financials	16%	11%
Health Care	15%	14%
Industrials	11%	13%
Energy	10%	9%
Consumer Staples	10%	11%
Consumer Discretionary	9%	12%
Materials	5%	5%
Telecommunication Services	3%	4%
Utilities	2%	2%
	100%	100%

* *In order to keep cash on hand to meet shareholder redemptions or other needs while maintaining exposure to the market, the Portfolio invests in futures contracts.*

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Blue Chip VIP

	Shares	Value ($)
Common Stocks 99.5%		
Consumer Discretionary 8.7%		
Auto Components 0.1%		
Cooper Tire & Rubber Co.	5,200	**101,400**
Diversified Consumer Services 0.2%		
DeVry, Inc.	2,800	**146,972**
Hotels Restaurants & Leisure 1.1%		
Starbucks Corp.	45,800	**1,112,940**
Household Durables 1.4%		
Garmin Ltd. (a)	14,100	411,438
Leggett & Platt, Inc.	8,400	168,504
Whirlpool Corp.	9,000	790,380
		1,370,322
Internet & Catalog Retail 0.3%		
Liberty Media Corp. — Interactive "A"*	31,000	**325,500**
Media 2.1%		
Comcast Corp. "A" (a)	56,800	986,616
Focus Media Holding Ltd. (ADR)*	4,600	71,438
Liberty Media-Starz "A"*	600	31,104
Time Warner, Inc.	28,433	821,998
Washington Post Co. "B"	200	82,096
		1,993,252
Multiline Retail 0.9%		
Dillard's, Inc. "A" (a)	15,000	322,500
Macy's, Inc.	23,500	420,650
Sears Holdings Corp.* (a)	1,900	122,835
		865,985
Specialty Retail 2.5%		
Aaron's, Inc.	2,900	49,503
Advance Auto Parts, Inc.	7,100	356,278
AnnTaylor Stores Corp.*	6,700	109,009
Barnes & Noble, Inc. (a)	12,200	157,380
Limited Brands, Inc.	16,300	359,741
Lowe's Companies, Inc.	12,500	255,250
OfficeMax, Inc.*	8,300	108,398
Rent-A-Center, Inc.*	4,600	93,196
Ross Stores, Inc.	9,000	479,610
Signet Jewelers Ltd.*	1,300	35,750
TJX Companies, Inc.	8,300	348,185
Ulta Salon, Cosmetics & Fragrance, Inc.*	1,500	35,490
		2,387,790
Textiles, Apparel & Luxury Goods 0.1%		
Wolverine World Wide, Inc.	2,700	**68,094**
Consumer Staples 9.6%		
Beverages 0.6%		
Dr. Pepper Snapple Group, Inc.	8,600	321,554
Fomento Economico Mexicano SAB de CV (ADR)	5,000	215,750
		537,304
Food & Staples Retailing 2.0%		
Kroger Co.	14,100	277,629
Wal-Mart Stores, Inc.	27,800	1,336,346
Whole Foods Market, Inc.*	9,000	324,180
		1,938,155

	Shares	Value ($)
Food Products 4.2%		
Archer-Daniels-Midland Co.	22,100	570,622
Campbell Soup Co. (a)	12,300	440,709
Corn Products International, Inc.	4,300	130,290
Del Monte Foods Co.	18,300	263,337
Fresh Del Monte Produce, Inc.*	7,100	143,704
Hormel Foods Corp.	3,100	125,488
Sanderson Farms, Inc.	1,900	96,406
Smithfield Foods, Inc.* (a)	6,400	95,360
The Hershey Co.	16,700	800,431
Tyson Foods, Inc. "A"	80,200	1,314,478
Unilever PLC (ADR)	2,900	77,517
		4,058,342
Household Products 1.7%		
Colgate-Palmolive Co.	10,200	803,352
Kimberly-Clark Corp.	4,000	242,520
Procter & Gamble Co. (a)	9,900	593,802
		1,639,674
Personal Products 0.6%		
Herbalife Ltd.	9,500	437,475
Medifast, Inc.*	3,900	101,049
		538,524
Tobacco 0.5%		
Lorillard, Inc.	6,500	467,870
Reynolds American, Inc.	1,300	67,756
		535,626
Energy 10.5%		
Energy Equipment & Services 2.8%		
Complete Production Services, Inc.*	8,600	122,980
National-Oilwell Varco, Inc.	3,200	105,824
Noble Corp.*	14,300	442,013
Oil States International, Inc.*	14,900	589,742
Patterson-UTI Energy, Inc.	19,900	256,113
Rowan Companies, Inc.*	14,200	311,548
Transocean Ltd.*	17,900	829,307
		2,657,527
Oil, Gas & Consumable Fuels 7.7%		
Anadarko Petroleum Corp.	4,200	151,578
Chevron Corp.	42,200	2,863,692
Cimarex Energy Co. (a)	15,200	1,088,016
ConocoPhillips	37,400	1,835,966
Marathon Oil Corp.	18,800	584,492
Murphy Oil Corp.	19,400	961,270
		7,485,014
Financials 16.3%		
Capital Markets 0.7%		
Morgan Stanley	22,400	519,904
The Goldman Sachs Group, Inc.	1,400	183,778
		703,682
Commercial Banks 3.1%		
Barclays PLC (ADR)	3,200	50,848
CIT Group, Inc.*	9,100	308,126
Comerica, Inc.	4,200	154,686
Fifth Third Bancorp.	68,300	839,407
Huntington Bancshares, Inc.	64,500	357,330
M&T Bank Corp.	1,700	144,415
Marshall & Ilsley Corp.	18,400	132,112

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

	Shares	Value ($)
PNC Financial Services Group, Inc.	10,300	581,950
SunTrust Banks, Inc.	4,000	93,200
Webster Financial Corp.	4,200	75,348
Wells Fargo & Co.	9,200	235,520
		2,972,942
Consumer Finance 2.0%		
AmeriCredit Corp.* (a)	6,800	123,896
Capital One Financial Corp. (a)	29,200	1,176,760
Discover Financial Services	47,900	669,642
		1,970,298
Diversified Financial Services 4.1%		
Bank of America Corp.	105,500	1,516,035
Citigroup, Inc.* (a)	155,700	585,432
JPMorgan Chase & Co.	48,200	1,764,602
PHH Corp.*	6,500	123,760
		3,989,829
Insurance 6.1%		
ACE Ltd.	23,500	1,209,780
Allied World Assurance Co. Holdings Ltd.	5,600	254,128
Arch Capital Group Ltd.*	3,400	253,300
Aspen Insurance Holdings Ltd.	2,300	56,902
Assurant, Inc.	8,300	288,010
Axis Capital Holdings Ltd.	2,500	74,300
Berkshire Hathaway, Inc. "A"*	2	240,000
Berkshire Hathaway, Inc. "B"* (a)	14,440	1,150,723
Chubb Corp.	10,500	525,105
Old Republic International Corp. (a)	16,700	202,571
Platinum Underwriters Holdings Ltd.	2,900	105,241
RenaissanceRe Holdings Ltd.	1,900	106,913
The Travelers Companies, Inc.	27,600	1,359,300
XL Capital PLC	5,500	88,055
		5,914,328
Real Estate Management & Development 0.1%		
Brookfield Asset Management, Inc. "A"	2,600	**58,812**
Thrifts & Mortgage Finance 0.2%		
Radian Group, Inc. (a)	19,700	**142,628**
Health Care 15.1%		
Biotechnology 0.4%		
Amgen, Inc.*	6,500	341,900
Cephalon, Inc.*	800	45,400
		387,300
Health Care Equipment & Supplies 0.1%		
Hospira, Inc.*	1,000	**57,450**
Health Care Providers & Services 8.8%		
Aetna, Inc.	31,600	833,608
Amedisys, Inc.* (a)	4,300	189,071
AmerisourceBergen Corp.	37,200	1,181,100
Cardinal Health, Inc.	39,700	1,334,317
Coventry Health Care, Inc.*	34,000	601,120
Health Net, Inc.*	7,200	175,464
Humana, Inc.*	22,700	1,036,709
McKesson Corp.	12,400	832,784
UnitedHealth Group, Inc.	55,600	1,579,040
WellPoint, Inc.*	16,200	792,666
		8,555,879
Life Sciences Tools & Services 0.3%		
Life Technologies Corp.*	5,800	**274,050**
Pharmaceuticals 5.5%		
Allergan, Inc.	3,800	221,388
Eli Lilly & Co. (a)	20,500	686,750
Endo Pharmaceuticals Holdings, Inc.*	9,100	198,562
Forest Laboratories, Inc.*	32,800	899,704
Impax Laboratories, Inc.*	5,100	97,206
Johnson & Johnson	39,300	2,321,058
Medicis Pharmaceutical Corp. "A"	2,600	56,888
Novartis AG (ADR)	5,000	241,600
Par Pharmaceutical Companies, Inc.*	4,600	119,416
Perrigo Co.	8,000	472,560
		5,315,132
Industrials 10.5%		
Aerospace & Defense 3.1%		
Honeywell International, Inc.	8,600	335,658
ITT Corp.	2,700	121,284
L-3 Communications Holdings, Inc.	3,600	255,024
Northrop Grumman Corp.	21,600	1,175,904
Raytheon Co.	23,100	1,117,809
		3,005,679
Air Freight & Logistics 1.3%		
Atlas Air Worldwide Holdings, Inc.*	700	33,250
United Parcel Service, Inc. "B"	21,100	1,200,379
		1,233,629
Airlines 0.4%		
Alaska Air Group, Inc.*	5,800	260,710
Southwest Airlines Co.	8,800	97,768
		358,478
Building Products 0.2%		
Owens Corning, Inc.*	4,900	**146,559**
Commercial Services & Supplies 0.5%		
Cintas	3,200	76,704
R.R. Donnelley & Sons Co.	26,000	425,620
		502,324
Construction & Engineering 0.6%		
EMCOR Group, Inc.*	11,800	273,406
Shaw Group, Inc.*	7,400	253,228
		526,634
Electrical Equipment 0.1%		
Rockwell Automation, Inc.	2,800	**137,452**
Industrial Conglomerates 2.0%		
3M Co.	21,400	1,690,386
Tyco International Ltd.	8,000	281,840
		1,972,226
Machinery 1.2%		
Cummins, Inc.	2,500	162,825
Ingersoll-Rand PLC	3,500	120,715
Oshkosh Corp.*	16,900	526,604
Parker Hannifin Corp.	4,100	227,386
Trinity Industries, Inc. (a)	7,800	138,216
		1,175,746
Professional Services 0.3%		
Manpower, Inc.	7,200	**310,896**
Road & Rail 0.8%		
Ryder System, Inc.	20,200	**812,646**
Information Technology 18.9%		
Communications Equipment 0.5%		
Arris Group, Inc.*	5,700	58,083
Cisco Systems, Inc.*	7,800	166,218
Harris Corp.	2,500	104,125
Tellabs, Inc.	17,100	109,269
		437,695

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

	Shares	Value ($)
Computers & Peripherals 4.6%		
Apple, Inc.*	6,200	1,559,486
Dell, Inc.*	68,900	830,934
Lexmark International, Inc. "A"*	11,600	383,148
SanDisk Corp.*	6,000	252,420
Seagate Technology* (a)	23,500	306,440
Western Digital Corp.*	36,800	1,109,888
		4,442,316
Electronic Equipment, Instruments & Components 4.5%		
Anixter International, Inc.*	2,400	102,240
Arrow Electronics, Inc.*	23,800	531,930
Avnet, Inc.*	29,200	704,012
Corning, Inc.	29,100	469,965
Flextronics International Ltd.*	83,500	467,600
Ingram Micro, Inc. "A"*	25,900	393,421
Jabil Circuit, Inc.	48,500	645,050
Tech Data Corp.*	12,100	431,002
Tyco Electronics Ltd.	17,600	446,688
Vishay Intertechnology, Inc.*	17,300	133,902
		4,325,810
Internet Software & Services 2.1%		
AOL, Inc.*	9,100	189,189
Baidu, Inc. (ADR)*	6,300	428,904
Google, Inc. "A"*	2,700	1,201,365
IAC/InterActiveCorp.*	11,400	250,458
		2,069,916
IT Services 3.9%		
Computer Sciences Corp.	29,500	1,334,875
International Business Machines Corp.	19,300	2,383,164
		3,718,039
Semiconductors & Semiconductor Equipment 0.8%		
Intel Corp.	13,700	266,465
Micron Technology, Inc.*	29,900	253,851
Texas Instruments, Inc.	9,000	209,520
TriQuint Semiconductor, Inc.*	12,700	77,597
		807,433
Software 2.5%		
Activision Blizzard, Inc.	7,400	77,626
Check Point Software Technologies Ltd.*	3,000	88,440
Microsoft Corp.	99,100	2,280,291
		2,446,357
Materials 4.6%		
Chemicals 2.7%		
Ashland, Inc.	15,700	728,794
CF Industries Holdings, Inc.	6,700	425,115
Cytec Industries, Inc.	6,700	267,933
Huntsman Corp.	16,600	143,922
Lubrizol Corp.	12,200	979,782
W.R. Grace & Co.*	2,700	56,808
		2,602,354
Metals & Mining 0.9%		
Eldorado Gold Corp.	13,100	235,276
Freeport-McMoRan Copper & Gold, Inc.	5,400	319,302

	Shares	Value ($)
IAMGOLD Corp.	9,000	159,120
Walter Energy, Inc.	2,900	176,465
		890,163
Paper & Forest Products 1.0%		
International Paper Co.	36,300	821,469
MeadWestvaco Corp.	7,000	155,400
		976,869
Telecommunication Services 3.1%		
Diversified Telecommunication Services 3.1%		
AT&T, Inc.	65,400	1,582,026
Verizon Communications, Inc.	48,500	1,358,970
		2,940,996
Wireless Telecommunication Services 0.0%		
MetroPCS Communications, Inc.*	5,000	**40,950**
Utilities 2.2%		
Electric Utilities 0.8%		
Edison International	13,400	425,048
Exelon Corp.	1,700	64,549
Korea Electric Power Corp. (ADR)*	7,800	100,464
Progress Energy, Inc.	6,200	243,164
		833,225
Independent Power Producers & Energy Traders 0.9%		
Constellation Energy Group, Inc.	12,400	399,900
NRG Energy, Inc.*	21,008	445,580
		845,480
Multi-Utilities 0.5%		
Ameren Corp.	3,900	92,703
DTE Energy Co.	6,200	282,782
NiSource, Inc.	8,800	127,600
		503,085
Total Common Stocks (Cost $94,245,326)		**96,167,708**

	Principal Amount ($)	Value ($)
Government & Agency Obligation 0.1%		
US Treasury Obligation		
US Treasury Bill, 0.22%**, 9/16/2010 (b) (Cost $72,966)	73,000	**72,976**

	Shares	Value ($)
Securities Lending Collateral 7.4%		
Daily Assets Fund Institutional, 0.27% (c) (d) (Cost $7,189,000)	7,189,000	**7,189,000**
Cash Equivalents 0.5%		
Central Cash Management Fund, 0.21% (c) (Cost $443,568)	443,568	**443,568**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $101,950,860)†	107.5	**103,873,252**
Other Assets and Liabilities, Net	(7.5)	**(7,235,768)**
Net Assets	100.0	**96,637,484**

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

* Non-income producing security.

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

† The cost for federal income tax purposes was $103,358,275. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $514,977. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $7,974,663 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $7,459,686.

(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, 2010 amounted to $6,919,447, which is 7.2% of net assets.

(b) At June 30, 2010, 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.

ADR: American Depositary Receipt

At June 30, 2010, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Depreciation ($)
S&P 500 E-Mini Index	USD	9/17/2010	7	359,310	**(23,906)**

Currency Abbreviation	
USD	United States Dollar

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks (e)	$ 96,167,708	$ —	$ —	$ 96,167,708
Short-Term Investments (e)	7,632,568	72,976	—	7,705,544
Total	**$ 103,800,276**	**$ 72,976**	**$ —**	**$ 103,873,252**
Liabilities				
Derivatives (f)	$ (23,906)	$ —	$ —	$ (23,906)
Total	**$ (23,906)**	**$ —**	**$ —**	**$ (23,906)**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(e) See Investment Portfolio for additional detailed categorizations.

(f) Derivatives include unrealized appreciation (depreciation) on open futures contracts.

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $94,318,292) — including $6,919,447 of securities loaned	$	96,240,684
Investment in Daily Assets Fund Institutional (cost $7,189,000)*		7,189,000
Investment in Central Cash Management Fund (cost $443,568)		443,568
Total investments, at value (cost $101,950,860)		103,873,252
Foreign currency, at value (cost $2,166)		2,086
Receivable for Portfolio shares sold		69,180
Dividends receivable		52,310
Interest receivable		5,255
Other assets		687
Total assets		104,002,770
Liabilities		
Payable upon return of securities loaned		7,189,000
Payable for Portfolio shares redeemed		62,221
Payable for daily variation margin on open futures contracts		5,214
Accrued management fee		43,329
Other accrued expenses and payables		65,522
Total liabilities		7,365,286
Net assets, at value	**$**	**96,637,484**
Net Assets Consist of		
Undistributed net investment income		596,389
Net unrealized appreciation (depreciation) on:		
Investments		1,922,392
Futures		(23,906)
Foreign currency		(99)
Accumulated net realized gain (loss)		(55,438,091)
Paid-in capital		149,580,799
Net assets, at value	**$**	**96,637,484**
Class A **Net Asset Value,** offering and redemption price per share ($96,490,890 ÷ 11,034,422 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.74**
Class B **Net Asset Value,** offering and redemption price per share ($146,594 ÷ 16,672 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.79**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $80)	$	1,043,364
Interest		185
Income distributions — Central Cash Management Fund		951
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		53,767
Total Income		1,098,267
Expenses:		
Management fee		297,080
Administration fee		54,015
Custodian fee		8,680
Distribution service fee (Class B)		44
Services to shareholders		1,473
Legal fees		4,533
Audit and tax fees		24,073
Trustees' fees and expenses		3,874
Reports to shareholders		17,701
Other		6,052
Total expenses		417,525
Net investment income (loss)		**680,742**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		5,883,142
Futures		14,726
		5,897,868
Change in net unrealized appreciation (depreciation) on:		
Investments		(13,188,192)
Futures		(31,419)
Foreign currency		(56)
		(13,219,667)
Net gain (loss)		**(7,321,799)**
Net increase (decrease) in net assets resulting from operations	**$**	**(6,641,057)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ 680,742	$ 1,559,434
Net realized gain (loss)	5,897,868	(19,218,958)
Change in net unrealized appreciation (depreciation)	(13,219,667)	46,824,414
Net increase (decrease) in net assets resulting from operations	(6,641,057)	29,164,890
Distributions to shareholders from:		
Net investment income:		
Class A	(1,575,913)	(2,044,479)
Class B	(1,920)	(2,260)
Total distributions	(1,577,833)	(2,046,739)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,149,119	5,027,733
Reinvestment of distributions	1,575,913	2,044,479
Cost of shares redeemed	(9,905,680)	(29,505,512)
Net increase (decrease) in net assets from Class A share transactions	(6,180,648)	(22,433,300)
Class B		
Proceeds from shares sold	987	267
Reinvestment of distributions	1,920	2,260
Cost of shares redeemed	(8,353)	(12,442)
Net increase (decrease) in net assets from Class B share transactions	(5,446)	(9,915)
Increase (decrease) in net assets	(14,404,984)	4,674,936
Net assets at beginning of period	111,042,468	106,367,532
Net assets at end of period (including undistributed net investment income of $596,389 and $1,493,480, respectively)	**$ 96,637,484**	**$ 111,042,468**

Other Information		
Class A		
Shares outstanding at beginning of period	11,688,302	14,644,836
Shares sold	224,711	630,574
Shares issued to shareholders in reinvestment of distributions	153,448	313,090
Shares redeemed	(1,032,039)	(3,900,198)
Net increase (decrease) in Class A shares	(653,880)	(2,956,534)
Shares outstanding at end of period	**11,034,422**	**11,688,302**
Class B		
Shares outstanding at beginning of period	17,241	18,379
Shares sold	105	34
Shares issued to shareholders in reinvestment of distributions	186	344
Shares redeemed	(860)	(1,516)
Net increase (decrease) in Class B shares	(569)	(1,138)
Shares outstanding at end of period	**16,672**	**17,241**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 9.49**	**$ 7.25**	**$14.65**	**$16.17**	**$14.88**	**$13.65**
Income (loss) from investment operations:						
Net investment income[b]	.06	.12	.12	.17	.17[d]	.14
Net realized and unrealized gain (loss)	(.67)	2.27	(4.97)	.36	2.07	1.22
Total from investment operations	(.61)	2.39	(4.85)	.53	2.24	1.36
Less distributions from:						
Net investment income	(.14)	(.15)	(.21)	(.18)	(.14)	(.13)
Net realized gains	—	—	(2.34)	(1.87)	(.81)	—
Total distributions	(.14)	(.15)	(2.55)	(2.05)	(.95)	(.13)
Net asset value, end of period	**$ 8.74**	**$ 9.49**	**$ 7.25**	**$14.65**	**$16.17**	**$14.88**
Total Return (%)	(6.63)**	33.97	(38.49)[c]	3.50	15.65[d]	10.06
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	96	111	106	242	314	294
Ratio of expenses before expense reductions (%)	.77*	.75	.76	.71	.71	.70
Ratio of expenses after expense reductions (%)	.77*	.75	.76	.71	.71	.70
Ratio of net investment income (%)	1.26*	1.54	1.12	1.13	1.12[d]	1.00
Portfolio turnover rate (%)	70**	82	127	275	226	288

a *For the six months ended June 30, 2010 (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,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 9.51**	**$ 7.26**	**$14.61**	**$16.12**	**$14.83**	**$13.60**
Income (loss) from investment operations:						
Net investment income[b]	.06	.10	.04	.11	.11[d]	.09
Net realized and unrealized gain (loss)	(.67)	2.27	(4.89)	.36	2.07	1.22
Total from investment operations	(.61)	2.37	(4.85)	.47	2.18	1.31
Less distributions from:						
Net investment income	(.11)	(.12)	(.16)	(.11)	(.08)	(.08)
Net realized gains	—	—	(2.34)	(1.87)	(.81)	—
Total distributions	(.11)	(.12)	(2.50)	(1.98)	(.89)	(.08)
Net asset value, end of period	**$ 8.79**	**$ 9.51**	**$ 7.26**	**$14.61**	**$16.12**	**$14.83**
Total Return (%)	(6.65)**	33.46	(38.48)[c]	3.15	15.19[d]	9.68
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.15	.16	.13	11	46	44
Ratio of expenses before expense reductions (%)	.85*	1.02	1.22	1.09	1.09	1.09
Ratio of expenses after expense reductions (%)	.85*	1.02	1.21	1.09	1.09	1.09
Ratio of net investment income (%)	1.19*	1.27	.67	.75	.74[d]	.61
Portfolio turnover rate (%)	70**	82	127	275	226	288

a *For the six months ended June 30, 2010 (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*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

Multiple Classes of Shares of Beneficial Interest. Certain portfolios of the Trust offer 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 Rule 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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

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 they trade and are classified as Level 1 securities. 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.

Futures contracts are generally valued at the settlement prices established each day on the exchange on which they are traded and are classified as Level 1.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

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.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Derivatives. Authoritative accounting guidance requires that disclosures about the Portfolio's derivative and hedging activities and derivatives accounted for as hedging instruments must be disclosed separately from derivatives that do not qualify for hedge accounting. Because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings, the Portfolio's derivatives are not accounted for as hedging instruments. As such, even though the Portfolio may use derivatives in an attempt to achieve an economic hedge, the Portfolio's derivatives are not considered to be hedging instruments. The disclosure below is presented in accordance with authoritative accounting guidance.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The Portfolio enters into futures contracts to keep cash on hand to meet shareholder redemptions or other needs while maintaining exposure to the market.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary cash or securities ("initial margin") in an amount 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 and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. Gains or losses are realized when the contract expires or is closed. Since all futures contracts are exchange-traded, counterparty risk is minimized as the exchange's clearinghouse acts as the counterparty, and guarantees the futures against default.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid 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 underlying hedged security, index or currency. Risk of loss may exceed amounts recognized on the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in futures contracts with a total notional value generally indicative of a range from approximately $359,000 to $1,806,000.

The following table summarizes the value of the Portfolio's derivative instruments held as of June 30, 2010 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Liability Derivative	Futures Contracts
Equity Contracts (a)	$ (23,906)

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Net unrealized appreciation (depreciation) on futures. Liability of payable for daily variation margin on open futures contracts reflects unsettled variation margin.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the six months ended June 30, 2010 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)		**Futures Contracts**
Equity Contracts (a)	$	14,726

The above derivative is located in the following Statement of Operations account:
(a) *Net realized gain (loss) from futures*

Change in Net Unrealized Appreciation (Depreciation)		**Futures Contracts**
Equity Contracts (a)	$	(31,419)

The above derivative is located in the following Statement of Operations account:
(a) *Change in net unrealized appreciation (depreciation) on futures*

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 income to its shareholders.

At December 31, 2009, the Portfolio 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 Blue Chip VIP	26,687,000	12/31/2016
	32,913,000	12/31/2017

In addition, from November 1, 2009 through December 31, 2009, the Portfolio incurred 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, 2010.

Portfolio		
DWS Blue Chip VIP	$	332,000

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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. 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, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Blue Chip VIP	74,006,356	80,412,895

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
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%

Effective August 1, 2010, QS Investors, LLC ("QS Investors") acts as investment sub-advisor to the Portfolio. On August 1, 2010, members of the Advisor's Quantitative Strategies Group ("QS Group"), including members of the portfolio management teams of the Portfolio, separated from the Advisor and formed QS Investors as a separate investment advisory firm unaffiliated with the Advisor (the "Separation"). In order for the Portfolio to continue to access the investment expertise offered by members of the QS Group following the Separation, the Advisor recommended that the Portfolio's Board approve a sub-advisory agreement between the Advisor and QS Investors (the "Sub-Advisory Agreement"). On May 4, 2010, following a review of QS Investors' capabilities and the terms of the Separation and the Sub-Advisory Agreement, the Portfolio's Board approved the Sub-Advisory Agreement. This action was taken pursuant to an order the Portfolio and the Advisor requested and received from the Securities and Exchange Commission that permits the Advisor, with the approval of the Portfolio's Board, to appoint sub-advisors that are not affiliated with the Advisor to manage all or a portion of a Portfolio's assets without the need for a shareholder meeting or vote. As an investment sub-advisor to the Portfolio, QS Investors makes investment decisions and buys and sells securities for the Portfolio.

Accordingly, for the six months ended June 30, 2010, the total management fee and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Annualized Effective Rate
DWS Blue Chip VIP	297,080	.55%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Blue Chip VIP	54,015	8,464

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Blue Chip VIP Class A	161	112
DWS Blue Chip VIP Class B	16	11

Distribution Service Agreement. Under the Portfolio's Class B 12b-1 plans, DWS Investments Distributors, Inc. ("DIDI") received a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the six months ended June 30, 2010, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Blue Chip VIP	44	33

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Blue Chip VIP	6,308	50

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

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 53% and 39%. 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%.

E. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

F. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Portfolio Management Team Update

The current portfolio management team is as follows:

QS Investors, LLC, Subadvisor to the Portfolio (effective August 1, 2010)

Robert Wang
Head of Portfolio Management and Trading

Russell Shtern
Head of Equity Portfolio Management and Trading

New Sub-Advisory Agreement Approval

The Board of Trustees, including the Independent Trustees, unanimously approved the New Sub-Advisory Agreement (the "New Agreement") between Deutsche Investment Management Americas Inc. ("DWS") and QS Investors, LLC ("QS Investors") in May 2010.

In terms of the process that the Board followed prior to approving the New Agreement, shareholders should know that:

- In May 2010, all but one of the Fund's Trustees were independent of DWS and its affiliates.
- The Board engaged in a comprehensive review of the operational, financial and investment capabilities of QS Investors and the terms of the proposed Separation. As part of this review, the Board also reviewed and considered the terms of the New Agreement.
- To facilitate its review, the Board created several ad hoc subcommittees, each focused on different aspects of the Board's consideration of the Separation, and each comprised solely of Independent Trustees.
- The Board and its subcommittees conducted numerous meetings between January 2010 and May 2010 to review and discuss the Separation, including the New Agreement, and were assisted in this review by their independent legal counsel and fund counsel.
- In the course of its review, the Board requested and received substantial additional information.
- As part of its review process, the Board and its subcommittees met with various representatives of DWS and QS Investors, including key investment personnel and other members of senior management.
- The Board requested and evaluated all information that it deemed reasonably necessary to evaluate the New Agreement.

In connection with the approval of the New Agreement, the Board considered the factors described below, among others.

Continuity of Investment Management Services. In reviewing the New Agreement, the Board considered that it had renewed the investment management agreement between DWS and the Fund as part of the annual contract renewal process (the "Annual Review") in September 2009, at which time it had determined that such renewal was in the best interests of the Fund, given the nature, quality and extent of services provided by DWS (among other considerations). In considering the New Agreement, the Board noted that in light of the transition of the group within DWS responsible for day-to-day portfolio management of the Fund to a separate, unaffiliated firm (i.e., QS Investors), it was necessary to approve a sub-advisory agreement between DWS and QS Investors to secure continued access to these same personnel and services. The Board also considered that, despite the change in corporate identity of the portfolio management services provider and the fact that it would no longer be affiliated with DWS, the nature, quality and extent of services provided to the Fund are not expected to change under the New Agreement.

Fees and Expenses. The Board noted that it had concluded during the Annual Review that the overall investment management fees paid by the Fund are reasonable and appropriate in light of the nature, quality and extent of services provided. The Board considered that, under the New Agreement, QS Investors' sub-advisory fee would be paid by DWS out of its management fee and not directly by the Fund, and therefore there would be no change in the Fund's overall investment management fees under the New Agreement.

Profitability. The Board noted that it had considered the profitability of DWS during the Annual Review. The Board did not consider the profitability of QS Investors to be a material factor. In particular, the Board noted that QS Investors has not yet commenced operations, and that any projections of profitability are likely to be of limited value. The Board also noted that DWS would pay QS Investors' sub-advisory fee out of its management fee, and further noted that the sub-advisory fee arrangement with respect to the Fund was the product of an arm's length negotiation.

Other Benefits to QS Investors. The Board noted that it had considered fallout benefits to DWS during the Annual Review in its determination that management fees paid were reasonable. The Board also considered the character and amount of incidental benefits expected to be realized by QS Investors in light of the New

Agreement, including the incidental public relations benefits to QS Investors related to DWS US mutual funds advertising and cross-selling opportunities among DWS products and services. The Board noted that QS Investors did not propose to implement a "soft dollar" program. The Board reaffirmed its determination from the Annual Review process that management fees paid were reasonable in light of fallout benefits to its investment advisory service providers.

Compliance. The Board considered QS Investors' proposed compliance program and resources. The Board also considered that DWS would oversee QS Investors' compliance program and its compliance with applicable Fund policies and procedures, and considered the attention and resources DWS would dedicate to that oversight. The Board also noted that it had considered DWS's compliance monitoring capabilities in connection with the Annual Review, at which time it had noted (i) the experience and seniority of both DWS's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the terms of the New Agreement are fair and reasonable and that the approval of the New Agreement is in the best interests of the Fund. In reaching this conclusion, the Board did not give particular weight to any single factor identified above. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the New Agreement.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 Funds are reasonable.

Thomas H. Mack

Thomas H. Mack

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.

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VS2BC-3 (8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Core Fixed Income VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

NOT FDIC/NCUA INSURED NO BANK GUARANTEE MAY LOSE VALUE NOT A DEPOSIT
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DWS INVESTMENTS
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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.

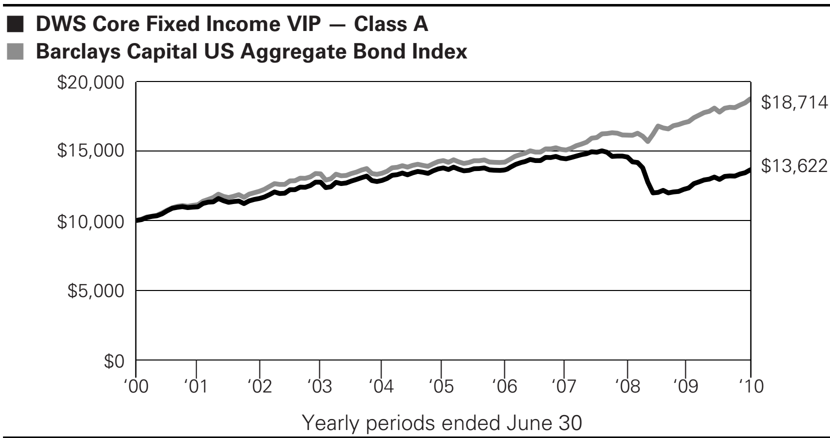
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 is 0.59% for Class A shares, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

Bond investments are subject to interest-rate and credit risks. When interest rates rise, bond prices generally fall. Credit risk refers to the ability of an issuer to make timely payments of principal and interest. In the current market environment, mortgage backed securities are experiencing increased volatility. See the prospectus for details.

Portfolio returns shown during each 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 Core Fixed Income VIP



The Barclays Capital US Aggregate Bond 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	$10,530	$11,046	$9,446	$9,896	$13,622
	Average annual total return	5.30%	10.46%	–1.88%	–.21%	3.14%
Barclays Capital US Aggregate Bond Index	Growth of $10,000	$10,533	$10,950	$12,439	$13,094	$18,714
	Average annual total return	5.33%	9.50%	7.55%	5.54%	6.47%

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 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, 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, 2010 to June 30, 2010).

- **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, 2010

Actual Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,053.00
Expenses Paid per $1,000*	$ 3.82

Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,021.08
Expenses Paid per $1,000*	$ 3.76

* *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 six-month period, then divided by 365.*

Annualized Expense Ratio	**Class A**
DWS Variable Series II — DWS Core Fixed Income VIP	.75%

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.

Portfolio Summary

DWS Core Fixed Income VIP

Asset Allocation (As a % of Net Assets)	**6/30/10**	**12/31/09**
Government & Agency Obligations	28%	19%
Mortgage-Backed Securities Pass-Throughs	23%	39%
Corporate Bonds	20%	22%
Cash Equivalents and Other Assets and Liabilities, net	15%	5%
Municipal Bonds and Notes	6%	6%
Commercial Mortgage-Backed Securities	5%	4%
Collateralized Mortgage Obligations	2%	4%
Asset-Backed	1%	1%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**6/30/10**	**12/31/09**
US Government and Agencies	47%	50%
AAA*	24%	23%
AA	5%	5%
A	9%	10%
BBB	14%	11%
Not Rated	1%	1%
	100%	100%

* *Includes cash equivalents.*

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/10**	**12/31/09**
Under 1 year	4%	5%
1–4.99 years	53%	40%
5–9.99 years	28%	47%
10–14.99 years	2%	2%
15 years or greater	13%	6%
	100%	100%

Asset allocation, quality and effective maturity are subject to change.

Effective maturity is the weighted average of the bonds held by the Portfolio taking into consideration any maturity shortening features.

Weighted average effective maturity: 6.0 years and 6.8 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. Credit quality ratings are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Core Fixed Income VIP

	Principal Amount ($)	Value ($)
Corporate Bonds 19.9%		
Consumer Discretionary 2.0%		
CBS Corp., 7.875%, 7/30/2030	250,000	289,453
Comcast Cable Holdings LLC, 10.125%, 4/15/2022	180,000	253,760
DirecTV Holdings LLC, 6.35%, 3/15/2040	312,000	334,096
Discovery Communications LLC, 5.05%, 6/1/2020	500,000	519,734
Time Warner Cable, Inc., 6.75%, 7/1/2018	47,000	53,950
Time Warner, Inc.:		
6.2%, 3/15/2040	250,000	263,691
7.625%, 4/15/2031	250,000	300,744
		2,015,428
Consumer Staples 1.8%		
Anheuser-Busch InBev Worldwide, Inc., 144A, 7.75%, 1/15/2019	400,000	485,505
CVS Caremark Corp., 6.125%, 9/15/2039	425,000	454,298
Kraft Foods, Inc., 5.375%, 2/10/2020	825,000	884,029
		1,823,832
Energy 2.5%		
DCP Midstream LLC, 144A, 9.75%, 3/15/2019	330,000	424,422
Enterprise Products Operating LLC, 4.6%, 8/1/2012	500,000	522,938
Kinder Morgan Energy Partners LP, 6.5%, 9/1/2039	300,000	309,153
ONEOK Partners LP, 6.15%, 10/1/2016	321,000	360,712
Plains All American Pipeline LP, 8.75%, 5/1/2019	750,000	895,238
		2,512,463
Financials 9.3%		
American Express Co., 7.0%, 3/19/2018	500,000	576,697
Bank of America Corp.:		
5.65%, 5/1/2018	865,000	886,462
6.5%, 8/1/2016	80,000	86,578
Citigroup, Inc., 8.5%, 5/22/2019	568,000	677,126
Covidien International Finance SA, 4.2%, 6/15/2020	600,000	614,058
Fifth Third Bancorp., 5.45%, 1/15/2017	390,000	399,217
General Electric Capital Corp., 5.625%, 5/1/2018	600,000	637,628
Hartford Financial Services Group, Inc., 5.95%, 10/15/2036	270,000	230,678
Jefferies Group, Inc., 6.875%, 4/15/2021	300,000	300,778
JPMorgan Chase & Co., 5.125%, 9/15/2014	1,000,000	1,067,130
KeyBank NA, 5.7%, 11/1/2017	300,000	314,727
Lincoln National Corp., 8.75%, 7/1/2019	350,000	428,956
MetLife, Inc., 7.717%, 2/15/2019	395,000	470,137
Morgan Stanley, Series F, 6.0%, 4/28/2015	490,000	512,087
National Rural Utilities Cooperative Finance Corp., 10.375%, 11/1/2018	200,000	277,334
PNC Funding Corp., 5.25%, 11/15/2015	450,000	479,057
Prudential Financial, Inc.:		
Series B, 5.1%, 9/20/2014	130,000	138,253
6.2%, 1/15/2015	90,000	99,048
7.375%, 6/15/2019	50,000	57,898
Telecom Italia Capital SA, 5.25%, 11/15/2013	445,000	459,639
The Goldman Sachs Group, Inc., 6.0%, 6/15/2020	550,000	567,123
		9,280,611
Health Care 1.7%		
Express Scripts, Inc.:		
6.25%, 6/15/2014	205,000	232,104
7.25%, 6/15/2019	405,000	489,554
Medco Health Solutions, Inc., 7.125%, 3/15/2018	500,000	597,334
Quest Diagnostics, Inc., 6.95%, 7/1/2037	300,000	342,714
		1,661,706
Industrials 0.7%		
CSX Corp.:		
6.15%, 5/1/2037	250,000	273,372
6.25%, 3/15/2018	380,000	436,312
		709,684
Materials 1.1%		
ArcelorMittal, 6.125%, 6/1/2018	500,000	522,941
Dow Chemical Co., 8.55%, 5/15/2019	500,000	612,056
		1,134,997
Utilities 0.8%		
DTE Energy Co., 7.625%, 5/15/2014	148,000	172,962
FirstEnergy Solutions Corp., 6.8%, 8/15/2039	292,000	288,905
Sempra Energy, 6.5%, 6/1/2016	290,000	332,774
		794,641
Total Corporate Bonds (Cost $18,449,889)		**19,933,362**
Mortgage-Backed Securities Pass-Throughs 23.3%		
Federal Home Loan Mortgage Corp.:		
4.5%, 9/1/2020	1,210,128	1,285,130
6.0%, with various maturities from 12/1/2034 until 3/1/2038	872,275	952,346
Federal National Mortgage Association:		
4.5%, with various maturities from 8/1/2033 until 9/1/2038 (a)	4,273,677	4,451,401
4.547%*, 8/1/2037	334,265	350,271
5.0%, with various maturities from 8/1/2033 until 2/1/2038	1,671,307	1,772,468
5.079%*, 9/1/2038	295,275	314,206
5.5%, with various maturities from 1/1/2026 until 9/1/2036 (a)	4,394,688	4,732,197
6.0%, with various maturities from 4/1/2024 until 9/1/2035 (a)	4,609,263	5,012,938
6.5%, with various maturities from 3/1/2017 until 4/1/2037	1,209,632	1,329,002
8.0%, 9/1/2015	15,099	16,433

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

	Principal Amount ($)	Value ($)
Government National Mortgage Association:		
4.5%, 4/1/2039 (a)	1,000,000	1,041,641
5.0%, 4/1/2038 (a)	1,000,000	1,065,156
5.5%, 5/1/2036 (a)	1,000,000	1,080,469
Total Mortgage-Backed Securities Pass-Throughs (Cost $22,332,698)		**23,403,658**

Asset-Backed 1.2%

Credit Card Receivables

Citibank Omni Master Trust, "A8", Series 2009-A8, 144A, 2.45%*, 5/16/2016 (Cost $1,215,844)	1,200,000	**1,212,263**

Commercial Mortgage-Backed Securities 5.4%

Banc of America Commercial Mortgage, Inc.:		
"A2", Series 2007-2, 5.634%, 4/10/2049	325,000	335,848
"A4", Series 2007-4, 5.744%*, 2/10/2051	750,000	782,949
Bear Stearns Commercial Mortgage Securities, Inc., "A4", Series 2007-PW18, 5.7%, 6/11/2050	1,923,000	1,944,880
LB-UBS Commercial Mortgage Trust:		
"A3", Series 2006-C7, 5.347%, 11/15/2038	400,000	412,741
"A4", Series 2007-C6, 5.858%, 7/15/2040	1,000,000	992,045
Merrill Lynch Mortgage Trust, "ASB", Series 2007-C1, 6.02%*, 6/12/2050	900,000	950,260
Total Commercial Mortgage-Backed Securities (Cost $4,957,556)		**5,418,723**

Collateralized Mortgage Obligations 1.7%

FDIC Structured Sale Guaranteed Notes, "1A", Series 2010-S1, 144A, 0.896%*, 2/25/2048	825,824	828,865
Federal National Mortgage Association, "QD", Series 2005-29, 5.0%, 8/25/2033	435,000	474,456
MASTR Alternative Loans Trust, "5A1", Series 2005-1, 5.5%, 1/25/2020	347,845	358,085
Total Collateralized Mortgage Obligations (Cost $1,612,231)		**1,661,406**

Government & Agency Obligations 27.9%

US Treasury Obligations

US Treasury Bill, 0.22%**, 9/16/2010 (b)	50,000	49,983
US Treasury Bonds:		
4.75%, 2/15/2037	2,500,000	2,870,313
5.375%, 2/15/2031	3,500,000	4,306,092
US Treasury Notes:		
1.75%, 1/31/2014 (c)	15,000,000	15,241,410
3.625%, 2/15/2020	3,000,000	3,169,686
4.875%, 5/31/2011	2,300,000	2,394,606
Total Government & Agency Obligations (Cost $27,123,426)		**28,032,090**

Municipal Bonds and Notes 5.8%

Florida, State Board of Education, Capital Outlay 2006, Series E, 5.0%, 6/1/2035	500,000	521,355
Glendale, AZ, Municipal Property Corp., Excise Tax Revenue, Series B, 6.157%, 7/1/2033 (d)	420,000	425,229
Illinois, State General Obligation, 4.421%, 1/1/2015 (e)	150,000	150,675
Jicarilla, NM, Sales & Special Tax Revenue, Apache Nation Revenue, 144A, 5.2%, 12/1/2013	790,000	783,632
Miami-Dade County, FL, Educational Facilities Authority Revenue, University of Miami, Series B, 6.1%, 4/1/2015	825,000	887,205
Michigan, Western Michigan University Revenue, 4.41%, 11/15/2014 (d) (e)	755,000	772,335
Nashville & Davidson County, TN, Metropolitan Government, Convention Center Authority Revenue, Build America Bonds, Series A2, 7.431%, 7/1/2043	250,000	282,555
New Jersey, Economic Development Authority Revenue, Series B, 6.5%, 11/1/2014 (d)	585,000	679,940
New Jersey, State Educational Facilities Authority Revenue, NJ City University, Series F, 6.85%, 7/1/2036 (d)	395,000	454,582
Newark, NJ, Pension Obligation, 5.853%, 4/1/2022 (d)	865,000	879,990
Total Municipal Bonds and Notes (Cost $5,558,093)		**5,837,498**

	Shares	Value ($)

Securities Lending Collateral 12.4%

Daily Assets Fund Institutional, 0.27% (f) (g) (Cost $12,487,750)	12,487,750	**12,487,750**

Cash Equivalents 23.5%

Central Cash Management Fund, 0.21% (f) (Cost $23,620,433)	23,620,433	**23,620,433**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $117,357,920)†	121.1	**121,607,183**
Other Assets and Liabilities, Net	(21.1)	**(21,175,943)**
Net Assets	100.0	**100,431,240**

* *These securities are shown at their current rate as of June 30, 2010. Floating rate securities yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate.*

** *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 $117,446,545. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $4,160,638. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $4,272,710 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $112,072.

(a) Delayed delivery security included.

(b) At June 30, 2010, this security has been pledged, in whole or in part, to cover initial margin requirements for futures closed June 30, 2010.

(c) All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2010 amounted to $12,142,323, which is 12.1% of net assets.

(d) Bond is insured by one of these companies:

Insurance Coverage	As a % of Total Investment Portfolio
Ambac Financial Group, Inc.	0.6
Assured Guaranty Corp.	0.9
Assured Guaranty Municipal Corp.	1.1

Many insurers who have traditionally guaranteed payment of municipal issues have been downgraded by the major rating agencies.

(e) Taxable issue.

(f) Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

(g) 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.

FDIC: Federal Deposit Insurance Corp.

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. and Federal National Mortgage Association issues which have similar coupon rates have been aggregated for presentation purposes in the investment portfolio.

At June 30, 2010, open futures contracts sold were as follows:

Securities	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Depreciation ($)
10 Year US Treasury Note	USD	9/21/2010	32	3,921,500	**(63,564)**

Currency Abbreviations	
USD	United States Dollar

For information on the Portfolio's policy and additional disclosures regarding futures contracts, please refer to the Derivatives section of Note A in the accompanying Notes to Financial Statements.

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Fixed Income (h)				
Corporate Bonds	$ —	$ 19,933,362	$ —	$ 19,933,362
Mortgage-Backed Securities Pass-Throughs	—	23,403,658	—	23,403,658
Asset-Backed	—	1,212,263	—	1,212,263
Commercial Mortgage-Backed Securities	—	5,418,723	—	5,418,723
Collateralized Mortgage Obligations	—	1,661,406	—	1,661,406
Government & Agency Obligations	—	27,982,107	—	27,982,107
Municipal Bonds and Notes	—	5,837,498	—	5,837,498
Short-Term Investments (h)	36,108,183	49,983	—	36,158,166
Total	**$ 36,108,183**	**$ 85,499,000**	**$ —**	**$ 121,607,183**
Liabilities				
Derivatives (h)	$ (63,564)	$ —	$ —	$ (63,564)
Total	**$ (63,564)**	**$ —**	**$ —**	**$ (63,564)**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(h) See Investment Portfolio for additional detailed categorizations.

(i) Derivatives include unrealized appreciation (depreciation) on open futures contracts.

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $81,249,737) — including $12,142,323 of securities loaned	$	85,499,000
Investment in Daily Assets Fund Institutional (cost $12,487,750)*		12,487,750
Investment in Central Cash Management Fund (cost $23,620,433)		23,620,433
Total investments, at value (cost $117,357,920)		121,607,183
Cash		10,014
Receivable for investments sold — delayed delivery securities		11,310,118
Receivable for Portfolio shares sold		14,185
Interest receivable		735,200
Other assets		486
Total assets		133,677,186
Liabilities		
Payable upon return of securities loaned		12,487,750
Payable for investments purchased — delayed delivery securities		20,565,966
Payable for daily variation margin on open futures contracts		500
Payable for Portfolio shares redeemed		90,730
Accrued management fee		43,592
Other accrued expenses and payables		57,408
Total liabilities		33,245,946
Net assets, at value	**$**	**100,431,240**
Net Assets Consist of		
Undistributed net investment income		977,319
Net unrealized appreciation (depreciation) on:		
Investments		4,249,263
Futures		(63,564)
Accumulated net realized gain (loss)		(55,620,203)
Paid-in capital		150,888,425
Net assets, at value	**$**	**100,431,240**
Class A		
Net Asset Value, offering and redemption price per share ($100,431,240 ÷ 11,614,885 outstanding shares of beneficial interest, no par value, 24,742,586 shares authorized)	**$**	**8.65**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Interest	$	1,556,708
Income distributions — Central Cash Management Fund		19,048
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		3,370
Total Income		1,579,126
Expenses:		
Management fee		234,097
Administration fee		46,819
Services to shareholders		1,158
Distribution service fee (Class B)		14
Record keeping fees (Class B)		8
Trustees' fees and expenses		3,319
Reports to shareholders		18,095
Custodian fee		6,276
Legal fees		5,524
Audit & tax fees		24,073
Other		13,685
Total expenses before expense reductions		353,068
Expense reductions		(809)
Total expenses after expense reductions		352,259
Net investment income (loss)		**1,226,867**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		3,010,373
Futures		(227,009)
		2,783,364
Change in net unrealized appreciation (depreciation) on:		
Investments		982,908
Futures		(146,535)
		836,373
Net gain (loss)		**3,619,737**
Net increase (decrease) in net assets resulting from operations	**$**	**4,846,604**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ 1,226,867	$ 5,563,396
Net realized gain (loss)	2,783,364	(34,052,154)
Change in net unrealized appreciation (depreciation)	836,373	38,146,016
Net increase (decrease) in net assets resulting from operations	4,846,604	9,657,258
Distributions to shareholders from:		
Net investment income:		
Class A	(5,749,285)	(8,879,629)
Class B	—	(2,500,347)
Total distributions	(5,749,285)	(11,379,976)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	12,600,278	10,272,493
Shares converted*	53,582	—
Reinvestment of distributions	5,749,285	8,879,629
Cost of shares redeemed	(10,719,032)	(33,814,458)
Net increase (decrease) in net assets from Class A share transactions	7,684,113	(14,662,336)
Class B		
Proceeds from shares sold	785	2,365,047
Shares converted*	(53,582)	—
Reinvestment of distributions	—	2,500,347
Cost of shares redeemed	(78)	(36,868,329)
Net increase (decrease) in net assets from Class B share transactions	(52,875)	(32,002,935)
Increase (decrease) in net assets	6,728,557	(48,387,989)
Net assets at beginning of period	93,702,683	142,090,672
Net assets at end of period (including undistributed net investment income of $977,319 and $5,499,737, respectively)	**$ 100,431,240**	**$ 93,702,683**

Other Information		
Class A		
Shares outstanding at beginning of period	10,676,602	12,351,718
Shares sold	1,467,828	1,188,797
Shares converted*	5,994	—
Shares issued to shareholders in reinvestment of distributions	681,204	1,088,190
Shares redeemed	(1,216,743)	(3,952,103)
Net increase (decrease) in Class A shares	938,283	(1,675,116)
Shares outstanding at end of period	**11,614,885**	**10,676,602**
Class B		
Shares outstanding at beginning of period	5,948	3,628,194
Shares sold	89	275,459
Shares converted*	(6,028)	—
Shares issued to shareholders in reinvestment of distributions	(9)	305,666
Shares redeemed	—	(4,203,371)
Net increase (decrease) in Class B shares	(5,948)	(3,622,246)
Shares outstanding at end of period	—	**5,948**

* *On February 5, 2010, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Date						
Net asset value, beginning of period	**$ 8.77**	**$ 8.90**	**$11.82**	**$11.86**	**$11.81**	**$12.07**
Income (loss) from investment operations:						
Net investment income[b]	.11	.39	.57	.56	.53	.47
Net realized and unrealized gain (loss)	.34	.24	(2.72)	(.08)	(.05)	(.21)
Total from investment operations	.45	.63	(2.15)	.48	.48	.26
Less distributions from:						
Net investment income	(.57)	(.76)	(.77)	(.52)	(.43)	(.41)
Net realized gains	—	—	—	—	(.00)***	(.11)
Total distributions	(.57)	(.76)	(.77)	(.52)	(.43)	(.52)
Net asset value, end of period	**$ 8.65**	**$ 8.77**	**$ 8.90**	**$11.82**	**$11.86**	**$11.81**
Total Return (%)	5.30[c]**	7.72[d]	(19.33)[c]	4.17	4.26	2.25
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	100	94	110	186	277	252
Ratio of expenses before expense reductions (%)	.75*	.59	.70	.66	.68	.67
Ratio of expenses after expense reductions (%)	.75*	.59	.70	.66	.68	.67
Ratio of net investment income (%)	2.62*	4.50	5.36	4.78	4.56	3.96
Portfolio turnover rate (%)	168**	222	215	209	198	241

a *For the six months ended June 30, 2010 (Unaudited).*
b *Based on average shares outstanding during the period.*
c *Total returns would have been lower had certain expenses not been reduced.*
d *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 0.02% lower.*
* *Annualized*
** *Not annualized*
*** *Amount is less than $.005.*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

Multiple Classes of Shares of Beneficial Interest. Certain portfolios of the Trust offer two classes of shares (Class A shares and Class B shares). Effective February 5, 2010, Class B shares of the Portfolio were combined into the Class A shares of the same Portfolio. 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 Rule 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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

Debt securities are valued by independent pricing services approved by the Portfolio's Board. 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 one or more broker-dealers. 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. These securities are generally categorized as Level 2.

Futures contracts are generally valued at the settlement prices established each day on the exchange on which they are traded and are classified as Level 1.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Mortgage Dollar Rolls. The Portfolio 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. The Portfolio may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Derivatives. Authoritative accounting guidance requires that disclosures about the Portfolio's derivative and hedging activities and derivatives accounted for as hedging instruments must be disclosed separately from derivatives that do not qualify for hedge accounting. Because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings, the Portfolio's derivatives are not accounted for as hedging instruments. As such, even though the Portfolio may use derivatives in an attempt to achieve an economic hedge, the Portfolio's derivatives are not considered to be hedging instruments. The disclosure below is presented in accordance with authoritative accounting guidance.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The Portfolio enters into interest rate futures to gain exposure to different parts of the yield curve while managing overall duration.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary cash or securities ("initial margin") in an amount 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 and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. Gains or losses are realized when the contract expires or is closed. Since all futures contracts are exchange-traded, counterparty risk is minimized as the exchange's clearinghouse acts as the counterparty, and guarantees the futures against default.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid 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 underlying hedged security, index or currency. Risk of loss may exceed amounts recognized on the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in futures contracts with a total notional value generally indicative of a range from $0 to approximately $15,139,000.

The following table summarizes the value of the Portfolio's derivative instruments held as of June 30, 2010 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Liability Derivative	Futures Contracts
Interest Rate Contracts (a)	$ (63,564)

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Net unrealized appreciation (depreciation) on futures. Liability of payable for daily variation margin on open futures contracts reflects unsettled variation margin.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the six months ended June 30, 2010 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	Futures Contracts
Interest Rate Contracts (a)	$ (227,009)

The above derivative is located in the following Statement of Operations account:

(a) *Net realized gain (loss) from futures*

Change in Net Unrealized Appreciation (Depreciation)	Futures Contracts
Interest Rate Contracts (a)	$ (146,535)

The above derivative is located in the following Statement of Operations account:

(a) *Change in net unrealized appreciation (depreciation) on futures*

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 income to its shareholders.

At December 31, 2009, the Portfolio 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 Core Fixed Income VIP	3,813,000	12/31/2014
	50,000	12/31/2015
	6,143,000	12/31/2016
	48,195,000	12/31/2017

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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. 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 the Portfolio, with the exception of securities in default of principal.

B. Purchases and Sales of Securities

During the six months ended June 30, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Core Fixed Income VIP excluding US Treasury Obligations	63,203,613	82,983,565
US Treasury Obligations	83,439,137	70,336,084

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
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%

For the period from November 16, 2009 through February 5, 2010, the Advisor has voluntarily agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of the class as follows:

Portfolio	Annual Rate
DWS Core Fixed Income VIP	
Class B	1.07%

Accordingly, for the six months ended June 30, 2010, the total management fee and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Annualized Effective Rate
DWS Core Fixed Income VIP	234,097	.50%

In addition, for the six months ended June 30, 2010, the Advisor waived $809 of other expenses.

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Core Fixed Income VIP	46,819	8,245

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 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 the Portfolio. For the six months ended June 30, 2010 and for the period ended February 5, 2010 for Class B shares, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Core Fixed Income VIP Class A	12	12
DWS Core Fixed Income VIP Class B	60	10

Distribution Service Agreement. Under the Portfolio's Class B 12b-1 plans, DWS Investments Distributors, Inc. ("DIDI") received a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the period ended February 5, 2010, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)
DWS Core Fixed Income VIP	14

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Core Fixed Income VIP	6,364	598

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

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 45%, 42% and 12%.

E. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

F. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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.

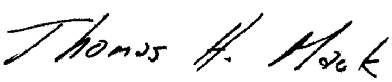
I considered whether DeAM and affiliates receive any significant ancillary or "fall-out" benefits that should be considered in interpreting the direct profitability results. These would be situations where serving as the investment manager of the Funds is beneficial to another part of the Deutsche Bank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

I considered how aggregated DWS 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 Funds are reasonable.



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.

DWS Investments Distributors, Inc.
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VS2CFI-3 (8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Diversified International Equity VIP

A member of Deutsche Bank Group

DWS INVESTMENTS
Deutsche Bank Group

Performance Summary

June 30, 2010

DWS Diversified International 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.

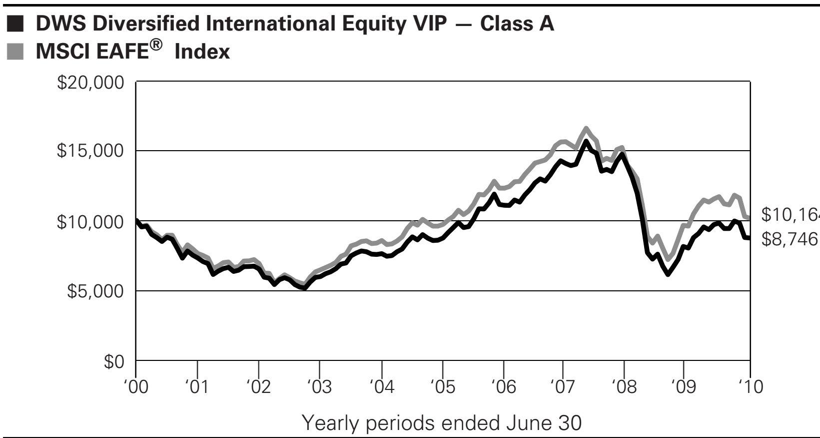
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 is 0.96% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Risk Considerations

Investing in foreign securities, particularly those of emerging markets, presents certain risks, such as currency fluctuations, political and economic changes, and market risks. Stocks may decline in value. See the prospectus for details.

Portfolio returns for the 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.

Growth of an Assumed $10,000 Investment in DWS Diversified International Equity VIP



The Morgan Stanley Capital International (MSCI) EAFE® Index is an unmanaged, free float-adjusted, market capitalization index that tracks international stock performance in the 21 developed markets of Europe, Australasia and the Far East. The MSCI indices are 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 Diversified International Equity VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$8,910	$10,900	$6,207	$9,997	$8,746
	Average annual total return	–10.90%	9.00%	–14.70%	–.01%	–1.33%
MSCI EAFE Index	Growth of $10,000	$8,677	$10,592	$6,499	$10,446	$10,164
	Average annual total return	–13.23%	5.92%	–13.38%	.88%	.16%

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 Diversified International Equity VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$ 891.00
Expenses Paid per $1,000*	$ 4.97

Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,019.54
Expenses Paid per $1,000*	$ 5.31

* *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 six-month period, then divided by 365.*

Annualized Expense Ratio	**Class A**
DWS Variable Series II — DWS Diversified International Equity VIP	1.06%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

Portfolio Summary

DWS Diversified International Equity VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	87%	87%
Exchange-Traded Funds	10%	9%
Cash Equivalents*	2%	3%
Preferred Stocks	1%	1%
Government & Agency Obligations	0%	0%
	100%	100%

Sector Diversification (As a % of Common, Preferred Stocks and Rights)	**6/30/10**	**12/31/09**
Telecommunication Services	17%	15%
Consumer Staples	13%	14%
Materials	11%	9%
Financials	10%	10%
Industrials	10%	9%
Health Care	9%	13%
Utilities	8%	9%
Energy	8%	6%
Consumer Discretionary	8%	9%
Information Technology	6%	6%
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	**6/30/10**	**12/31/09**
Continental Europe	49%	53%
Japan	21%	16%
Emerging Markets	10%	9%
United Kingdom	7%	7%
Canada	5%	5%
Australia	4%	6%
Asia (excluding Japan)	4%	4%
Other	0%	0%
	100%	100%

* *In order to keep cash on hand to meet shareholder redemptions or other needs while maintaining exposure to the market, the Portfolio invests in futures contracts.*

Asset allocation, sector and geographical diversifications are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Diversified International Equity VIP

	Shares	Value ($)
Common Stocks 86.7%		
Australia 4.0%		
Arrow Energy Ltd.*	8,093	32,923
Asciano Group*	17,279	23,319
Australia & New Zealand Banking Group Ltd.	2,823	50,679
BHP Billiton Ltd.	11,607	360,976
Brambles Ltd.	13,105	59,746
Coca-Cola Amatil Ltd.	3,584	35,894
Cochlear Ltd.	862	53,696
Commonwealth Bank of Australia	1,574	63,795
Crown Ltd.	9,187	59,545
CSL Ltd.	9,735	265,505
Fairfax Media Ltd.	54,011	59,280
Foster's Group Ltd.	10,776	50,979
Leighton Holdings Ltd.	1,643	39,594
National Australia Bank Ltd.	2,600	50,222
Newcrest Mining Ltd.	1,579	46,439
Origin Energy Ltd.	8,027	100,285
Paladin Energy Ltd.*	7,326	21,887
Qantas Airways Ltd.*	18,444	33,859
QBE Insurance Group Ltd.	2,063	31,395
Rio Tinto Ltd.	900	49,846
Santos Ltd.	9,683	101,642
Sonic Healthcare Ltd.	5,537	48,231
TABCORP Holdings Ltd.	15,130	80,144
Tatts Group Ltd.	24,689	46,218
Telstra Corp., Ltd.	144,475	393,116
Toll Holdings Ltd.	7,945	36,280
Transurban Group (Units)	14,907	52,879
Wesfarmers Ltd.	5,593	133,908
Westfield Group (REIT) (Units)	3,912	39,817
Westpac Banking Corp.	2,569	45,367
Woodside Petroleum Ltd.	5,329	185,870
Woolworths Ltd.	6,442	146,037
WorleyParsons Ltd.	2,509	46,361
(Cost $2,350,602)		**2,845,734**
Austria 0.5%		
Erste Group Bank AG	4,630	147,296
Immofinanz AG*	25,139	64,721
OMV AG	796	23,990
Raiffeisen International Bank-Holding AG*	1,267	48,288
Vienna Insurance Group	1,323	55,163
(Cost $302,427)		**339,458**
Belgium 1.4%		
Ageas	27,095	60,515
Anheuser-Busch InBev NV	6,331	304,103
Belgacom SA	548	17,251
Compagnie Nationale a Portefeuille	907	38,502
Delhaize Group	1,198	86,744
Dexia SA*	9,616	33,499
Groupe Bruxelles Lambert SA	588	40,842
KBC Groep NV*	1,952	74,871
Mobistar SA	575	30,410
Solvay SA	2,248	191,951
Umicore	4,165	120,517
(Cost $867,783)		**999,205**
Bermuda 0.1%		
Seadrill Ltd. (Cost $63,651)	4,800	**86,281**
Canada 4.7%		
Agnico-Eagle Mines Ltd.	700	42,465
Bank of Montreal	700	37,967
Bank of Nova Scotia	1,100	50,683
Barrick Gold Corp.	2,600	118,014
BCE, Inc.	7,000	204,237
Bombardier, Inc. "B"	8,400	38,191
Canadian Imperial Bank of Commerce	400	24,852
Canadian National Railway Co.	3,100	177,663
Canadian Natural Resources Ltd.	2,800	92,926
Canadian Pacific Railway Ltd.	1,200	64,320
Canadian Tire Corp., Ltd. "A"	1,000	49,927
Canadian Utilities Ltd. "A"	2,800	119,307
EnCana Corp.	1,500	45,428
Fortis, Inc.	5,800	148,085
George Weston Ltd.	800	54,716
Gildan Activewear, Inc.*	900	25,853
Goldcorp, Inc.	1,800	78,811
Imperial Oil Ltd.	2,100	76,500
Kinross Gold Corp.	2,300	39,322
Loblaw Companies Ltd.	2,100	76,165
Magna International, Inc. "A"	1,153	75,957
Manulife Financial Corp.	2,800	40,637
Metro, Inc. "A"	1,700	66,767
Potash Corp. of Saskatchewan, Inc.	700	60,298
Research In Motion Ltd.*	6,700	329,351
Rogers Communications, Inc. "B" (a)	5,000	163,355
Royal Bank of Canada	1,400	66,676
Saputo, Inc.	2,200	62,825
Shaw Communications, Inc. "B"	3,800	68,429
Shoppers Drug Mart Corp.	2,900	89,679
SNC-Lavalin Group, Inc.	1,200	48,032
Suncor Energy, Inc.	3,520	103,595
Teck Resources Ltd. "B"	1,900	56,185
Telus Corp.	1,700	61,513
Thomson Reuters Corp. (b)	5,100	182,528
Thomson Reuters Corp. (b)	1,158	41,491
Toronto-Dominion Bank	1,000	64,797
TransAlta Corp.	8,100	150,046
Viterra, Inc.*	4,900	32,634
(Cost $2,766,851)		**3,330,227**
Cyprus 0.1%		
Bank of Cyprus Public Co., Ltd. (Cost $60,706)	9,587	**38,419**
Denmark 2.3%		
A P Moller-Maersk AS "A"	10	76,137
A P Moller-Maersk AS "B"	25	196,017
Carlsberg AS "B"	5,888	447,649
Coloplast AS "B"	299	29,680
Danske Bank AS*	12,075	231,901
DSV AS	3,456	49,587
Novo Nordisk AS "B"	4,056	327,180
Topdanmark AS*	244	26,684
Tryg AS	621	32,650
Vestas Wind Systems AS*	3,931	163,404

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

	Shares	Value ($)
William Demant Holding AS*	427	31,182
(Cost $1,393,564)		**1,612,071**
Finland 2.8%		
Fortum Oyj	22,604	497,609
Kone Oyj "B"	5,039	200,361
Metso Corp.	4,165	133,001
Nokia Oyj	31,258	255,230
Outokumpu Oyj	4,027	60,548
Pohjola Bank PLC "A"	5,199	52,927
Rautaruukki Oyj (a)	2,774	40,447
Sampo Oyj "A"	12,202	255,304
Stora Enso Oyj "R"	21,386	152,990
UPM-Kymmene Oyj	18,141	240,382
Wartsila Corp.	2,823	128,599
(Cost $1,830,471)		**2,017,398**
France 7.3%		
Air Liquide SA	2,497	250,804
Alcatel-Lucent*	27,533	70,224
Atos Origin SA*	697	27,839
AXA SA	3,081	46,726
BNP Paribas	1,550	82,761
Bouygues SA	1,062	40,678
Cap Gemini	1,723	75,278
Carrefour SA	6,999	276,346
Casino Guichard-Perrachon SA	996	75,213
Compagnie de Saint-Gobain	1,739	64,209
Credit Agricole SA	3,149	32,234
DANONE SA	6,745	360,196
Dassault Systemes SA (a)	1,404	84,964
Electricite de France	964	36,634
Essilor International SA	3,351	199,520
France Telecom SA (a)	50,588	872,941
GDF Suez	6,014	170,152
Iliad SA	426	33,043
L'Oreal SA	2,731	266,862
Lafarge SA	1,526	82,515
LVMH Moet Hennessy Louis Vuitton SA	420	45,750
Pernod Ricard SA	2,576	199,271
Sanofi-Aventis	13,946	840,984
Schneider Electric SA	627	63,462
Societe Generale	1,595	64,883
Suez Environnement Co.	1,869	30,790
Technip SA	889	50,618
Total SA	10,370	461,511
Unibail-Rodamco SE (REIT)	265	43,009
Vallourec SA	385	65,735
Veolia Environnement	2,122	49,565
Vinci SA	1,171	48,219
Vivendi	3,089	62,493
(Cost $5,120,175)		**5,175,429**
Germany 5.2%		
Allianz SE (Registered)	1,458	144,774
BASF SE	3,418	186,474
Bayer AG	2,784	155,333
Bayerische Motoren Werke (BMW) AG	1,555	75,213
Beiersdorf AG	4,260	234,178
Daimler AG (Registered)*	3,150	159,507
Deutsche Boerse AG	688	41,801
Deutsche Post AG (Registered)	3,555	51,569
Deutsche Telekom AG (Registered)	87,957	1,036,859
E.ON AG	6,205	167,037
HeidelbergCement AG	833	39,676
Henkel AG & Co. KGaA	5,352	218,576
Infineon Technologies AG*	8,199	47,383
K+S AG	629	28,935
Linde AG	769	80,747
MAN SE	758	62,491
Merck KGaA	430	31,326
Metro AG	5,411	275,093
Muenchener Rueckversicherungs-Gesellschaft AG (Registered)	598	74,865
RWE AG	1,021	66,549
SAP AG	5,623	249,761
Siemens AG (Registered)	2,260	202,240
Suedzucker AG	3,769	67,590
ThyssenKrupp AG	1,086	26,678
(Cost $3,279,504)		**3,724,655**
Greece 0.3%		
Alpha Bank AE*	10,851	53,036
EFG Eurobank Ergasias*	4,435	19,683
National Bank of Greece SA*	12,026	131,037
Piraeus Bank SA*	7,558	31,865
(Cost $422,714)		**235,621**
Hong Kong 2.2%		
Cheung Kong (Holdings) Ltd.	7,000	80,795
Cheung Kong Infrastructure Holdings Ltd.	7,000	25,962
CLP Holdings Ltd.	19,500	141,185
Esprit Holdings Ltd.	18,495	99,975
Genting Singapore PLC*	168,000	139,134
Hang Seng Bank Ltd.	2,200	29,421
Hong Kong & China Gas Co., Ltd.	51,500	127,686
Hong Kong Exchanges & Clearing Ltd.	3,500	54,665
HongKong Electric Holdings Ltd.	17,500	104,158
Hutchison Whampoa Ltd.	37,000	227,964
Li & Fung Ltd.	32,000	143,656
MTR Corp., Ltd.	28,500	97,473
Noble Group Ltd.	29,363	35,456
NWS Holdings Ltd.	20,000	35,794
Shangri-La Asia Ltd.	24,000	44,717
Sun Hung Kai Properties Ltd.	6,000	81,654
Swire Pacific Ltd. "A"	5,500	62,319
Yue Yuen Industrial (Holdings) Ltd.	14,500	44,955
(Cost $1,244,609)		**1,576,969**
Ireland 0.7%		
CRH PLC	20,956	438,625
Experian PLC	6,430	55,674
(Cost $412,570)		**494,299**
Italy 3.8%		
A2A SpA	20,926	28,370
Assicurazioni Generali SpA	3,242	56,574
Atlantia SpA	5,502	97,543
Enel SpA	46,072	194,907
Eni SpA	20,641	378,909
Fiat SpA	12,889	132,651
Finmeccanica SpA	12,332	127,971
Intesa Sanpaolo	25,029	65,911
Luxottica Group SpA	2,649	63,823
Mediaset SpA	18,588	105,835
Prysmian SpA	6,905	99,194
Saipem SpA	2,103	63,912

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

	Shares	Value ($)
Snam Rete Gas SpA	16,640	66,152
Telecom Italia SpA	597,017	658,023
Telecom Italia SpA (RSP)	372,172	339,144
Terna — Rete Elettrica Nationale SpA	14,939	53,801
UBI Banca — Unione di Banche Italiane ScpA	3,919	33,720
UniCredit SpA	55,196	122,519
(Cost $2,868,141)		**2,688,959**
Japan 19.7%		
AEON Co., Ltd.	11,300	119,934
Ajinomoto Co., Inc.	11,000	99,611
Alfresa Holdings Corp.	1,000	48,239
Asahi Breweries Ltd.	7,000	118,326
Asahi Glass Co., Ltd.	8,000	74,643
Asahi Kasei Corp.	14,000	73,272
Astellas Pharma, Inc.	5,900	197,311
Canon, Inc.	6,200	231,155
Central Japan Railway Co.	5	41,177
Chubu Electric Power Co., Inc.	8,600	213,226
Chugai Pharmaceutical Co., Ltd.	3,700	65,339
Chugoku Electric Power Co., Inc.	3,500	72,216
Cosmo Oil Co., Ltd.	50,000	120,197
Dai-ichi Life Insurance Co., Ltd.	62	85,265
Daiichi Sankyo Co., Ltd.	9,500	169,894
Daikin Industries Ltd.	1,100	33,572
Daiwa House Industry Co., Ltd.	3,000	27,026
Daiwa Securities Group, Inc.	10,000	42,067
Denso Corp.	1,100	30,413
East Japan Railway Co.	926	61,727
Eisai Co., Ltd.	3,700	122,403
Electric Power Development Co., Ltd.	2,600	82,595
FamilyMart Co., Ltd.	1,400	46,141
Fanuc Ltd.	900	100,971
FUJIFILM Holdings Corp.	2,300	66,162
Fujitsu Ltd.	13,000	81,671
Hisamitsu Pharmaceutical Co., Inc.	900	35,711
Hitachi Ltd.*	18,000	65,277
Hokkaido Electric Power Co., Inc.	2,400	51,665
Hokuriku Electric Power Co.	2,800	61,375
Honda Motor Co., Ltd.	3,500	101,645
HOYA	2,100	44,591
Idemitsu Kosan Co., Ltd.	1,700	127,683
INPEX Corp.	49	272,341
ITOCHU Corp.	6,000	46,781
Japan Petroleum Exploration Co., Ltd.	2,300	93,840
Japan Prime Realty Investment Corp. (REIT)	10	21,014
Japan Retail Fund Investment Corp. (REIT)	20	24,316
Japan Tobacco, Inc.	73	226,945
JFE Holdings, Inc.	5,300	163,621
JX Holdings, Inc.*	128,320	627,224
Kansai Electric Power Co., Inc.	9,900	241,712
Kao Corp.	7,800	183,361
KDDI Corp.	69	327,757
Keyence Corp.	200	46,008
Kikkoman Corp.	4,000	41,922
Kirin Holdings Co., Ltd.	14,000	176,305
Kobe Steel Ltd.	33,000	63,015
Komatsu Ltd.	4,200	75,894
Kubota Corp.	10,000	76,364

	Shares	Value ($)
Kuraray Co., Ltd.	6,000	70,060
Kyocera Corp.	800	64,603
Kyowa Hakko Kirin Co., Ltd.	5,000	47,492
Kyushu Electric Power Co., Inc.	4,800	107,639
Lawson, Inc.	900	39,335
MEIJI Holdings Co., Ltd.	1,200	49,032
Mitsubishi Chemical Holdings Corp.	12,000	54,646
Mitsubishi Corp.	6,300	131,278
Mitsubishi Electric Corp.	11,000	85,678
Mitsubishi Estate Co., Ltd.	5,000	69,421
Mitsubishi Heavy Industries Ltd.	18,000	61,824
Mitsubishi Materials Corp.*	39,000	104,103
Mitsubishi Tanabe Pharma Corp.	3,000	45,688
Mitsubishi UFJ Financial Group, Inc.	51,400	233,004
Mitsui & Co., Ltd.	5,000	58,782
Mitsui Fudosan Co., Ltd.	3,000	41,941
Mitsui O.S.K Lines Ltd.	7,000	46,196
Mizuho Financial Group, Inc.	61,400	100,777
MS&AD Insurance Group Holdings, Inc.	2,400	51,233
Murata Manufacturing Co., Ltd.	1,300	61,916
NEC Corp.	26,000	67,115
Nidec Corp.	500	41,877
Nintendo Co., Ltd.	500	145,648
Nippon Steel Corp.	58,000	192,237
Nippon Telegraph & Telephone Corp.	12,109	494,399
Nishi-Nippon City Bank Ltd.	13,000	37,419
Nissan Motor Co., Ltd.*	6,000	41,593
Nisshin Seifun Group, Inc.	4,000	45,255
Nissin Foods Holdings Co., Ltd.	1,100	40,494
Nitto Denko Corp.	1,900	61,991
NKSJ Holdings, Inc.*	12,000	71,160
Nomura Holdings, Inc.	12,000	65,693
Nomura Real Estate Office Fund, Inc. (REIT)	7	34,817
NTT DoCoMo, Inc.	354	535,329
OJI Paper Co., Ltd.	11,000	53,803
Olympus Corp.	3,500	82,844
Ono Pharmaceutical Co., Ltd.	1,500	60,926
Oriental Land Co., Ltd.	700	58,477
ORIX Corp.	260	18,885
Osaka Gas Co., Ltd.	30,000	108,337
Panasonic Corp.	4,600	57,440
Resona Holdings, Inc.	2,600	31,627
Ricoh Co., Ltd.	4,000	50,837
ROHM Co., Ltd.	1,100	65,698
Santen Pharmaceutical Co., Ltd.	1,300	46,781
Sapporo Hokuyo Holdings, Inc.	10,400	45,895
Sapporo Holdings Ltd.	7,000	30,104
Seven & I Holdings Co., Ltd.	12,000	275,331
Sharp Corp.	3,000	31,584
Shikoku Electric Power Co., Inc.	2,400	68,628
Shin-Etsu Chemical Co., Ltd.	4,100	190,741
Shionogi & Co., Ltd.	5,000	103,442
Shiseido Co., Ltd.	5,000	109,979
Showa Shell Sekiyu KK	17,200	118,752
SOFTBANK Corp.	17,300	457,266
Sony Corp.	2,100	55,898
Sumitomo Chemical Co., Ltd.	14,000	54,054
Sumitomo Corp.	5,300	52,788
Sumitomo Electric Industries Ltd.	6,500	76,083
Sumitomo Metal Industries Ltd.	26,000	58,644
Sumitomo Metal Mining Co., Ltd.	4,000	50,189

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

	Shares	Value ($)
Sumitomo Mitsui Financial Group, Inc.	5,700	160,915
Sumitomo Realty & Development Co., Ltd.	2,000	34,110
Sumitomo Trust & Banking Co., Ltd.	9,000	45,783
Suzuken Co., Ltd.	1,300	43,534
Taiheiyo Cement Corp.*	23,000	29,028
Taisho Pharmaceutical Co., Ltd.	2,000	39,464
Takeda Pharmaceutical Co., Ltd.	10,200	436,530
TDK Corp.	1,200	65,824
Terumo Corp.	2,300	110,067
Tohoku Electric Power Co., Inc.	5,600	120,241
Tokio Marine Holdings, Inc.	2,200	57,628
Tokyo Electric Power Co., Inc.	16,000	435,561
Tokyo Electron Ltd.	900	48,603
Tokyo Gas Co., Ltd.	31,000	141,728
TonenGeneral Sekiyu KK	22,000	190,111
Toray Industries, Inc.	10,000	47,983
Toshiba Corp.*	25,000	124,205
Toyo Suisan Kaisha Ltd.	2,000	47,597
Toyota Motor Corp.	4,600	158,191
Tsumura & Co.	1,500	45,973
Unicharm Corp.	500	56,307
UNY Co., Ltd.	5,600	42,524
Yakult Honsha Co., Ltd.	1,700	46,149
Yamaguchi Financial Group, Inc.	3,000	28,611
(Cost $13,259,900)		**13,992,295**
Luxembourg 0.5%		
ArcelorMittal	8,259	219,657
Millicom International Cellular SA (SDR)	943	76,103
Tenaris SA	4,211	73,082
(Cost $289,504)		**368,842**
Macau 0.1%		
Sands China Ltd.*	32,000	46,973
Wynn Macau Ltd.*	30,000	49,079
(Cost $91,291)		**96,052**
Netherlands 5.4%		
AEGON NV*	13,839	74,136
Akzo Nobel NV	4,125	213,378
ASML Holding NV	11,111	305,124
Fugro NV (CVA)	811	37,082
Heineken Holding NV	913	33,309
Heineken NV	3,364	142,598
ING Groep NV (CVA)*	27,945	207,477
Koninklijke (Royal) KPN NV	73,369	936,838
Koninklijke (Royal) Philips Electronics, NV	8,829	263,169
Koninklijke Ahold NV	14,948	185,120
Koninklijke DSM NV	2,400	95,350
Randstad Holding NV*	1,215	47,824
Reed Elsevier NV	20,060	221,295
Royal Dutch Shell PLC "A"	3,949	99,726
Royal Dutch Shell PLC "B"	3,179	76,968
TNT NV	4,235	106,740
Unilever NV (CVA)	21,114	575,679
Wolters Kluwer NV	9,269	176,870
(Cost $3,254,972)		**3,798,683**
Norway 2.7%		
Aker Solutions ASA	3,600	41,236
DnB NOR ASA	30,600	294,444
Norsk Hydro ASA (a)	44,400	199,791
Orkla ASA	37,000	236,843
Renewable Energy Corp. ASA* (a)	30,200	70,947
Statoil ASA	17,400	335,592
Telenor ASA	31,100	390,571
Yara International ASA	11,600	324,579
(Cost $1,707,616)		**1,894,003**
Portugal 0.4%		
Brisa Auto-Estradas de Portugal SA	5,209	31,522
EDP — Energias de Portugal SA	79,204	233,866
(Cost $301,207)		**265,388**
Singapore 1.8%		
CapitaLand Ltd.	20,000	50,996
DBS Group Holdings Ltd.	10,000	96,962
Fraser & Neave Ltd.	15,000	54,820
Jardine Cycle & Carriage Ltd.	4,000	84,899
K-Green Trust (Units)*	2,800	2,101
Keppel Corp., Ltd.	14,000	84,357
Oversea-Chinese Banking Corp., Ltd.	14,000	88,065
SembCorp Industries Ltd.	19,000	54,906
Singapore Airlines Ltd.	6,000	62,166
Singapore Exchange Ltd.	7,000	36,628
Singapore Press Holdings Ltd.	50,000	134,699
Singapore Technologies Engineering Ltd.	15,000	35,078
Singapore Telecommunications Ltd.	170,000	367,209
United Overseas Bank Ltd.	7,000	97,245
(Cost $830,387)		**1,250,131**
Spain 4.0%		
Abertis Infraestructuras SA	5,893	84,912
ACS, Actividades de Construccion y Servicios SA	2,437	89,126
Banco Bilbao Vizcaya Argentaria SA	9,332	96,273
Banco Santander SA	19,062	200,303
EDP Renovaveis SA*	11,598	68,060
Enagas	2,258	33,934
Ferrovial SA	9,049	58,460
Gamesa Corp. Tecnologica SA*	3,474	29,815
Gas Natural SDG SA	2,049	29,553
Iberdrola Renovables	13,050	40,769
Iberdrola SA	31,585	177,120
Indra Sistemas SA	2,157	34,577
Industria de Diseno Textil SA	5,571	315,961
Red Electrica Corporacion SA	1,144	40,894
Repsol YPF SA	27,654	558,716
Telefonica SA	52,775	974,569
Zardoya Otis SA	3,050	39,297
(Cost $2,871,550)		**2,872,339**
Sweden 3.1%		
AB SKF "B"	3,095	55,441
Assa Abloy AB "B"	2,544	50,741
Atlas Copco AB "A"	5,936	86,901
Boliden AB	10,549	116,834
Electrolux AB "B"	3,335	76,128
Hennes & Mauritz AB "B"	11,314	311,107
Holmen AB "B"	2,160	51,246
Husqvarna AB "B"	7,799	46,937
Nordea Bank AB	16,082	132,641
Sandvik AB	5,637	68,617
Skandinaviska Enskilda Banken AB "A"	8,883	47,117
Skanska AB "B"	3,667	52,934
SSAB AB "A"	5,874	78,730

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

	Shares	Value ($)
SSAB AB "B"	4,185	49,886
Svenska Cellulosa AB "B"	18,870	221,962
Svenska Handelsbanken AB "A"	2,807	68,750
Tele2 AB "B"	4,023	60,147
Telefonaktiebolaget LM Ericsson "B"	28,799	320,642
TeliaSonera AB	28,979	186,286
Volvo AB "B"*	9,712	106,801
(Cost $1,700,473)		**2,189,848**

Switzerland 6.6%

	Shares	Value ($)
ABB Ltd. (Registered)*	12,423	215,875
Adecco SA (Registered)	824	38,878
Aryzta AG	543	20,837
Compagnie Financiere Richemont SA "A"	5,960	207,352
Credit Suisse Group AG (Registered)	1,994	74,942
Geberit AG (Registered)	332	51,484
Givaudan SA (Registered)	102	86,215
Holcim Ltd. (Registered)	2,786	186,487
Lonza Group AG (Registered)	466	31,021
Nestle SA (Registered)	19,884	959,402
Novartis AG (Registered)	9,930	481,768
Roche Holding AG (Genusschein)	3,411	468,411
Sika AG	37	65,392
Sonova Holding AG (Registered)	289	35,440
STMicroelectronics NV	7,073	56,032
Swatch Group AG (Bearer)	465	130,136
Swiss Reinsurance Co., Ltd. (Registered)	1,091	44,880
Swisscom AG (Registered)	3,016	1,021,776
Syngenta AG (Registered)	861	198,822
UBS AG (Registered)*	7,534	99,867
Xstrata PLC	6,903	90,439
Zurich Financial Services AG	398	87,365
(Cost $3,498,046)		**4,652,821**

United Kingdom 7.0%

	Shares	Value ($)
Anglo American PLC*	3,286	114,233
ARM Holdings PLC	36,898	152,662
AstraZeneca PLC	8,391	394,270
Autonomy Corp. PLC*	6,513	175,774
BAE Systems PLC	18,633	86,563
Barclays PLC	11,766	46,647
BG Group PLC	5,435	80,455
BHP Billiton PLC	4,437	114,816
BP PLC	25,484	122,393
British American Tobacco PLC	2,268	71,816
British Sky Broadcasting Group PLC	6,799	70,914
BT Group PLC	57,356	109,529
Cable & Wireless Communications PLC	24,059	20,526
Cable & Wireless Worldwide PLC	8,759	11,221
Capita Group PLC	5,549	60,881
Centrica PLC	28,642	126,128
Compass Group PLC	11,814	89,633
Diageo PLC	2,849	44,641
GlaxoSmithKline PLC	30,123	510,500
HSBC Holdings PLC	12,924	117,906
Imperial Tobacco Group PLC	881	24,564
Inmarsat PLC	5,084	53,866
International Power PLC	9,966	44,153
Kingfisher PLC	14,696	45,607
Marks & Spencer Group PLC	8,450	41,646
National Grid PLC	13,726	101,112
Next PLC	1,325	39,210
Pearson PLC	4,110	53,784
Reed Elsevier PLC	7,134	52,665
Rio Tinto PLC	3,598	157,448
Rolls-Royce Group PLC*	12,478	103,911
SABMiller PLC	1,731	48,061
Scottish & Southern Energy PLC	6,560	108,750
Severn Trent PLC	2,133	38,918
Shire PLC	5,325	108,237
Smith & Nephew PLC	6,163	58,025
Smiths Group PLC	3,914	61,947
Standard Chartered PLC	1,687	40,953
Tesco PLC	11,554	65,055
The Sage Group PLC	44,978	153,910
Unilever PLC	1,529	40,750
United Utilities Group PLC	6,323	49,272
Vodafone Group PLC	393,558	815,539
William Morrison Supermarkets PLC	8,072	31,823
Wolseley PLC*	2,345	45,846
WPP PLC	7,538	70,886
(Cost $4,248,633)		**4,977,446**
Total Common Stocks (Cost $55,037,347)		**61,522,573**

Preferred Stocks 0.6%

Germany

	Shares	Value ($)
Fresenius SE	632	41,790
Henkel AG & Co. KGaA	7,281	354,205
Volkswagen AG	513	44,912
Total Preferred Stocks (Cost $271,561)		**440,907**

Rights 0.0%

Norway

	Shares	Value ($)
Norsk Hydro ASA, Expiration Date 7/9/2010* (a) (Cost $0)	13,513	**7,164**

	Principal Amount ($)	Value ($)

Government & Agency Obligation 0.3%

US Treasury Obligation

	Principal Amount ($)	Value ($)
US Treasury Bill, 0.22%**, 9/16/2010 (c) (Cost $225,917)	226,000	**225,925**

Exchange-Traded Funds 9.7%

Emerging Markets

	Shares	Value ($)
iShares MSCI Emerging Markets Index	91,200	3,403,584
Vanguard Emerging Markets	92,200	3,502,678
Total Exchange-Traded Funds (Cost $6,113,812)		**6,906,262**

Securities Lending Collateral 1.7%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.27% (d) (e) (Cost $1,198,755)	1,198,755	**1,198,755**

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

	Shares	Value ($)
Cash Equivalents 2.2%		
Central Cash Management Fund, 0.21% (d) (Cost $1,522,837)	1,522,837	**1,522,837**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $64,370,229)†	101.2	**71,824,423**
Other Assets and Liabilities, Net	(1.2)	**(878,107)**
Net Assets	100.0	**70,946,316**

* *Non-income producing security.*

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

† *The cost for federal income tax purposes was $64,950,997. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $6,873,426. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $9,855,930 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,982,504.*

(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, 2010 amounted to $1,104,829, which is 1.6% of net assets.*

(b) *Securities with the same description are the same corporate entity but trade on different stock exchanges.*

(c) *At June 30, 2010, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.*

(d) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(e) *Represents collateral held in connection with securities lending. Income earned by the Portfolio is net of borrower rebates.*

CVA: Certificaten Van Aandelen

MSCI: Morgan Stanley Capital International

REIT: Real Estate Investment Trust

RSP: Risparmio (Convertible Savings Shares)

SDR: Swedish Depositary Receipt

At June 30, 2010, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Depreciation ($)
ASX SPI 200 Index	AUD	9/16/2010	2	179,377	(11,074)
DJ Euro Stoxx 50 Index	EUR	9/17/2010	43	1,350,320	(44,923)
FTSE 100 Index	GBP	9/17/2010	3	218,759	(11,423)
Nikkei 225 Index	USD	9/9/2010	12	554,700	(25,827)
S&P TXE 60 Index	CAD	9/16/2010	1	123,846	(3,235)
Total net unrealized depreciation					**(96,482)**

Currency Abbreviations

AUD	Australian Dollar	GBP	British Pound
CAD	Canadian Dollar	USD	United States Dollar
EUR	Euro		

For information on the Portfolio's policy and additional disclosures regarding futures contracts, please refer to the Derivatives section of Note A in the accompanying Notes to Financial Statements.

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock and/or Other Equity Investments (f)				
Australia	$ —	$ 2,845,734	$ —	$ 2,845,734
Austria	—	339,458	—	339,458
Belgium	—	999,205	—	999,205
Bermuda	—	86,281	—	86,281
Canada	3,330,227	—	—	3,330,227
Cyprus	—	38,419	—	38,419
Denmark	—	1,612,071	—	1,612,071
Finland	—	2,017,398	—	2,017,398
France	—	5,175,429	—	5,175,429
Germany	—	4,165,562	—	4,165,562
Greece	—	235,621	—	235,621
Hong Kong	—	1,576,969	—	1,576,969
Ireland	—	494,299	—	494,299
Italy	—	2,688,959	—	2,688,959
Japan	—	13,992,295	—	13,992,295
Luxembourg	—	368,842	—	368,842
Macau	—	96,052	—	96,052
Netherlands	—	3,798,683	—	3,798,683
Norway	7,164	1,894,003	—	1,901,167
Portugal	—	265,388	—	265,388
Singapore	—	1,250,131	—	1,250,131
Spain	—	2,872,339	—	2,872,339
Sweden	—	2,189,848	—	2,189,848
Switzerland	—	4,652,821	—	4,652,821
United Kingdom	—	4,977,446	—	4,977,446
Exchange-Traded Funds	6,906,262	—	—	6,906,262
Short-Term Investments (f)	2,721,592	225,925	—	2,947,517
Total	**$ 12,965,245**	**$ 58,859,178**	**$ —**	**$ 71,824,423**

Liabilities				
Derivatives (g)	$ (96,482)	$ —	$ —	$ (96,482)
Total	**$ (96,482)**	**$ —**	**$ —**	**$ (96,482)**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(f) *See Investment Portfolio for additional detailed categorizations.*

(g) *Derivatives include unrealized appreciation (depreciation) on open futures contracts.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $61,648,637) — including $1,104,829 of securities loaned	$	69,102,831
Investment in Daily Assets Fund Institutional (cost $1,198,755)*		1,198,755
Investment in Central Cash Management Fund (cost $1,522,837)		1,522,837
Total investments, at value (cost $64,370,229)		71,824,423
Foreign currency, at value (cost $342,269)		342,822
Receivable for investments sold		1,646
Receivable for Portfolio shares sold		8,838
Dividends receivable		96,551
Interest receivable		5,084
Foreign taxes recoverable		111,575
Other assets		637
Total assets		72,391,576

Liabilities		
Payable upon return of securities loaned		1,198,755
Payable for Portfolio shares redeemed		1,864
Payable for daily variation margin on open futures contracts		74,434
Accrued management fee		50,040
Other accrued expenses and payables		120,167
Total liabilities		1,445,260
Net assets, at value	**$**	**70,946,316**

Net Assets Consist of		
Undistributed net investment income		985,005
Net unrealized appreciation (depreciation) on:		
Investments		7,454,194
Futures		(96,482)
Foreign currency		4,687
Accumulated net realized gain (loss)		(71,285,735)
Paid-in capital		133,884,647
Net assets, at value	**$**	**70,946,316**
Class A		
Net Asset Value, offering and redemption price per share ($70,946,316 ÷ 10,936,219 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**6.49**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $216,947)	$	1,522,682
Interest		102
Income distributions — Central Cash Management Fund		980
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		72,979
Total Income		1,596,743
Expenses:		
Management fee		260,758
Administration fee		40,117
Custodian fee		45,148
Services to shareholders		1,203
Trustees' fees and expenses		3,995
Reports to shareholders		22,256
Legal fees		5,339
Audit and tax fees		30,240
Other		18,092
Total expenses		427,148
Net investment income (loss)		**1,169,595**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		1,385,874
Futures		5,122
Foreign currency		(56,799)
		1,334,197
Change in net unrealized appreciation (depreciation) on:		
Investments		(11,187,004)
Futures		(227,015)
Foreign currency		(15,416)
		(11,429,435)
Net gain (loss)		**(10,095,238)**
Net increase (decrease) in net assets resulting from operations	**$**	**(8,925,643)**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ 1,169,595	$ 1,533,993
Net realized gain (loss)	1,334,197	(23,604,083)
Change in net unrealized appreciation (depreciation)	(11,429,435)	41,842,935
Net increase (decrease) in net assets resulting from operations	(8,925,643)	19,772,845
Distributions to shareholders from:		
Net investment income:		
Class A	(1,843,687)	(5,187,036)
Total distributions	(1,843,687)	(5,187,036)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	864,661	1,865,488
Reinvestment of distributions	1,843,687	5,187,036
Cost of shares redeemed	(7,129,864)	(26,149,949)
Shares converted*	—	72,862
Net increase (decrease) in net assets from Class A share transactions	(4,421,516)	(19,024,563)
Class B		
Cost of shares redeemed	—	(294)
Shares converted*	—	(72,862)
Net increase (decrease) in net assets from Class B share transactions	—	(73,156)
Increase (decrease) in net assets	(15,190,846)	(4,511,910)
Net assets at beginning of period	86,137,162	90,649,072
Net assets at end of period (including undistributed net investment income of $985,005 and $1,659,097, respectively)	**$ 70,946,316**	**$ 86,137,162**

Other Information		
Class A		
Shares outstanding at beginning of period	11,562,525	14,554,587
Shares sold	123,102	283,708
Shares issued to shareholders in reinvestment of distributions	252,214	1,027,136
Shares redeemed	(1,001,622)	(4,318,475)
Shares converted*	—	15,569
Net increase (decrease) in Class A shares	(626,306)	(2,992,062)
Shares outstanding at end of period	**10,936,219**	**11,562,525**
Class B		
Shares outstanding at beginning of period	—	15,672
Shares redeemed	—	(53)
Shares converted*	—	(15,619)
Net increase (decrease) in Class B shares	—	(15,672)
Shares outstanding at end of period	—	—

* *On March 6, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 7.45**	**$ 6.22**	**$16.76**	**$16.31**	**$13.25**	**$11.91**
Income (loss) from investment operations:						
Net investment income[b]	.10	.12	.33[e]	.25	.24[c]	.20
Net realized and unrealized gain (loss)	(.89)	1.51	(6.67)	2.24	3.11	1.48
Total from investment operations	(.79)	1.63	(6.34)	2.49	3.35	1.68
Less distributions from:						
Net investment income	(.17)	(.40)	(.13)	(.46)	(.29)	(.34)
Net realized gains	—	—	(4.07)	(1.58)	—	—
Total distributions	(.17)	(.40)	(4.20)	(2.04)	(.29)	(.34)
Net asset value, end of period	**$ 6.49**	**$ 7.45**	**$ 6.22**	**$16.76**	**$16.31**	**$13.25**
Total Return (%)	(10.90)**	29.36	(48.81)[d,f]	16.71	25.56	14.51
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	71	86	91	236	223	196
Ratio of expenses before expense reductions (%)	1.06*	.94	1.02	.93	.88	.87
Ratio of expenses after expense reductions (%)	1.06*	.94	1.01	.93	.88	.87
Ratio of net investment income (%)	2.92*	1.89	3.04[e]	1.53	1.65[c]	1.59
Portfolio turnover rate (%)	11**	139	132	117	122	93

a *For the six months ended June 30, 2010 (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 *Total return would have been lower had certain expenses not been reimbursed.*

e *Net investment income per share and ratio of net investment income include non-recurring dividend income amounting to $0.16 per share and 1.49% 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 0.14% lower.*

* *Annualized*

** *Not annualized*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

Equity securities and exchange traded funds ("ETFs") 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 they trade and are classified as Level 1 securities. Securities or ETFs 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. For certain 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, a fair valuation model may be used. This fair valuation model takes into account comparisons to the valuation of American Depository Receipts (ADRs), exchange-traded funds, futures contracts and certain indices and these securities are classified as Level 2.

Futures contracts are generally valued at the settlement prices established each day on the exchange on which they are traded and are classified as Level 1.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

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.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Derivatives. Authoritative accounting guidance requires that disclosures about the Portfolio's derivative and hedging activities and derivatives accounted for as hedging instruments must be disclosed separately from derivatives that do not qualify for hedge accounting. Because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings, the Portfolio's derivatives are not accounted for as hedging instruments. As such, even though the Portfolio may use derivatives in an attempt to achieve an economic hedge, the Portfolio's derivatives are not considered to be hedging instruments. The disclosure below is presented in accordance with authoritative accounting guidance.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The Portfolio enters into futures contracts to keep cash on hand to meet shareholder redemptions or other needs while maintaining exposure to the market. The Portfolio also enters into futures contracts in circumstances where the portfolio management believes they offer an economical means of gaining exposure to a particular asset class.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary cash or securities ("initial margin") in an amount 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 and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. Gains or losses are realized when the contract expires or is closed. Since all futures contracts are exchange-traded, counterparty risk is minimized as the exchange's clearinghouse acts as the counterparty, and guarantees the futures against default.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid 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 underlying hedged security, index or currency. Risk of loss may exceed amounts recognized on the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in futures contracts with a total notional value generally indicative of a range from approximately $2,427,000 to $2,958,000.

The following table summarizes the value of the Portfolio's derivative instruments held as of June 30, 2010 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Liability Derivative	Futures Contracts
Equity Contracts (a)	$ (96,482)

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Net unrealized appreciation (depreciation) on futures. Liability of payable for daily variation margin on open futures contracts reflects unsettled variation margin.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the six months ended June 30, 2010 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	Futures Contracts
Equity Contracts (a)	$ 5,122

The above derivative is located in the following Statement of Operations account:

(a) *Net realized gain (loss) from futures*

Change in Net Unrealized Appreciation (Depreciation)	Futures Contracts
Equity Contracts (a)	$ (227,015)

The above derivative is located in the following Statement of Operations account:

(a) *Change in net unrealized appreciation (depreciation) on futures*

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 income to its shareholders.

Additionally, based on the Portfolio's understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which it invests, the Portfolio will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2009, the Portfolio 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 Diversified International Equity VIP	32,933,000	12/31/2016
	39,164,000	12/31/2017

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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 investments in foreign denominated investments, investments in futures contracts, income received from Passive Foreign Investment Companies 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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.

B. Purchases and Sales of Securities

During the six months ended June 30, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Diversified International Equity VIP	8,682,903	13,400,437

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
DWS Diversified International Equity VIP	
$0–$1.5 billion	.650%
next $1.75 billion	.635%
next $1.75 billion	.620%
over $5 billion	.605%

Effective August 1, 2010, QS Investors, LLC ("QS Investors") acts as investment sub-advisor to the Portfolio. On August 1, 2010, members of the Advisor's Quantitative Strategies Group ("QS Group"), including members of the portfolio management teams of the Portfolio, separated from the Advisor and formed QS Investors as a separate investment advisory firm unaffiliated with the Advisor (the "Separation"). In order for the Portfolio to continue to access the investment expertise offered by members of the QS Group following the Separation, the Advisor recommended that the Portfolio's Board approve a sub-advisory agreement between the Advisor and QS Investors (the "Sub-Advisory Agreement"). On May 4, 2010, following a review of QS Investors' capabilities and the terms of the Separation and the Sub-Advisory Agreement, the Portfolio's Board approved the Sub-Advisory Agreement. This action was taken pursuant to an order the Portfolio and the Advisor requested and received from the Securities and Exchange Commission that permits the Advisor, with the approval of the Portfolio's Board, to appoint sub-advisors that are not affiliated with the Advisor to manage all or a portion of a Portfolio's assets without the need for a shareholder meeting or vote. As an investment sub-advisor to the Portfolio, QS Investors makes investment decisions and buys and sells securities for the Portfolio. QS Investors is paid by the Advisor, not the Portfolio, for the services QS Investors provides to the Portfolio.

Accordingly, for the six months ended June 30, 2010, the total management fee and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Annualized Effective Rate
DWS Diversified International Equity VIP	260,758	.65%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Diversified International Equity VIP	40,117	6,051

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Diversified International Equity VIP Class A	69	34

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Diversified International Equity VIP	5,921	31

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in developed markets. These risks include revaluation of currencies, high rates of inflation or deflation, 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 that are more volatile or less easily assessed than those of comparable securities of issuers in developed markets.

E. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

DWS Diversified International 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 41%, 30% and 28%.

F. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

G. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Portfolio Management Team Update

The current portfolio management team is as follows:

QS Investors, LLC, Subadvisor to the Portfolio (effective August 1, 2010)

Robert Wang
Head of Portfolio Management and Trading

Russell Shtern
Head of Equity Portfolio Management and Trading

New Sub-Advisory Agreement Approval

The Board of Trustees, including the Independent Trustees, unanimously approved the New Sub-Advisory Agreement (the "New Agreement") between Deutsche Investment Management Americas Inc. ("DWS") and QS Investors, LLC ("QS Investors") in May 2010.

In terms of the process that the Board followed prior to approving the New Agreement, shareholders should know that:

- In May 2010, all but one of the Fund's Trustees were independent of DWS and its affiliates.
- The Board engaged in a comprehensive review of the operational, financial and investment capabilities of QS Investors and the terms of the proposed Separation. As part of this review, the Board also reviewed and considered the terms of the New Agreement.
- To facilitate its review, the Board created several ad hoc subcommittees, each focused on different aspects of the Board's consideration of the Separation, and each comprised solely of Independent Trustees.
- The Board and its subcommittees conducted numerous meetings between January 2010 and May 2010 to review and discuss the Separation, including the New Agreement, and were assisted in this review by their independent legal counsel and fund counsel.
- In the course of its review, the Board requested and received substantial additional information.
- As part of its review process, the Board and its subcommittees met with various representatives of DWS and QS Investors, including key investment personnel and other members of senior management.
- The Board requested and evaluated all information that it deemed reasonably necessary to evaluate the New Agreement.

In connection with the approval of the New Agreement, the Board considered the factors described below, among others.

Continuity of Investment Management Services. In reviewing the New Agreement, the Board considered that it had renewed the investment management agreement between DWS and the Fund as part of the annual contract renewal process (the "Annual Review") in September 2009, at which time it had determined that such renewal was in the best interests of the Fund, given the nature, quality and extent of services provided by DWS (among other considerations). In considering the New Agreement, the Board noted that in light of the transition of the group within DWS responsible for day-to-day portfolio management of the Fund to a separate, unaffiliated firm (i.e., QS Investors), it was necessary to approve a sub-advisory agreement between DWS and QS Investors to secure continued access to these same personnel and services. The Board also considered that, despite the change in corporate identity of the portfolio management services provider and the fact that it would no longer be affiliated with DWS, the nature, quality and extent of services provided to the Fund are not expected to change under the New Agreement.

Fees and Expenses. The Board noted that it had concluded during the Annual Review that the overall investment management fees paid by the Fund are reasonable and appropriate in light of the nature, quality and extent of services provided. The Board considered that, under the New Agreement, QS Investors' sub-advisory fee would be paid by DWS out of its management fee and not directly by the Fund, and therefore there would be no change in the Fund's overall investment management fees under the New Agreement.

Profitability. The Board noted that it had considered the profitability of DWS during the Annual Review. The Board did not consider the profitability of QS Investors to be a material factor. In particular, the Board noted that QS Investors has not yet commenced operations, and that any projections of profitability are likely to be of limited value. The Board also noted that DWS would pay QS Investors' sub-advisory fee out of its management fee, and further noted that the sub-advisory fee arrangement with respect to the Fund was the product of an arm's length negotiation.

Other Benefits to QS Investors. The Board noted that it had considered fallout benefits to DWS during the Annual Review in its determination that management fees paid were reasonable. The Board also considered the character and amount of incidental benefits expected to be realized by QS Investors in light of the New

Agreement, including the incidental public relations benefits to QS Investors related to DWS US mutual funds advertising and cross-selling opportunities among DWS products and services. The Board noted that QS Investors did not propose to implement a "soft dollar" program. The Board reaffirmed its determination from the Annual Review process that management fees paid were reasonable in light of fallout benefits to its investment advisory service providers.

Compliance. The Board considered QS Investors' proposed compliance program and resources. The Board also considered that DWS would oversee QS Investors' compliance program and its compliance with applicable Fund policies and procedures, and considered the attention and resources DWS would dedicate to that oversight. The Board also noted that it had considered DWS's compliance monitoring capabilities in connection with the Annual Review, at which time it had noted (i) the experience and seniority of both DWS's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the terms of the New Agreement are fair and reasonable and that the approval of the New Agreement is in the best interests of the Fund. In reaching this conclusion, the Board did not give particular weight to any single factor identified above. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the New Agreement.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 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.

DWS Investments Distributors, Inc.
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Chicago, IL 60606
(800) 778-1482

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DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Dreman Small Mid Cap Value VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

Performance Summary

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.

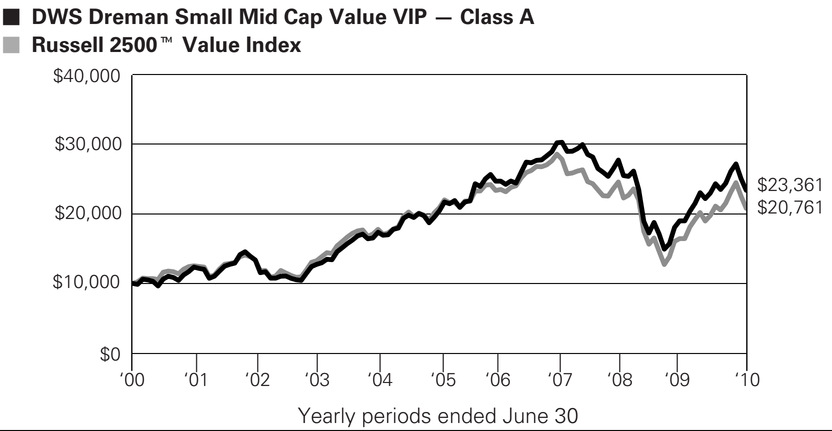
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 0.79% and 1.14% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

Any portfolio that concentrates in a particular segment of the market will generally be more volatile than a fund that invests more broadly. Stocks of small and medium-sized companies involve greater risk than securities of larger, more-established companies. Any decline in value of a portfolio security that is out on loan by the Portfolio will adversely affect performance. Financial failure of the borrower may mean a delay in recovery or loss of rights in the collateral. Stocks may decline in value. See the prospectus for details.

Portfolio returns shown for the 3-year, 5-year and 10-year/Life of Class 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 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 Dreman Small Mid Cap Value VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$9,616	$12,314	$7,724	$11,460	$23,361
	Average annual total return	–3.84%	23.14%	–8.25%	2.76%	8.86%
Russell 2500 Value Index	Growth of $10,000	$9,843	$12,646	$7,471	$9,954	$20,761
	Average annual total return	–1.57%	26.46%	–9.26%	–.09%	7.58%

DWS Dreman Small Mid Cap Value VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$9,602	$12,268	$7,640	$11,255	$17,279
	Average annual total return	–3.98%	22.68%	–8.58%	2.39%	7.08%
Russell 2500 Value Index	Growth of $10,000	$9,843	$12,646	$7,471	$9,954	$15,562
	Average annual total return	–1.57%	26.46%	–9.26%	–.09%	5.68%

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. 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$ 961.60	$ 960.20
Expenses Paid per $1,000*	$ 3.99	$ 5.69
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,020.73	$1,018.99
Expenses Paid per $1,000*	$ 4.11	$ 5.86

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Dreman Small Mid Cap Value VIP	.82%	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.

Portfolio Summary

DWS Dreman Small Mid Cap Value VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	99%	100%
Closed-End Investment Company	1%	—
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/10**	**12/31/09**
Financials	20%	15%
Information Technology	15%	15%
Industrials	15%	16%
Consumer Discretionary	13%	14%
Health Care	9%	9%
Energy	8%	9%
Consumer Staples	7%	8%
Utilities	7%	7%
Materials	6%	6%
Telecommunications Services	—	1%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Dreman Small Mid Cap Value VIP

	Shares	Value ($)
Common Stocks 96.5%		
Consumer Discretionary 12.6%		
Diversified Consumer Services 2.4%		
ITT Educational Services, Inc.* (a)	32,500	2,698,150
Regis Corp. (a)	187,925	2,925,992
		5,624,142
Hotels Restaurants & Leisure 5.0%		
Brinker International, Inc. (a)	192,550	2,784,273
Burger King Holdings, Inc. (a)	173,300	2,918,372
International Speedway Corp. "A" (a)	113,475	2,923,116
LIFE TIME FITNESS, Inc.* (a)	89,475	2,844,411
		11,470,172
Leisure Equipment & Products 1.3%		
Mattel, Inc. (a)	144,975	**3,067,671**
Multiline Retail 1.3%		
Big Lots, Inc.* (a)	91,179	**2,925,934**
Textiles, Apparel & Luxury Goods 2.6%		
Hanesbrands, Inc.*	129,900	3,125,394
Jones Apparel Group, Inc. (a)	181,325	2,874,001
		5,999,395
Consumer Staples 6.6%		
Beverages 1.3%		
Constellation Brands, Inc. "A"* (a)	195,975	**3,061,130**
Food & Staples Retailing 0.4%		
Ruddick Corp.	28,122	**871,501**
Food Products 3.8%		
Del Monte Foods Co. (a)	201,200	2,895,268
Ralcorp Holdings, Inc.* (a)	53,300	2,920,840
Sanderson Farms, Inc. (a)	57,675	2,926,429
		8,742,537
Household Products 1.1%		
Energizer Holdings, Inc.*	50,975	**2,563,023**
Energy 8.1%		
Energy Equipment & Services 4.6%		
Atwood Oceanics, Inc.* (a)	100,950	2,576,244
Cal Dive International, Inc.*	539,300	3,154,905
Superior Energy Services, Inc.* (a)	125,450	2,342,151
Tidewater, Inc. (a)	65,875	2,550,680
		10,623,980
Oil, Gas & Consumable Fuels 3.5%		
Arch Coal, Inc.	123,000	2,436,630
Forest Oil Corp.* (a)	102,800	2,812,608
Newfield Exploration Co.* (a)	59,775	2,920,607
		8,169,845
Financials 18.5%		
Capital Markets 1.4%		
Raymond James Financial, Inc. (a)	129,875	**3,206,614**
Commercial Banks 2.5%		
Bank of Hawaii Corp. (a)	60,100	2,905,835
BOK Financial Corp. (a)	61,025	2,896,857
		5,802,692
Insurance 6.9%		
Allied World Assurance Co. Holdings Ltd.	81,150	3,682,587
Argo Group International Holdings Ltd. (a)	104,813	3,206,230
Axis Capital Holdings Ltd. (a)	104,750	3,113,170
Endurance Specialty Holdings Ltd. (a)	77,525	2,909,513
Platinum Underwriters Holdings Ltd. (a)	85,925	3,118,218
		16,029,718
Real Estate Investment Trusts 7.7%		
CBL & Associates Properties, Inc. (REIT) (a)	225,500	2,805,220
Hospitality Properties Trust (REIT)	131,425	2,773,067
HRPT Properties Trust (REIT)	507,025	3,148,625
Medical Properties Trust, Inc. (REIT) (a)	341,500	3,223,760
MFA Financial, Inc. (REIT) (a)	411,975	3,048,615
Weingarten Realty Investors (REIT) (a)	149,400	2,846,070
		17,845,357
Health Care 9.2%		
Health Care Equipment & Supplies 3.9%		
Beckman Coulter, Inc.	54,425	3,281,283
Inverness Medical Innovations, Inc.* (a)	107,275	2,859,952
Teleflex, Inc. (a)	54,200	2,941,976
		9,083,211
Health Care Providers & Services 2.6%		
Healthspring, Inc.* (a)	208,550	3,234,610
LifePoint Hospitals, Inc.* (a)	88,825	2,789,105
		6,023,715
Life Sciences Tools & Services 1.4%		
Charles River Laboratories International, Inc.* (a)	93,375	**3,194,359**
Pharmaceuticals 1.3%		
Endo Pharmaceuticals Holdings, Inc.* (a)	132,475	**2,890,604**
Industrials 14.6%		
Aerospace & Defense 2.4%		
Alliant Techsystems, Inc.* (a)	43,025	2,670,131
Spirit AeroSystems Holdings, Inc. "A"* (a)	155,000	2,954,300
		5,624,431
Commercial Services & Supplies 2.3%		
Pitney Bowes, Inc. (a)	124,950	2,743,902
The Brink's Co.	129,275	2,460,103
		5,204,005
Construction & Engineering 1.1%		
Tutor Perini Corp.*	155,900	**2,569,232**
Electrical Equipment 2.5%		
GrafTech International Ltd.* (a)	204,475	2,989,424
Hubbell, Inc. "B"	69,050	2,740,595
		5,730,019
Industrial Conglomerates 1.2%		
McDermott International, Inc.*	126,125	**2,731,868**
Machinery 2.5%		
Crane Co. (a)	98,300	2,969,643
Joy Global, Inc.	56,675	2,838,851
		5,808,494
Road & Rail 1.2%		
Genesee & Wyoming, Inc. "A"*	77,000	**2,872,870**
Trading Companies & Distributors 1.4%		
Textainer Group Holdings Ltd. (a)	132,050	**3,187,687**

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

	Shares	Value ($)
Information Technology 14.7%		
Communications Equipment 2.5%		
Arris Group, Inc.* (a)	302,275	3,080,182
CommScope, Inc.*	114,200	2,714,534
		5,794,716
Computers & Peripherals 1.2%		
Synaptics, Inc.* (a)	103,375	**2,842,813**
Electronic Equipment, Instruments & Components 2.3%		
Arrow Electronics, Inc.*	119,375	2,668,031
Jabil Circuit, Inc. (a)	196,500	2,613,450
		5,281,481
Internet Software & Services 1.5%		
VeriSign, Inc.* (a)	132,450	**3,516,548**
IT Services 1.3%		
Amdocs Ltd.*	114,125	**3,064,256**
Semiconductors & Semiconductor Equipment 2.4%		
Microsemi Corp.*	188,600	2,759,218
Teradyne, Inc.* (a)	276,650	2,697,337
		5,456,555
Software 3.5%		
Jack Henry & Associates, Inc. (a)	133,375	3,184,995
Net 1 UEPS Technologies, Inc.*	156,665	2,100,878
Synopsys, Inc.* (a)	138,575	2,892,060
		8,177,933
Materials 5.7%		
Chemicals 2.3%		
CF Industries Holdings, Inc.	34,200	2,169,990
Lubrizol Corp. (a)	37,375	3,001,587
		5,171,577
Containers & Packaging 1.1%		
Owens-Illinois, Inc.*	98,125	**2,595,406**
Metals & Mining 2.3%		
Coeur d'Alene Mines Corp.* (a)	181,550	2,864,859
Reliance Steel & Aluminum Co. (a)	68,800	2,487,120
		5,351,979
Utilities 6.5%		
Electric Utilities 2.6%		
IDACORP, Inc. (a)	86,800	2,887,836
NV Energy, Inc. (a)	270,300	3,192,243
		6,080,079
Gas Utilities 2.7%		
AGL Resources, Inc.	86,100	3,084,103
ONEOK, Inc. (a)	70,775	3,061,019
		6,145,122
Multi-Utilities 1.2%		
Ameren Corp.	121,650	**2,891,620**
Total Common Stocks (Cost $207,489,413)		**223,294,291**

Closed-End Investment Company 1.2%

Apollo Investment Corp. (a) (Cost $3,305,969)	302,775	**2,824,891**

Securities Lending Collateral 47.0%

Daily Assets Fund Institutional, 0.27% (b) (c) (Cost $108,690,920)	108,690,920	**108,690,920**

Cash Equivalents 0.0%

Central Cash Management Fund, 0.21% (b) (Cost $47,185)	47,185	**47,185**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $319,533,487)†	144.7	**334,857,287**
Notes Payable	(0.3)	**(630,000)**
Other Assets and Liabilities, Net	(44.4)	**(102,762,073)**
Net Assets	100.0	**231,465,214**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $320,575,810. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $14,281,477. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $32,147,273 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $17,865,796.*

(a) *All or a portion of these securities were on loan amounting to $103,679,879. In addition, included in other assets and liabilities, net is a pending sale, amounting to $1,601,828, that is, also on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2010 amounted to $105,281,707, which is 45.5% 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.*

REIT: Real Estate Investment Trust

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks (d)	$ 223,294,291	$ —	$ —	$ 223,294,291
Closed-End Investment Company	2,824,891	—	—	2,824,891
Short-Term Investments (d)	108,738,105	—	—	108,738,105
Total	**$ 334,857,287**	**$ —**	**$ —**	**$ 334,857,287**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(d) *See Investment Portfolio for additional detailed categorizations.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $210,795,382) — including $103,679,879 of securities loaned	$ 226,119,182
Investment in Daily Assets Fund Institutional (cost $108,690,920)*	108,690,920
Investment in Central Cash Management Fund (cost $47,185)	47,185
Total investments, at value (cost $319,533,487)	334,857,287
Cash	9,950
Receivable for investments sold	6,254,983
Receivable for Portfolio shares sold	6,653
Dividends receivable	298,249
Interest receivable	23,276
Other assets	1,415
Total assets	341,451,813

Liabilities	
Notes payable	630,000
Payable upon return of securities loaned	108,690,920
Payable for Portfolio shares redeemed	415,017
Accrued management fee	146,868
Accrued expenses and payables	103,794
Total liabilities	109,986,599
Net assets, at value	**$ 231,465,214**

Net Assets Consist of:	
Undistributed net investment income	1,147,774
Net unrealized appreciation (depreciation) on investments	15,323,800
Accumulated net realized gain (loss)	(118,813,088)
Paid-in capital	333,806,728
Net assets, at value	**$ 231,465,214**
Class A	
Net Asset Value, offering and redemption price per share ($209,876,116 ÷ 21,995,061 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 9.54**
Class B	
Net Asset Value, offering and redemption price per share ($21,589,098 ÷ 2,259,867 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 9.55**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income	
Income:	
Dividends	$ 2,255,622
Income distributions — Central Cash Management Fund	7,460
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	177,681
Total Income	2,440,763
Expenses:	
Management fee	840,560
Administration fee	129,599
Custodian fee	7,633
Services to shareholders	3,743
Distribution service fee (Class B)	29,703
Record keeping fees (Class B)	12,140
Professional fees	32,489
Trustees' fees and expenses	6,194
Reports to shareholders	32,262
Interest expense	321
Other	8,510
Total expenses	1,103,154
Net investment income (loss)	**1,337,609**

Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from investments	16,460,505
Change in net unrealized appreciation (depreciation) on investments	(26,789,650)
Net gain (loss)	**(10,329,145)**
Net increase (decrease) in net assets resulting from operations	**$ (8,991,536)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ 1,337,609	$ 4,311,793
Net realized gain (loss)	16,460,505	(70,986,842)
Change in net unrealized appreciation (depreciation)	(26,789,650)	125,626,581
Net increase (decrease) in net assets resulting from operations	(8,991,536)	58,951,532
Distributions to shareholders from:		
Net investment income:		
Class A	(3,068,046)	(4,046,857)
Class B	(217,515)	(395,321)
Total distributions	(3,285,561)	(4,442,178)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	18,434,215	23,798,898
Reinvestment of distributions	3,068,046	4,046,857
Cost of shares redeemed	(35,166,854)	(65,465,868)
Net increase (decrease) in net assets from Class A share transactions	(13,664,593)	(37,620,113)
Class B		
Proceeds from shares sold	1,555,489	3,195,894
Reinvestment of distributions	217,515	395,321
Cost of shares redeemed	(2,618,872)	(9,987,772)
Net increase (decrease) in net assets from Class B share transactions	(845,868)	(6,396,557)
Increase (decrease) in net assets	(26,787,558)	10,492,684
Net assets at beginning of period	258,252,772	247,760,088
Net assets at end of period (including undistributed net investment income of $1,147,774 and $3,095,726, respectively)	**$ 231,465,214**	**$ 258,252,772**

Other Information		
Class A		
Shares outstanding at beginning of period	23,383,684	28,178,465
Shares sold	1,744,982	2,960,168
Shares issued to shareholders in reinvestment of distributions	271,508	624,515
Shares redeemed	(3,405,113)	(8,379,464)
Net increase (decrease) in Class A shares	(1,388,623)	(4,794,781)
Shares outstanding at end of period	**21,995,061**	**23,383,684**
Class B		
Shares outstanding at beginning of period	2,341,698	3,073,371
Shares sold	148,878	387,629
Shares issued to shareholders in reinvestment of distributions	19,215	60,912
Shares redeemed	(249,924)	(1,180,214)
Net increase (decrease) in Class B shares	(81,831)	(731,673)
Shares outstanding at end of period	**2,259,867**	**2,341,698**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$10.04**	**$ 7.93**	**$20.12**	**$22.93**	**$19.98**	**$20.05**
Income (loss) from investment operations:						
Net investment income[b]	.05	.16	.13	.18	.15	.19
Net realized and unrealized gain (loss)	(.41)	2.11	(4.92)	.54	4.69	1.67
Total from investment operations	(.36)	2.27	(4.79)	.72	4.84	1.86
Less distributions from:						
Net investment income	(.14)	(.16)	(.29)	(.23)	(.18)	(.15)
Net realized gains	—	—	(7.11)	(3.30)	(1.71)	(1.78)
Total distributions	(.14)	(.16)	(7.40)	(3.53)	(1.89)	(1.93)
Net asset value, end of period	**$ 9.54**	**$10.04**	**$ 7.93**	**$20.12**	**$22.93**	**$19.98**
Total Return (%)	(3.84)**	29.70	(33.42)[c]	3.06	25.06	10.25
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	210	235	223	468	562	493
Ratio of expenses before expense reductions (%)	.82*	.79	.83	.78	.79	.79
Ratio of expenses after expense reductions (%)	.82*	.79	.82	.78	.79	.79
Ratio of net investment income (%)	1.06*	1.92	1.13	.85	.71	.96
Portfolio turnover rate (%)	21**	72	49	110	52	61

a *For the six months ended June 30, 2010 (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,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$10.03**	**$ 7.92**	**$20.08**	**$22.88**	**$19.93**	**$20.01**
Income (loss) from investment operations:						
Net investment income[b]	.04	.13	.09	.10	.07	.11
Net realized and unrealized gain (loss)	(.42)	2.12	(4.92)	.54	4.67	1.66
Total from investment operations	(.38)	2.25	(4.83)	.64	4.74	1.77
Less distributions from:						
Net investment income	(.10)	(.14)	(.22)	(.14)	(.08)	(.07)
Net realized gains	—	—	(7.11)	(3.30)	(1.71)	(1.78)
Total distributions	(.10)	(.14)	(7.33)	(3.44)	(1.79)	(1.85)
Net asset value, end of period	**$ 9.55**	**$10.03**	**$ 7.92**	**$20.08**	**$22.88**	**$19.93**
Total Return (%)	(3.98)**	29.28	(33.67)[c]	2.67	24.59	9.78
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	22	23	24	34	90	83
Ratio of expenses before expense reductions (%)	1.17*	1.14	1.18	1.16	1.17	1.19
Ratio of expenses after expense reductions (%)	1.17*	1.14	1.17	1.16	1.17	1.19
Ratio of net investment income (%)	.71*	1.57	.78	.47	.33	.56
Portfolio turnover rate (%)	21**	72	49	110	52	61

a *For the six months ended June 30, 2010 (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*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

Multiple Classes of Shares of Beneficial Interest. Certain portfolios of the Trust offer 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 Rule 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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

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 they trade and are classified as Level 1 securities. 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, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

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 income to its shareholders.

At December 31, 2009, the Portfolio 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 Dreman Small Mid Cap Value VIP	40,607,000	12/31/2016
	93,401,000	12/31/2017

In addition, from November 1, 2009 through December 31, 2009, the Portfolio incurred 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, 2010.

Portfolio	
DWS Dreman Small Mid Cap Value VIP	$223,000

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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 income received from 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, 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

Real Estate Investment Trusts. The Portfolio 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 Portfolio distinguishes 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. 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, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Dreman Small Mid Cap Value VIP	52,645,272	73,650,960

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
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%

Dreman Value Management, L.L.C. ("DVM") serves as subadvisor to the Portfolio and is paid by the Advisor for its services.

Accordingly, for the six months ended June 30, 2010, the total management fee and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Annualized Effective Rate
DWS Dreman Small Mid Cap Value VIP	840,560	.65%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Dreman Small Mid Cap Value VIP	129,599	20,506

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Dreman Small Mid Cap Value VIP Class A	346	178
DWS Dreman Small Mid Cap Value VIP Class B	181	92

Distribution Service Agreement. Under the Portfolio's Class B 12b-1 plans, DWS Investments Distributors, Inc. ("DIDI") received a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the six months ended June 30, 2010, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Dreman Small Mid Cap Value VIP	29,703	4,719

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Dreman Small Mid Cap Value VIP	6,225	104

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

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 38%, 26% and 14%. Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 44%, 20% and 11%.

E. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

At June 30, 2010, the Portfolio had a $630,000 outstanding loan. Interest expense incurred on the borrowing was $321 for the six months ended June 30, 2010. The average dollar amount of the borrowings was $1,094,286, the weighted average interest rate on these borrowings was 1.53% and the Portfolio had a loan outstanding for seven days throughout the period.

F. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 Funds are reasonable.

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.

DWS Investments Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 778-1482

VS2DSMC-3 (8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Global Thematic VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

A member of
Deutsche Bank Group

DWS INVESTMENTS
Deutsche Bank Group

Performance Summary

June 30, 2010

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.

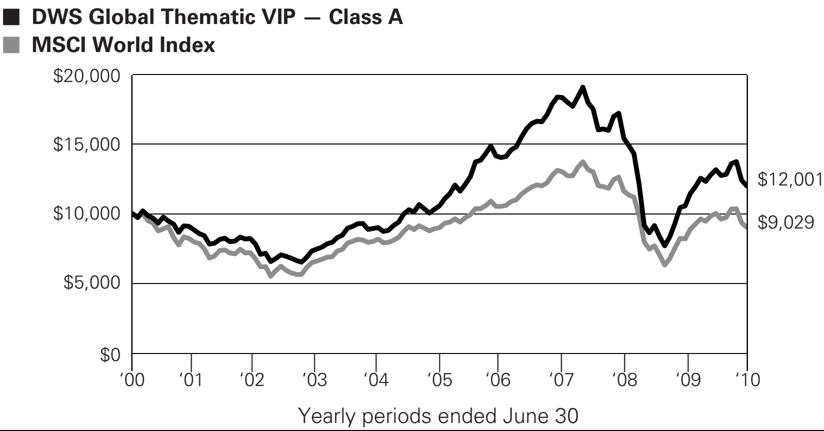
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 1.39% and 1.74% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

Investing in derivatives entails special risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. Investing in foreign securities, particularly those of emerging markets, presents certain risks, such as currency fluctuations, political and economic changes, and market risks. Any decline in value of a portfolio security that is out on loan by the portfolio will adversely affect performance. Financial failure of the borrower may mean a delay in recovery or loss of rights in the collateral. Stocks may decline in value. See the prospectus for details.

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	$9,124	$11,357	$6,547	$11,347	$12,001
	Average annual total return	–8.76%	13.57%	–13.17%	2.56%	1.84%
MSCI World Index	Growth of $10,000	$9,016	$11,020	$6,940	$10,029	$9,029
	Average annual total return	–9.84%	10.20%	–11.46%	.06%	–1.02%

DWS Global Thematic VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$9,106	$11,314	$6,476	$11,135	$15,124
	Average annual total return	–8.94%	13.14%	–13.48%	2.17%	5.31%
MSCI World Index	Growth of $10,000	$9,016	$11,020	$6,940	$10,029	$13,362
	Average annual total return	–9.84%	10.20%	–11.46%	.06%	3.69%

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 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$ 912.40	$ 910.60
Expenses Paid per $1,000*	$ 5.03	$ 6.68

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,019.54	$1,017.80
Expenses Paid per $1,000*	$ 5.31	$ 7.05

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Global Thematic VIP	1.06%	1.41%

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.

Portfolio Summary

DWS Global Thematic VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	6/30/10	12/31/09
Common Stocks	96%	95%
Cash Equivalents	3%	1%
Participatory Notes	1%	2%
Exchange-Traded Funds	—	2%
	100%	100%

Sector Diversification (As a % of Investment Portfolio excluding Exchange-Traded Funds, Cash Equivalents and Securities Lending Collateral)	6/30/10	12/31/09
Financials	22%	23%
Information Technology	15%	11%
Health Care	14%	14%
Industrials	13%	14%
Consumer Staples	9%	11%
Telecommunication Services	9%	6%
Materials	7%	2%
Energy	6%	9%
Consumer Discretionary	3%	8%
Utilities	2%	2%
	100%	100%

Geographical Diversification (As a % of Investment Portfolio excluding Cash Equivalents and Securities Lending Collateral)	6/30/10	12/31/09
United States	42%	44%
Continental Europe	25%	23%
United Kingdom	10%	7%
Asia (excluding Japan)	10%	5%
Latin America	5%	5%
Japan	2%	9%
Africa	2%	2%
Middle East	0%	3%
Bermuda	1%	1%
Other	3%	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 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

Investment Portfolio

June 30, 2010 (Unaudited)

DWS Global Thematic VIP

	Shares	Value ($)
Common Stocks 96.4%		
Austria 3.3%		
Erste Group Bank AG	42,381	1,348,281
Raiffeisen International Bank-Holding AG* (a)	17,134	653,009
(Cost $2,332,642)		**2,001,290**
Bermuda 1.1%		
Lazard Ltd. "A" (Cost $790,370)	24,700	**659,737**
Brazil 3.7%		
Banco Bradesco SA (ADR) (Preferred) (a)	41,600	659,776
BR Properties SA	56,900	405,077
Santos Brasil Participacoes SA (Units)	91,700	762,050
SLC Agricola SA	61,400	455,823
(Cost $2,589,437)		**2,282,726**
Cayman Islands 0.9%		
Herbalife Ltd. (Cost $493,211)	11,600	**534,180**
China 2.2%		
China Metal Recycling Holdings Ltd.	198,600	181,110
China Railway Construction Corp., Ltd. "H"	363,500	454,678
Ping An Insurance (Group) Co. of China Ltd. "H"	56,000	451,427
Renhe Commercial Holdings Co., Ltd.	1,310,000	271,508
(Cost $1,441,826)		**1,358,723**
Egypt 0.6%		
Commercial International Bank Egypt SAE	2,364	27,826
Orascom Telecom Holding SAE (GDR) REG S (b)	70,060	302,579
Orascom Telecom Holding SAE (GDR) REG S (b)	13,400	58,960
(Cost $156,694)		**389,365**
France 1.6%		
Societe Generale (a) (Cost $1,331,146)	24,591	**1,000,330**
Germany 7.0%		
Daimler AG (Registered)*	6,100	308,887
Deutsche Lufthansa AG (Registered)*	38,700	533,240
Deutsche Post AG (Registered)	78,200	1,134,376
Deutsche Telekom AG (Registered)	84,400	994,928
E.ON AG	38,000	1,022,951
Fraport AG	7,700	327,264
(Cost $4,537,569)		**4,321,646**
Greece 0.3%		
Hellenic Exchanges SA (Cost $229,890)	31,200	**164,418**
Hong Kong 1.7%		
China Mobile Ltd. (ADR)	9,400	464,454
China Unicom (Hong Kong) Ltd. (ADR) (a) (c)	16,700	222,110
Cosco Pacific Ltd.	269,800	319,909
Yingde Gases* (c)	69,500	68,559
(Cost $1,086,033)		**1,075,032**

	Shares	Value ($)
India 1.3%		
Bank of Baroda	2,829	42,528
Bank of India	10,196	75,962
Deccan Chronicle Holdings Ltd.	66,993	175,859
Hindustan Unilever Ltd.	59,900	345,131
Union Bank of India Ltd.	20,105	131,912
(Cost $797,687)		**771,392**
Indonesia 1.6%		
PT Semen Gresik (Persero) Tbk	745,700	713,153
PT Telekomunikasi Indonesia Tbk (ADR)	7,700	263,571
(Cost $846,515)		**976,724**
Ireland 0.1%		
Irish Life & Permanent Group Holdings PLC* (Cost $138,432)	35,830	**65,702**
Israel 0.3%		
NICE Systems Ltd. (ADR)* (Cost $228,826)	8,100	**206,469**
Italy 1.7%		
Parmalat SpA	176,814	410,748
UniCredit SpA	284,300	631,062
(Cost $1,199,057)		**1,041,810**
Japan 2.4%		
Fujitsu Ltd.	74,000	464,898
Hitachi Ltd.*	87,000	315,504
Mitsubishi UFJ Financial Group, Inc.	54,300	246,151
Sumitomo Mitsui Financial Group, Inc.	15,000	423,460
(Cost $1,440,660)		**1,450,013**
Kazakhstan 0.5%		
Kazakhstan Kagazy PLC (GDR) 144A*	181,200	34,428
KazMunaiGas Exploration Production (GDR)	15,750	292,950
(Cost $1,297,986)		**327,378**
Korea 1.9%		
KT&G Corp.	16,748	823,492
SK Telecom Co., Ltd.	2,320	303,856
SK Telecom Co., Ltd. (ADR)	4,000	58,920
(Cost $1,365,934)		**1,186,268**
Luxembourg 0.5%		
ArcelorMittal (Cost $321,610)	12,222	**325,057**
Malaysia 0.4%		
Axiata Group Bhd.* (Cost $213,918)	185,200	**222,706**
Mexico 0.3%		
Banco Compartamos SA de CV	200	1,040
Grupo Financiero Banorte SAB de CV "O"	55,400	209,896
(Cost $204,005)		**210,936**
Netherlands 1.7%		
QIAGEN NV* (a)	29,400	569,523
VimpelCom Ltd. (ADR)* (d)	31,274	506,013
(Cost $953,757)		**1,075,536**
Panama 0.9%		
Copa Holdings SA "A" (Cost $560,938)	12,650	**559,383**

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

	Shares	Value ($)
Russia 0.2%		
Far Eastern Shipping Co.* (Cost $362,397)	335,553	**130,530**
Singapore 0.1%		
Food Empire Holdings Ltd. (Cost $55,362)	115,000	**28,501**
South Africa 2.1%		
MTN Group Ltd.	73,600	964,859
Murray & Roberts Holdings Ltd.	67,115	337,671
(Cost $1,514,810)		**1,302,530**
Sweden 1.6%		
Telefonaktiebolaget LM Ericsson "B" (Cost $925,650)	88,900	**989,794**
Switzerland 5.0%		
Givaudan SA (Registered)	338	285,693
Julius Baer Group Ltd.	27,939	795,446
Nestle SA (Registered)	8,650	417,362
Roche Holding AG (Genusschein)	7,062	969,779
UBS AG (Registered)* (a)	48,600	642,492
(Cost $3,263,170)		**3,110,772**
Thailand 1.2%		
Bangkok Bank PCL (Foreign Registered)	98,700	385,341
Kasikornbank PCL (Foreign Registered)	91,400	265,455
Seamico Securities PCL (Foreign Registered)	1,403,300	78,419
(Cost $694,434)		**729,215**
United Kingdom 9.1%		
Aberdeen Asset Management PLC	39,048	74,746
Anglo American PLC*	26,980	937,923
BAE Systems PLC	136,890	635,949
Barratt Developments PLC*	335,611	463,778
Diageo PLC	35,178	551,207
G4S PLC	132,974	526,899
GlaxoSmithKline PLC	35,132	595,388
Imperial Tobacco Group PLC	30,175	841,348
Vodafone Group PLC	471,638	977,338
(Cost $5,762,973)		**5,604,576**
United States 41.1%		
Abbott Laboratories	13,700	640,886
Aecom Technology Corp.*	21,800	502,708
Air Products & Chemicals, Inc.	6,300	408,303
Apache Corp.	2,900	244,151
Archer-Daniels-Midland Co.	12,800	330,496
Bank of America Corp.	31,900	458,403
Cisco Systems, Inc.*	32,300	688,313
Citigroup, Inc.*	89,500	336,520
ConocoPhillips	6,800	333,812
Devon Energy Corp.	5,200	316,784
EMC Corp.*	10,800	197,640
Emdeon, Inc. "A"*	4,700	58,891
ExxonMobil Corp.	33,900	1,934,673
FTI Consulting, Inc.*	13,400	584,106
General Dynamics Corp.	11,500	673,440
General Electric Co.	38,900	560,938
Google, Inc. "A"*	800	355,960
Harris Corp.	10,800	449,820
Hewlett-Packard Co.	42,100	1,822,088
Intel Corp.	57,100	1,110,595
International Business Machines Corp.	2,225	274,743
JPMorgan Chase & Co.	13,500	494,235
Kinetic Concepts, Inc.*	12,100	441,771
Laboratory Corp. of America Holdings*	15,700	1,182,995
Lear Corp.*	6,600	436,920
Life Technologies Corp.*	23,100	1,091,475
MasterCard, Inc. "A"	4,825	962,732
McAfee, Inc.*	18,900	580,608
McDonald's Corp.	11,100	731,157
Medco Health Solutions, Inc.*	15,600	859,248
Morgan Stanley	22,400	519,904
Owens-Illinois, Inc.*	11,600	306,820
Pfizer, Inc.	139,175	1,984,636
Rock-Tenn Co. "A"	9,900	491,733
SAIC, Inc.*	15,000	251,100
Schweitzer-Mauduit International, Inc.	11,100	559,995
The NASDAQ OMX Group, Inc.*	36,700	652,526
Wal-Mart Stores, Inc.	17,200	826,804
Williams Companies, Inc.	16,300	297,964
World Fuel Services Corp.	15,400	399,477
(Cost $26,125,114)		**25,355,370**
Total Common Stocks (Cost $63,262,053)		**59,458,109**

Participatory Notes 1.4%

	Shares	Value ($)
Jordan 0.3%		
Arab Bank PLC (issuer HSBC Bank PLC), Expiration Date 4/12/2013* (Cost $183,115)	11,500	**173,374**
Nigeria 0.6%		
First Bank of Nigeria (issuer HSBC Bank PLC), 144A, Expiration Date 11/15/2010*	2,587,600	225,639
Guaranty Trust Bank PLC (issuer Morgan Stanley BV), Expiration Date 3/18/2011*	1,161,900	129,143
Zenith Bank Ltd. (issuer Morgan Stanley BV), Expiration Date 3/18/2011*	695,800	64,099
(Cost $490,853)		**418,881**
Pakistan 0.5%		
National Bank of Pakistan (issuer Merrill Lynch International & Co.), Expiration Date 2/25/2015 (Cost $345,734)	397,050	**297,584**
Total Participatory Notes (Cost $1,019,702)		**889,839**

Securities Lending Collateral 3.9%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.27% (e) (f) (Cost $2,397,688)	2,397,688	**2,397,688**

Cash Equivalents 2.5%

	Shares	Value ($)
Central Cash Management Fund, 0.21% (e) (Cost $1,554,175)	1,554,175	**1,554,175**

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

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $68,233,618)†	104.2	**64,299,811**
Other Assets and Liabilities, Net	(4.2)	**(2,589,745)**
Net Assets	100.0	**61,710,066**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $68,885,157. At June 30, 2010, net unrealized depreciation for all securities based on tax cost was $4,585,346. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $2,694,609 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $7,279,955.*

(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, 2010 amounted to $2,274,443, which is 3.7% of net assets.*

(b) *Securities with the same description are the same corporate entity but trade on different stock exchanges.*

(c) *Security is listed in country of domicile. Significant business activities of company are in China.*

(d) *Security is listed in country of domicile. Significant business activities of company are in Eastern Europe and South Asia.*

(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. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR: American Depositary Receipt

GDR: Global Depositary Receipt

REG S: Securities sold under Regulation S may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks				
Austria	$ —	$ 2,001,290	$ —	$ 2,001,290
Bermuda	659,737	—	—	659,737
Brazil	2,282,726	—	—	2,282,726
Cayman Islands	534,180	—	—	534,180
China	—	907,296	451,427	1,358,723
Egypt	58,960	330,405	—	389,365
France	—	1,000,330	—	1,000,330
Germany	—	4,321,646	—	4,321,646
Greece	—	164,418	—	164,418
Hong Kong	686,564	388,468	—	1,075,032
India	—	771,392	—	771,392
Indonesia	263,571	713,153	—	976,724
Ireland	—	65,702	—	65,702
Israel	206,469	—	—	206,469
Italy	—	1,041,810	—	1,041,810
Japan	—	1,450,013	—	1,450,013
Kazakhstan	—	327,378	—	327,378
Korea	58,920	1,127,348	—	1,186,268
Luxembourg	—	325,057	—	325,057
Malaysia	—	222,706	—	222,706
Mexico	210,936	—	—	210,936
Netherlands	506,013	569,523	—	1,075,536
Panama	559,383	—	—	559,383
Russia	—	130,530	—	130,530
Singapore	—	28,501	—	28,501
South Africa	—	1,302,530	—	1,302,530
Sweden	—	989,794	—	989,794

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

Assets	Level 1	Level 2	Level 3	Total
Switzerland	642,492	2,468,280	—	3,110,772
Thailand	—	729,215	—	729,215
United Kingdom	—	5,604,576	—	5,604,576
United States	25,355,370	—	—	25,355,370
Participatory Notes (g)	—	889,839	—	889,839
Short-Term Investments (g)	3,951,863	—	—	3,951,863
Total	**$ 35,977,184**	**$ 27,871,200**	**$ 451,427**	**$ 64,299,811**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(g) *See Investment Portfolio for additional detailed categorizations.*

Level 3 Reconciliation

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining value:

	Common Stocks
	China
Balance as of December 31, 2009	$ —
Realized gains (loss)	—
Change in unrealized appreciation (depreciation)	9,183
Amortization premium/discount	—
Net purchases (sales)	—
Transfers into Level 3	442,244 (h)
Transfers (out) of Level 3	—
Balance as of June 30, 2010	**$ 451,427**
Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2010	**$ 9,183**

Transfers between price levels are recognized at the beginning of the reporting period.

(h) *The investment was transferred from Level 2 to Level 3 as a result of trading suspension on a securities exchange.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $64,281,755) — including $2,274,443 of securities loaned	$	60,347,948
Investment in Daily Assets Fund Institutional (cost $2,397,688)*		2,397,688
Investment in Central Cash Management Fund (cost $1,554,175)		1,554,175
Total investments, at value (cost $68,233,618)		64,299,811
Foreign currency, at value (cost $46,853)		46,953
Receivable for investments sold		65,074
Receivable for Portfolio shares sold		1,223
Dividends receivable		109,097
Interest receivable		1,699
Foreign taxes recoverable		32,177
Other assets		208
Total assets		64,556,242
Liabilities		
Payable for investments purchased		269,719
Payable for Portfolio shares redeemed		39,956
Payable upon return of securities loaned		2,397,688
Accrued management fee		64,109
Accrued expenses and payables		74,704
Total liabilities		2,846,176
Net assets, at value	**$**	**61,710,066**
Net Assets Consist of		
Undistributed net investment income		385,355
Net unrealized appreciation (depreciation) on:		
Investments		(3,933,807)
Foreign currency		1,117
Accumulated net realized gain (loss)		(57,683,326)
Paid-in capital		122,940,727
Net assets, at value	**$**	**61,710,066**
Class A		
Net Asset Value, offering and redemption price per share ($57,606,339 ÷ 7,730,967 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**7.45**
Class B		
Net Asset Value, offering and redemption price per share ($4,103,727÷ 549,168 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**7.47**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $51,474)	$	786,505
Income distributions — Central Cash Management Fund		1,194
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		14,963
Total Income		802,662
Expenses:		
Management fee		315,550
Administration fee		34,486
Services to shareholders		1,899
Custodian fee and other		48,745
Distribution service fee (Class B)		5,909
Record keeping fees (Class B)		2,340
Legal fees		4,392
Audit and tax fees		30,211
Trustees' fees and expenses		3,097
Report to shareholders		6,908
Total expenses before expense reductions		453,537
Expense reductions		(79,500)
Total expenses after expense reductions		374,037
Net investment income (loss)		**428,625**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments (including foreign taxes of $10,966)		3,266,207
Foreign currency		(67,224)
		3,198,983
Change in net unrealized appreciation (depreciation) on:		
Investments (net of foreign tax credit of $11,154)		(9,654,395)
Foreign currency		802
		(9,653,593)
Net gain (loss)		**(6,454,610)**
Net increase (decrease) in net assets resulting from operations	**$**	**(6,025,985)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ 428,625	$ 748,747
Net realized gain (loss)	3,198,983	(3,218,906)
Change in net unrealized appreciation (depreciation)	(9,653,593)	24,610,274
Net increase (decrease) in net assets resulting from operations	(6,025,985)	22,140,115
Distributions to shareholders from:		
Net investment income:		
Class A	(621,927)	(911,359)
Class B	(28,358)	(54,811)
Total distributions	(650,285)	(966,170)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	3,104,393	5,051,406
Reinvestment of distributions	621,927	911,359
Cost of shares redeemed	(5,963,549)	(18,301,405)
Net increase (decrease) in net assets from Class A share transactions	(2,237,229)	(12,338,640)
Class B		
Proceeds from shares sold	167,180	438,509
Reinvestment of distributions	28,358	54,811
Cost of shares redeemed	(745,620)	(1,021,786)
Net increase (decrease) in net assets from Class B share transactions	(550,082)	(528,466)
Increase (decrease) in net assets	(9,463,581)	8,306,839
Net assets at beginning of period	71,173,647	62,866,808
Net assets at end of period (including undistributed net investment income of $385,355 and $607,015, respectively)	**$ 61,710,066**	**$ 71,173,647**

Other Information		
Class A		
Shares outstanding at beginning of period	8,018,621	10,056,541
Shares sold	372,980	725,805
Shares issued to shareholders in reinvestment of distributions	72,065	174,256
Shares redeemed	(732,699)	(2,937,981)
Net increase (decrease) in Class A shares	(287,654)	(2,037,920)
Shares outstanding at end of period	**7,730,967**	**8,018,621**
Class B		
Shares outstanding at beginning of period	617,302	702,064
Shares sold	19,971	66,888
Shares issued to shareholders in reinvestment of distributions	3,275	10,440
Shares redeemed	(91,380)	(162,090)
Net increase (decrease) in Class B shares	(68,134)	(84,762)
Shares outstanding at end of period	**549,168**	**617,302**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.24**	**$ 5.84**	**$15.66**	**$17.39**	**$14.44**	**$11.78**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.05	.08	.11	.14	.15[d]	.12
Net realized and unrealized gain (loss)	(.76)	2.42	(5.83)	.88	4.02	2.58
Total from investment operations	(.71)	2.50	(5.72)	1.02	4.17	2.70
Less distributions from:						
Net investment income	(.08)	(.10)	(.19)	(.11)	(.09)	(.04)
Net realized gains	—	—	(3.91)	(2.64)	(1.13)	—
Total distributions	(.08)	(.10)	(4.10)	(2.75)	(1.22)	(.04)
Net asset value, end of period	**$ 7.45**	**$ 8.24**	**$ 5.84**	**$15.66**	**$17.39**	**$14.44**
Total Return (%)[c]	(8.76)**	43.82	(47.75)	6.29	30.14[d]	22.94
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	58	66	59	151	143	85
Ratio of expenses before expense reductions (%)	1.29*	1.38	1.47	1.44	1.38	1.41
Ratio of expenses after expense reductions (%)	1.06*	1.04	1.09	1.11	1.04	1.28
Ratio of net investment income (%)	1.27*	1.23	1.09	.82	.92[d]	.98
Portfolio turnover rate (%)	95**	190	229	191	136	95

a *For the six months ended June 30, 2010 (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,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 8.25**	**$ 5.85**	**$15.66**	**$17.38**	**$14.43**	**$11.78**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.04	.06	.07	.07	.09[d]	.07
Net realized and unrealized gain (loss)	(.77)	2.42	(5.83)	.90	4.02	2.58
Total from investment operations	(.73)	2.48	(5.76)	.97	4.11	2.65
Less distributions from:						
Net investment income	(.05)	(.08)	(.14)	(.05)	(.03)	—
Net realized gains	—	—	(3.91)	(2.64)	(1.13)	—
Total distributions	(.05)	(.08)	(4.05)	(2.69)	(1.16)	—
Net asset value, end of period	**$ 7.47**	**$ 8.25**	**$ 5.85**	**$15.66**	**$17.38**	**$14.43**
Total Return (%)[c]	(8.94)**	43.23	(47.87)	5.84	29.65[d]	22.50
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	4	5	4	10	25	20
Ratio of expenses before expense reductions (%)	1.64*	1.73	1.82	1.81	1.76	1.79
Ratio of expenses after expense reductions (%)	1.41*	1.39	1.45	1.47	1.43	1.65
Ratio of net investment income (%)	.92*	.88	.73	.46	.53[d]	.61
Portfolio turnover rate (%)	95**	190	229	191	136	95

a *For the six months ended June 30, 2010 (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*

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

Multiple Classes of Shares of Beneficial Interest. Certain portfolios of the Trust offer 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 Rule 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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

Equity securities and exchange traded funds ("ETFs") 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 they trade and are classified as Level 1 securities. Securities or ETFs 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. For certain 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, a fair valuation model may be used. This fair valuation model takes into account comparisons to the valuation of American Depository Receipts (ADRs), exchange-traded funds, futures contracts and certain indices and these securities are classified as Level 2.

Exchange-traded options are 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 or asked price are available. Exchange-traded options are classified as Level 1. Over-the-counter written or purchased options are valued based upon a price supplied by a Board approved pricing vendor, if available, and otherwise are valued at the price provided by the broker-dealer with which the option was traded. Over-the-counter options are generally classified as Level 2.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

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.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Derivatives. Authoritative accounting guidance requires that disclosures about the Portfolio's derivative and hedging activities and derivatives accounted for as hedging instruments must be disclosed separately from derivatives that do not qualify for hedge accounting. Because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings, the Portfolio's derivatives are not accounted for as hedging instruments. As such, even though the Portfolio may use derivatives in an attempt to achieve an economic hedge, the Portfolio's derivatives are not considered to be hedging instruments. The disclosure below is presented in accordance with authoritative accounting guidance.

Options. An option contract is a contract in which the writer (seller) of the option grants the buyer of the option, upon payment of a premium, 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 and interest rate options, will require cash settlement by the Portfolio if the option is exercised. The Portfolio enters into option contracts in order 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, exercised 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.

There are no open option contracts as of June 30, 2010 for the Portfolio. During the six months ended June 30, 2010, the Portfolio invested in purchased option contracts with a total value generally indicative of a range from $0 to approximately $1,000.The following tables summarize the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the six months ended June 30, 2010 and the related location in the accompanying Statement of Operations, presented by primary underlying risk exposure:

Realized Gain (Loss)	Purchased Options
Equity Contracts (a)	$ (212,772)

The above derivative is located in the following Statement of Operations account:

(a) *Net realized gain (loss) from investments (includes purchased options)*

Change in Net Unrealized Appreciation (Depreciation)	Purchased Options
Equity Contracts (a)	$ 212,262

The above derivative is located in the following Statement of Operations account:

(a) *Change in net unrealized appreciation (depreciation) on investments (includes purchased options)*

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 income to its shareholders.

Additionally, based on the Portfolio's understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which it invests, the Portfolio will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2009, the Portfolio 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 Global Thematic VIP	42,028,000	12/31/2016
	17,928,000	12/31/2017

In addition, from November 1, 2009 through December 31, 2009, the Portfolio incurred 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, 2010.

Portfolio	
DWS Global Thematic VIP	$ 275,000

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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 investments in foreign denominated investments, income received from Passive Foreign Investment Companies 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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.

B. Purchases and Sales of Securities

During the six months ended June 30, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Global Thematic VIP	63,986,640	66,918,814

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
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%

Effective July 1, 2010, Global Thematic Partners, LLC ("GTP") acts as investment sub-advisor to the Portfolio. On July 1, 2010, members of the Advisor's Global Equity Team, including members of the portfolio management team, separated from the Advisor and formed GTP as a separate investment advisory firm unaffiliated with the Advisor (the "Separation"). In order for the Portfolio to continue to access the investment expertise offered by members of the Global Equity Team following the Separation, the Advisor recommended that the Portfolio's Board approve a sub-advisory agreement between the Advisor and GTP. On May 4, 2010, following a review of Global Thematic Partners' capabilities and the terms of the Separation and the Sub-Advisory Agreement, the Portfolio's Board approved the Sub-Advisory Agreement. This action was taken pursuant to an order the Portfolio and the Advisor requested and received from the Securities and Exchange Commission that permits the Advisor, with the approval of the Portfolio's Board, to appoint sub-advisors that are not affiliated with the Advisor to manage all or a portion of the Portfolio's assets without the need for a shareholder meeting or vote. As an investment sub-advisor to the Portfolio, GTP makes investment decisions and buys and sells securities for the Portfolio. GTP is paid by the Advisor, not the Portfolio, for the services GTP provides to the Portfolio.

For the period from January 1, 2010 through September 30, 2010, the Advisor has contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of each class as follows:

Portfolio	Annual Rate
DWS Global Thematic VIP	
Class A	1.06%
Class B	1.46%

Accordingly, for the six months ended June 30, 2010, the total management fee, management fee waived and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Global Thematic VIP	315,550	79,319	.68%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Global Thematic VIP	34,486	5,316

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Unpaid at June 30, 2010 ($)
DWS Global Thematic VIP Class A	181	181	—
DWS Global Thematic VIP Class B	37	—	8

Distribution Service Agreement. Under the Portfolio's Class B 12b-1 plans, DWS Investments Distributors, Inc. ("DIDI") received a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the six months ended June 30, 2010, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Global Thematic VIP	5,909	883

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Global Thematic VIP	6,908	1,581

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in developed markets. These risks include revaluation of currencies, high rates of inflation or deflation, 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 that are more volatile or less easily assessed than those of comparable securities of issuers in developed markets.

E. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

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 58% and 33%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 98%.

F. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

G. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Portfolio Management Team Update

The current portfolio management team is as follows:

Global Thematic Partners, LLC, Subadvisor to the Portfolio (effective July 1, 2010)

Oliver Katz
Lead Portfolio Manager

New Sub-Advisory Agreement Approval

The Board of Trustees, including the Independent Trustees, unanimously approved the New Sub-Advisory Agreement (the "New Agreement") between Deutsche Investment Management Americas Inc. ("DWS") and Global Thematic Partners, LLC ("Global Thematic Partners") in May 2010.

In terms of the process that the Board followed prior to approving the New Agreement, shareholders should know that:

- In May 2010, all but one of the Fund's Trustees were independent of DWS and its affiliates.
- The Board engaged in a comprehensive review of the operational, financial and investment capabilities of Global Thematic Partners and the terms of the proposed Separation. As part of this review, the Board also reviewed and considered the terms of the New Agreement.
- To facilitate its review, the Board created several ad hoc subcommittees, each focused on different aspects of the Board's consideration of the Separation, and each comprised solely of Independent Trustees.
- The Board and its subcommittees conducted numerous meetings between January 2010 and May 2010 to review and discuss the Separation, including the New Agreement, and were assisted in this review by their independent legal counsel and fund counsel.
- In the course of its review, the Board requested and received substantial additional information.
- As part of its review process, the Board and its subcommittees met with various representatives of DWS and Global Thematic Partners, including key investment personnel and other members of senior management.
- The Board requested and evaluated all information that it deemed reasonably necessary to evaluate the New Agreement.

In connection with the approval of the New Agreement, the Board considered the factors described below, among others.

Continuity of Investment Management Services. In reviewing the New Agreement, the Board considered that it had renewed the investment management agreement between DWS and the Fund as part of the annual contract renewal process (the "Annual Review") in September 2009, at which time it had determined that such renewal was in the best interests of the Fund, given the nature, quality and extent of services provided by DWS (among other considerations). In considering the New Agreement, the Board noted that in light of the transition of the group within DWS responsible for day-to-day portfolio management of the Fund to a separate, unaffiliated firm (i.e., Global Thematic Partners), it was necessary to approve a sub-advisory agreement between DWS and Global Thematic Partners to secure continued access to these same personnel and services. The Board also considered that, despite the change in corporate identity of the portfolio management services provider and the fact that it would no longer be affiliated with DWS, the nature, quality and extent of services provided to the Fund are not expected to change under the New Agreement.

Fees and Expenses. The Board noted that it had concluded during the Annual Review that the overall investment management fees paid by the Fund are reasonable and appropriate in light of the nature, quality and extent of services provided. The Board considered that, under the New Agreement, Global Thematic Partners' sub-advisory fee would be paid by DWS out of its management fee and not directly by the Fund, and therefore there would be no change in the Fund's overall investment management fees under the New Agreement.

Profitability. The Board noted that it had considered the profitability of DWS during the Annual Review. The Board did not consider the profitability of Global Thematic Partners to be a material factor. In particular, the Board noted that Global Thematic Partners has not yet commenced operations, and that any projections of profitability are likely to be of limited value. The Board also noted that DWS would pay Global Thematic Partners' sub-advisory fee out of its management fee, and further noted that the sub-advisory fee arrangement with respect to the Fund was the product of an arm's length negotiation.

Other Benefits to Global Thematic Partners. The Board noted that it had considered fallout benefits to DWS during the Annual Review in its determination that management fees paid were reasonable. The Board also considered the character and amount of incidental benefits expected to be realized by Global Thematic Partners in light of the New Agreement, including the incidental public relations benefits to Global Thematic Partners related to DWS US mutual funds advertising and cross-selling opportunities among DWS products and services. The Board noted that Global Thematic Partners did not propose to implement a "soft dollar" program. The Board reaffirmed its determination from the Annual Review process that management fees paid were reasonable in light of fallout benefits to its investment advisory service providers.

Compliance. The Board considered Global Thematic Partners' proposed compliance program and resources. The Board also considered that DWS would oversee Global Thematic Partners' compliance program and its compliance with applicable Fund policies and procedures, and considered the attention and resources DWS would dedicate to that oversight. The Board also noted that it had considered DWS's compliance monitoring capabilities in connection with the Annual Review, at which time it had noted (i) the experience and seniority of both DWS's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the terms of the New Agreement are fair and reasonable and that the approval of the New Agreement is in the best interests of the Fund. In reaching this conclusion, the Board did not give particular weight to any single factor identified above. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the New Agreement.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 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.

DWS Investments Distributors, Inc.
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Chicago, IL 60606
(800) 778-1482

VS2GT-3 (8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Government & Agency Securities VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

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Performance Summary

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.

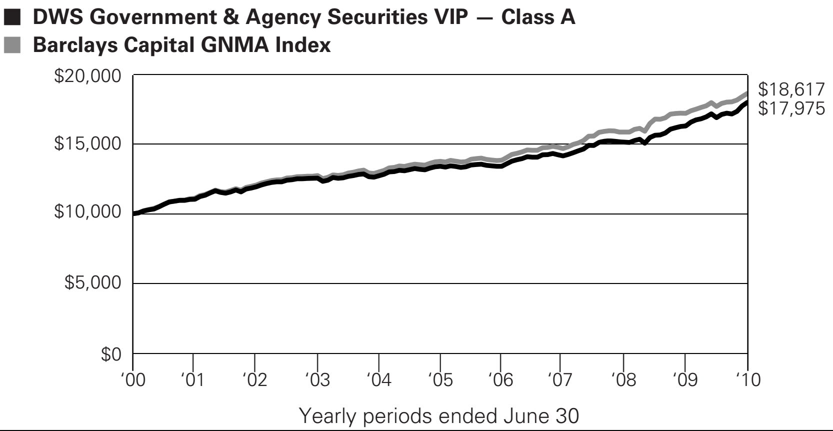
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 0.58% and 0.92% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

Bond investments are subject to interest-rate and credit risks. When interest rates rise, bond prices generally fall. Credit risk refers to the ability of an issuer to make timely payments of principal and interest. In the current market environment, mortgage backed securities are experiencing increased volatility. The "full faith and credit" guarantee of the US government applies to the timely repayment of interest, and does not eliminate market risk. See the prospectus for details.

Portfolio returns shown for the 3-year, 5-year, and 10-year/Life of Class 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 Barclays Capital 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	$10,645	$11,033	$12,709	$13,422	$17,975
	Average annual total return	6.45%	10.33%	8.32%	6.06%	6.04%
Barclays Capital GNMA Index	Growth of $10,000	$10,526	$10,828	$12,688	$13,534	$18,617
	Average annual total return	5.26%	8.28%	8.26%	6.24%	6.41%

DWS Government & Agency Securities VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$10,632	$10,994	$12,568	$13,176	$14,622
	Average annual total return	6.32%	9.94%	7.92%	5.67%	4.87%
Barclays Capital GNMA Index	Growth of $10,000	$10,526	$10,828	$12,688	$13,534	$15,448
	Average annual total return	5.26%	8.28%	8.26%	6.24%	5.59%

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. 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,064.50	$1,063.20
Expenses Paid per $1,000*	$ 3.38	$ 5.17

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,021.52	$1,019.79
Expenses Paid per $1,000*	$ 3.31	$ 5.06

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Government & Agency Securities VIP	.66%	1.01%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

Portfolio Summary

DWS Government & Agency Securities VIP

Asset Allocation (As a % of Investment Portfolio)	**6/30/10**	**12/31/09**
Mortgage-Backed Securities Pass-Throughs	69%	70%
Government & Agency Obligations	16%	10%
Collateralized Mortgage Obligation	15%	16%
Cash Equivalents	0%	4%
	100%	100%

Quality	**6/30/10**	**12/31/09**
US Government and Agencies	98%	96%
AAA*	2%	4%
	100%	100%

* *Includes cash equivalents.*

Interest Rate Sensitivity	**6/30/10**	**12/31/09**
Effective Maturity	5.0 years	5.7 years
Effective Duration	2.4 years	4.6 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. Credit quality ratings are subject to change.

Effective maturity is the weighted average of the bonds held by the Portfolio taking into consideration any maturity shortening features.

Effective duration is the measurable change in the value of a security in response to a change in interest rates.

For more complete details about the Portfolio's investment portfolio, see page 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Government & Agency Securities VIP

	Principal Amount ($)	Value ($)
Mortgage-Backed Securities Pass-Throughs 82.9%		
Federal Home Loan Mortgage Corp.:		
4.5%, 5/1/2019	31,596	33,660
5.5%, with various maturities from 2/1/2017 until 7/1/2035 (a)	18,023,961	19,340,711
7.0%, with various maturities from 6/1/2032 until 8/1/2035	263,496	287,495
8.5%, 7/1/2030	1,798	2,077
Federal National Mortgage Association:		
5.0%, with various maturities from 10/1/2033 until 1/1/2036 (a)	1,073,585	1,139,272
5.5%, 4/1/2035 (a)	7,000,000	7,514,063
7.0%, 9/1/2013	231	244
8.0%, 12/1/2024	9,332	10,573
Government National Mortgage Association:		
4.5%, 5/1/2039 (a)	2,000,000	2,083,281
5.0%, with various maturities from 12/15/2032 until 6/15/2040 (a)	28,818,130	31,004,200
5.5%, with various maturities from 10/15/2032 until 3/20/2040 (a)	32,295,199	35,076,376
6.0%, with various maturities from 4/15/2013 until 7/20/2039	32,701,064	36,051,960
6.5%, with various maturities from 3/15/2014 until 2/15/2039	5,758,159	6,304,778
7.0%, with various maturities from 10/15/2026 until 2/20/2039	5,394,770	5,961,163
7.5%, with various maturities from 4/15/2026 until 1/15/2037	1,376,768	1,569,353
9.5%, with various maturities from 7/15/2016 until 12/15/2022	44,017	49,491
10.0%, with various maturities from 2/15/2016 until 3/15/2016	11,377	12,906
Total Mortgage-Backed Securities Pass-Throughs (Cost $138,399,143)		**146,441,603**
Collateralized Mortgage Obligations 17.3%		
Fannie Mae Benchmark Remic, "ZA", Series 2007-B2, 5.5%, 6/25/2037	1,658,093	1,857,416
Federal Home Loan Mortgage Corp.:		
"OA", Series 3179, Principal Only, Zero Coupon, 7/15/2036	1,002,520	898,290
"FO", Series 2418, 1.25%*, 2/15/2032	577,198	586,907
"FA", Series 2419, 1.35%*, 2/15/2032	521,781	531,236
"FA", Series 2436, 1.35%*, 3/15/2032	548,552	558,051
"NI", Series 3657, Interest Only, 4.5%, 8/15/2027	2,751,869	336,206
"ZK", Series 3382, 5.0%, 7/15/2037	1,137,574	1,252,391
"ST", Series 2411, Interest Only, 8.4%**, 6/15/2021	2,753,813	382,125
Federal National Mortgage Association:		
"FA", Series G92-53, 1.125%*, 9/25/2022	1,422,941	1,440,803
"OF", Series 2001-60, 1.297%*, 10/25/2031	250,774	254,995

	Principal Amount ($)	Value ($)
"FB", Series 2002-30, 1.347%*, 8/25/2031	557,318	567,933
"FG", Series 2002-66, 1.347%*, 9/25/2032	858,380	873,995
"25", Series 351, Interest Only, 4.5%, 5/1/2019	598,957	62,447
"HI", Series 2009-77, Interest Only, 4.5%, 9/25/2027	2,597,168	333,160
"ZA", Series 2008-29, 4.5%, 4/25/2038	829,758	865,691
"20", Series 334, Interest Only, 5.0%, 3/1/2018	442,307	46,490
"21", Series 334, Interest Only, 5.0%, 3/1/2018	291,490	29,560
"23", Series 339, Interest Only, 5.0%, 7/1/2018	614,694	62,796
"ZA", Series 2008-24, 5.0%, 4/25/2038	587,381	652,329
"BP", Series 2005-96, 5.9%, 2/25/2015	1,668,973	1,691,839
"SA", Series G92-57, IOette, 81.6%**, 10/25/2022	76,251	149,254
Government National Mortgage Association:		
"FB", Series 2001-28, 0.85%*, 6/16/2031	533,866	537,839
"HI", Series 2010-H06, Interest Only, 1.133%**, 4/20/2060	1,008,010	51,711
"BI", Series 2010-H01, Interest Only, 1.576%**, 1/20/2060	1,993,435	153,295
"FI", Series 2009-H01, Interest Only, 1.703%**, 11/20/2059	2,003,713	155,288
"JY", Series 2010-20, 4.0%, 12/20/2033	1,751,155	1,759,133
"VB", Series 2010-26, 5.0%, 1/20/2024	600,000	662,316
"KE", Series 2004-19, 5.0%, 3/16/2034	500,000	549,954
"ZM", Series 2004-24, 5.0%, 4/20/2034	2,040,424	2,245,278
"Z", Series 2004-61, 5.0%, 8/16/2034	1,003,384	1,118,052
"LE", Series 2004-87, 5.0%, 10/20/2034	1,000,000	1,080,722
"ZB", Series 2005-15, 5.0%, 2/16/2035	1,435,370	1,583,923
"GZ", Series 2005-24, 5.0%, 3/20/2035	435,322	476,583
"ZA", Series 2005-75, 5.0%, 10/16/2035	489,730	549,719
"CK", Series 2007-31, 5.0%, 5/16/2037	1,000,000	1,097,757
"MZ", Series 2009-98, 5.0%, 10/16/2039	878,750	918,380
"AI", Series 2008-46, Interest Only, 5.5%, 5/16/2023	633,578	83,660
"AI", Series 2008-51, Interest Only, 5.5%, 5/16/2023	1,336,514	170,140
"GI", Series 2003-19, Interest Only, 5.5%, 3/16/2033	1,090,909	240,817
"ZA", Series 2006-7, 5.5%, 2/20/2036	2,156,350	2,458,047
"NZ", Series 2009-65, 5.5%, 8/20/2039	347,534	387,303

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

	Principal Amount ($)	Value ($)
"KZ", Series 2009-78, 5.5%, 9/16/2039	318,856	361,336
"DI", Series 2009-10, Interest Only, 6.0%, 4/16/2038	613,923	103,767
"SJ", Series 2004-22, Interest Only, 6.253%**, 4/20/2034	1,912,461	41,858
"SA", Series 2006-47, Interest Only, 6.45%**, 8/16/2036	440,275	70,759
"IC", Series 1997-4, Interest Only, 7.5%, 3/16/2027	1,001,824	188,516
"SA", Series 1999-30, Interest Only, 7.65%**, 4/16/2029	783,484	60,841
Total Collateralized Mortgage Obligations (Cost $27,214,081)		**30,540,908**

Government & Agency Obligations 18.9%

Other Government Related 2.2%

	Principal Amount ($)	Value ($)
Citibank NA, FDIC Guaranteed, 0.39%*, 5/7/2012	2,800,000	2,806,490
JPMorgan Chase & Co.:		
FDIC Guaranteed, 0.767%*, 6/15/2012	537,000	538,831
Series 3, FDIC Guaranteed, 0.787%*, 12/26/2012	463,000	467,299
		3,812,620

US Government Sponsored Agencies 16.1%

	Principal Amount ($)	Value ($)
Federal Home Loan Bank, 4.875%, 11/18/2011	25,000,000	26,472,755
Federal National Mortgage Association, 8.45%*, 2/27/2023	2,000,000	2,005,000
		28,477,755

US Treasury Obligation 0.6%

	Principal Amount ($)	Value ($)
US Treasury Bill, 0.22%***, 9/16/2010 (b)	1,045,000	**1,044,653**
Total Government & Agency Obligations (Cost $33,331,028)		**33,335,028**

Cash Equivalents 0.4%

	Shares	Value ($)
Central Cash Management Fund, 0.21% (c) (Cost $805,762)	805,762	**805,762**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $199,750,014)†	119.5	**211,123,301**
Other Assets and Liabilities, Net	(19.5)	**(34,504,525)**
Net Assets	100.0	**176,618,776**

* *These securities are shown at their current rate as of June 30, 2010. Floating rate securities' 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, 2010.*

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

† *The cost for federal income tax purposes was $199,705,867. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $11,417,434. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $11,553,637 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $136,203.*

(a) *When-issued or delayed delivery securities included.*

(b) *At June 30, 2010, 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.*

FDIC: Federal Deposit Insurance Corp.

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.

IOettes: These securities represent the right to receive interest payments on an underlying pool of mortgages with similar features as those associated with IO securities. Unlike IO's, a nominal amount of principal is assigned to an IOette which is small in relation to the interest flow that constitutes almost all of the IOette cash flow. The effective yield of this security is lower than the stated interest rate.

Principal Only: Principal Only (PO) bonds represent the "principal only" portion of payments on a pool of underlying mortgages or mortgage-backed securities.

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.

At June 30, 2010, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation ($)
10 Year US Treasury Note	USD	9/21/2010	133	16,298,734	**87,760**

At June 30, 2010, open futures contracts sold were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Depreciation ($)
10 Year Interest Rate Swap	USD	9/13/2010	40	4,307,500	(77,276)
2 Year US Treasury Note	USD	9/30/2010	60	13,129,688	(32,623)
90 Day Eurodollar	USD	12/13/2010	25	6,201,875	(63,695)
90 Day Eurodollar	USD	9/13/2010	25	6,209,063	(45,257)
90 Day Eurodollar	USD	6/13/2011	25	6,191,250	(99,632)

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

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Depreciation ($)
90 Day Eurodollar	USD	9/19/2011	25	6,182,188	(110,482)
90 Day Eurodollar	USD	3/14/2011	25	6,197,500	(83,070)
Ultra Long Term US Treasury Bond	USD	9/21/2010	5	679,063	(14,073)
Total unrealized depreciation					**(526,108)**

At June 30, 2010, open interest rate swap contracts were as follows:

Effective/ Expiration Dates	Notional Amount ($)	Cash Flows Paid by the Portfolio	Cash Flows Received by the Portfolio	Value ($)	Upfront Payments Paid/ (Received) ($)	Unrealized Appreciation/ (Depreciation) ($)
9/15/2010 9/15/2014	5,400,000[1]	Fixed — 3.15%	Floating — LIBOR	(267,860)	2,460	(270,320)
9/15/2010 9/15/2014	5,400,000[1]	Fixed — 3.15%	Floating — LIBOR	(267,860)	17,939	(285,799)
4/20/2009 4/20/2024	1,000,000[1]	Floating — LIBOR	Floating — 7.5%[††]	6,596	—	6,596
5/15/2009 5/15/2024	1,000,000[1]	Floating — LIBOR	Floating — 7.5%[††]	(2,061)	—	(2,061)
Total net unrealized depreciation						**(551,584)**

†† *These interest rate swaps are shown at their current rate as of June 30,2010.*

At June 30, 2010, open total return swap contracts were as follows:

Effective/ Expiration Date	Notional Amount ($)	Fixed Cash Flows Paid	Reference Entity	Value ($)	Upfront Payments Paid/ (Received) ($)	Unrealized Depreciation ($)
5/28/2010 6/1/2012	6,900,000[2]	0.45%	Global Interest Rate Strategy Index	(114,498)	4,600	**(119,098)**

Counterparties:

1 *Morgan Stanley*

2 *Citigroup, Inc.*

LIBOR: London InterBank Offered Rate

For information on the Portfolio's policy and additional disclosures regarding futures contracts, interest rate swaps and total return swap contracts, please refer to the Derivatives section of Note A in the accompanying Notes to Financial Statements.

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Fixed-Income Investments (d)				
Mortgage-Backed Securities Pass-Throughs	$ —	$ 146,441,603	$ —	$ 146,441,603
Collateralized Mortgage Obligations	—	30,385,620	155,288	30,540,908
Government & Agency Obligations	—	32,290,375	—	32,290,375
Short-Term Investments	805,762	1,044,653	—	1,850,415
Derivatives	—	6,596	—	6,596
Total	**$ 805,762**	**$ 210,168,847**	**$ 155,288**	**$ 211,129,897**
Liabilities				
Derivatives (e)	$ (438,348)	$ (677,278)	$ —	$ (1,115,626)
Total	**$ (438,348)**	**$ (677,278)**	**$ —**	**$ (1,115,626)**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(d) *See Investment Portfolio for additional detailed categorizations.*

(e) *Derivatives include unrealized appreciation (depreciation) on open futures contracts, interest rate swap contracts and total return swap contracts.*

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

Level 3 Reconciliation

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining value:

	Collateralized Mortgage Obligations	Government & Agency Obligations	Total
Balance as of December 31, 2009	$ 135,301	$ 523,600	**$ 658,901**
Realized gains (loss)	—	—	**—**
Change in unrealized appreciation (depreciation)	19,886	36,400	**56,286**
Amortization premium/discount	101	—	**101**
Net purchases (sales)	—	(560,000)	**(560,000)**
Transfers into Level 3	—	—	**—**
Transfers (out) of Level 3	—	—	**—**
Balance as of June 30, 2010	**$ 155,288**	**$ —**	**$ 155,288**
Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2010	**$ 19,886**	**$ —**	**$ 19,886**

Transfers between price levels are recognized at the beginning of the reporting period.

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments		
Investments in securities, at value (cost $198,944,252)	$	210,317,539
Investment in Central Cash Management Fund (cost $805,762)		805,762
Total investments, at value (cost $199,750,014)		211,123,301
Cash		10,781
Receivable for when-issued and delayed delivery securities sold		61,350,268
Receivable for variation margin on open futures contracts		795
Receivable for Portfolio shares sold		60,712
Unrealized appreciation on open swap contracts		6,596
Upfront payments paid on open swap contracts		24,999
Interest receivable		868,288
Other assets		1,946
Total assets		273,447,686

Liabilities		
Payable for investments purchased		30,500,516
Payable for when-issued and delayed delivery securities purchased		65,486,762
Payable for Portfolio shares redeemed		2,955
Unrealized depreciation on open swap contracts		677,278
Accrued management fee		68,629
Other accrued expenses and payables		92,770
Total liabilities		96,828,910
Net assets, at value	**$**	**176,618,776**

Net Assets Consist of		
Undistributed net investment income		3,406,900
Net unrealized appreciation (depreciation) on:		
Investments		11,373,287
Futures		(438,348)
Swap contracts		(670,682)
Accumulated net realized gain (loss)		2,965,960
Paid-in capital		159,981,659
Net assets, at value	**$**	**176,618,776**
Class A		
Net Asset Value, offering and redemption price per share ($170,233,784 ÷ 13,135,679 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**12.96**
Class B		
Net Asset Value, offering and redemption price per share ($6,384,992 ÷ 492,792 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**12.96**

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Interest	$	4,298,353
Income distributions — Central Cash Management Fund		6,206
Total Income		4,304,559
Expenses:		
Management fee		396,711
Administration fee		88,158
Distribution service fee (Class B)		7,998
Custodian fee		9,534
Services to shareholders		1,110
Record keeping fees (Class B)		3,103
Trustees' fees and expenses		5,148
Reports to shareholders		20,385
Audit and tax fees		34,209
Legal fees		5,267
Other		24,606
Total expenses		596,229
Net investment income		**3,708,330**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		1,881,246
Futures		1,330,241
Written options		81,801
Swap contracts		209,490
		3,502,778
Change in net unrealized appreciation (depreciation) on:		
Investments		4,266,317
Futures		183,273
Swap contracts		(607,824)
		3,841,766
Net gain (loss)		**7,344,544**
Net increase (decrease) in net assets resulting from operations	**$**	**11,052,874**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income	$ 3,708,330	$ 8,168,646
Net realized gain (loss)	3,502,778	2,256,128
Change in net unrealized appreciation (depreciation)	3,841,766	5,187,713
Net increase (decrease) in net assets resulting from operations	11,052,874	15,612,487
Distributions to shareholders from:		
Net investment income:		
Class A	(7,785,441)	(9,576,836)
Class B	(277,185)	(337,035)
Total distributions	(8,062,626)	(9,913,871)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	27,584,570	23,250,916
Reinvestment of distributions	7,785,441	9,576,836
Cost of shares redeemed	(37,100,745)	(80,587,867)
Net increase (decrease) in net assets from Class A share transactions	(1,730,734)	(47,760,115)
Class B		
Proceeds from shares sold	398,583	1,821,403
Reinvestment of distributions	277,185	337,035
Cost of shares redeemed	(922,024)	(3,752,537)
Net increase (decrease) in net assets from Class B share transactions	(246,256)	(1,594,099)
Increase (decrease) in net assets	1,013,258	(43,655,598)
Net assets at beginning of period	175,605,518	219,261,116
Net assets at end of period (including undistributed net investment income of $3,406,900 and $7,761,196, respectively)	**$ 176,618,776**	**$ 175,605,518**

Other Information		
Class A		
Shares outstanding at beginning of period	13,231,519	17,044,556
Shares sold	2,151,556	1,856,164
Shares issued to shareholders in reinvestment of distributions	623,833	788,217
Shares redeemed	(2,871,229)	(6,457,418)
Net increase (decrease) in Class A shares	(95,840)	(3,813,037)
Shares outstanding at end of period	**13,135,679**	**13,231,519**
Class B		
Shares outstanding at beginning of period	510,999	639,523
Shares sold	31,103	144,579
Shares issued to shareholders in reinvestment of distributions	22,193	27,739
Shares redeemed	(71,503)	(300,842)
Net increase (decrease) in Class B shares	(18,207)	(128,524)
Shares outstanding at end of period	**492,792**	**510,999**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$12.78**	**$12.40**	**$12.38**	**$12.28**	**$12.26**	**$12.55**
Income (loss) from investment operations:						
Net investment income[b]	.27	.52	.56	.58	.55	.51
Net realized and unrealized gain (loss)	.53	.45	.04	.12	(.06)	(.20)
Total from investment operations	.80	.97	.60	.70	.49	.31
Less distributions from:						
Net investment income	(.62)	(.59)	(.58)	(.60)	(.47)	(.50)
Net realized gains	—	—	—	—	—	(.10)
Total distributions	(.62)	(.59)	(.58)	(.60)	(.47)	(.60)
Net asset value, end of period	**$12.96**	**$12.78**	**$12.40**	**$12.38**	**$12.28**	**$12.26**
Total Return (%)	6.45**	8.08	4.93[c]	5.95[c]	4.16	2.57
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	170	169	211	199	211	243
Ratio of expenses before expense reductions (%)	.66*	.58	.66	.66	.67	.63
Ratio of expenses after expense reductions (%)	.66*	.58	.65	.63	.67	.63
Ratio of net investment income (%)	4.22*	4.16	4.58	4.77	4.56	4.17
Portfolio turnover rate (%)	190**	390	543	465	241	191

a *For the six months ended June 30, 2010 (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,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$12.75**	**$12.37**	**$12.35**	**$12.25**	**$12.23**	**$12.52**
Income (loss) from investment operations:						
Net investment income[b]	.25	.48	.52	.53	.50	.47
Net realized and unrealized gain (loss)	.53	.45	.03	.12	(.06)	(.21)
Total from investment operations	.78	.93	.55	.65	.44	.26
Less distributions from:						
Net investment income	(.57)	(.55)	(.53)	(.55)	(.42)	(.45)
Net realized gains	—	—	—	—	—	(.10)
Total distributions	(.57)	(.55)	(.53)	(.55)	(.42)	(.55)
Net asset value, end of period	**$12.96**	**$12.75**	**$12.37**	**$12.35**	**$12.25**	**$12.23**
Total Return (%)	6.32**	7.70	4.60[c]	5.43[c]	3.74	2.24
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	6	7	8	5	33	47
Ratio of expenses before expense reductions (%)	1.01*	.92	1.00	1.04	1.07	1.02
Ratio of expenses after expense reductions (%)	1.01*	.92	1.00	1.01	1.07	1.02
Ratio of net investment income (%)	3.87*	3.81	4.24	4.39	4.16	3.78
Portfolio turnover rate (%)	190**	390	543	465	241	191

a *For the six months ended June 30, 2010 (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*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

Multiple Classes of Shares of Beneficial Interest. Certain portfolios of the Trust offer 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 Rule 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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

Debt securities are valued by independent pricing services approved by the Portfolio's Board. 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 one or more broker-dealers. 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. These securities are generally categorized as Level 2.

Futures contracts are generally valued at the settlement prices established each day on the exchange on which they are traded and are classified as Level 1.

Swaps contracts are valued daily based upon prices supplied by a Board approved pricing vendor, if available, and otherwise are valued at the price provided by the broker-dealer with which the swap was traded. Swaps are generally classified as Level 2.

Exchange-traded options are 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 or asked price are available. Exchange-traded options are classified as Level 1. Over-the-counter written or purchased options are valued based upon a price supplied by a Board approved pricing vendor, if available, and otherwise are valued at the price provided by the broker-dealer with which the option was traded. Over-the-counter options are generally classified as Level 2.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Mortgage Dollar Rolls. The Portfolio 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. The Portfolio may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Derivatives. Authoritative accounting guidance requires that disclosures about the Portfolio's derivative and hedging activities and derivatives accounted for as hedging instruments must be disclosed separately from derivatives that do not qualify for hedge accounting. Because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings, the Portfolio's derivatives are not accounted for as hedging instruments. As such, even though the Portfolio may use derivatives in an attempt to achieve an economic hedge, the Portfolio's derivatives are not considered to be hedging instruments. The disclosure below is presented in accordance with authoritative accounting guidance.

Interest Rate Swap Contracts. The Portfolio enters into interest rate swap transactions to gain exposure to different parts of the yield curve while managing overall duration. 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 agrees 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 agrees 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 are 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. In connection with these agreements, securities and or cash may be identified as collateral in accordance with the terms of the swap agreements to provide assets of value and recourse in the event of default. The maximum counterparty credit risk is the net present value of the cash flows to be received from or paid to the counterparty over the term of the interest rate swap contract, to the extent that this amount is beneficial to the Portfolio, in addition to any related collateral posted to the counterparty by the Portfolio. This risk may be partially reduced by a master netting arrangement between the Portfolio and the counterparty. Payments received or made at the end of the measurement period are recorded as realized gain or loss on the Statement of Operations. The value of the swap is adjusted daily based upon a price supplied by a Board approved pricing vendor and the change in value is recorded as unrealized appreciation or depreciation.

A summary of the open interest rate swap contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in interest rate swap contracts with total notional amounts of $12,800,000.

Total Return Swap Contracts. Total return swaps involve commitments to pay interest in exchange for a market-linked return based on a notional amount. The Portfolio enters into total return swap transactions to gain exposure to different parts of the yield curve while managing overall duration. To the extent the total return of the reference security or index underlying the total return swap exceeds or falls short of the offsetting interest rate obligation, the Portfolio will receive a payment or make a payment to the counterparty, respectively. Certain risks may arise when entering into swap transactions including counterparty default, liquidity or unfavorable changes in the value of underlying reference security or index. An upfront payment made by the Portfolio is recorded as an asset in the Statement of Assets and Liabilities. An upfront payment received by the Portfolio is recorded as a liability in the Statement of Assets and Liabilities. Payments received or made at the end of each measurement period are recorded as realized gain or loss on the Statement of Operations. The value of the swap is adjusted daily based upon a price supplied by a Board approved pricing vendor and the change in value is recorded as unrealized appreciation or depreciation.

A summary of the open total return swap contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in total return swap contracts with a total notional amount generally indicative of a range from approximately $6,900,000 to $9,000,000.

Options. An option contract is a contract in which the writer (seller) of the option grants the buyer of the option, upon payment of a premium, 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. Interest rate options are comprised of multiple European style options that have periodic exercise dates within the terms of the contract. The Portfolio enters into option contracts in order 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, exercised 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.

There are no open option contracts as of June 30, 2010 for the Portfolio. During the six months ended June 30, 2010, the Portfolio invested in written option contracts with a total value generally indicative of a range from $0 to approximately $23,000 and in purchased option contracts with a total value generally indicative of a range from $0 to approximately $49,000.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The Portfolio enters into interest rate futures to gain exposure to different parts of the yield curve while managing overall duration.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary cash or securities ("initial margin") in an amount 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 and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. Gains or losses are realized when the contract expires or is closed. Since all futures contracts are exchange-traded, counterparty risk is minimized as the exchange's clearinghouse acts as the counterparty, and guarantees the futures against default.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid 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 underlying hedged security, index or currency. Risk of loss may exceed amounts recognized on the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in futures contracts with a total notional value generally indicative of a range from approximately $65,397,000 to $74,169,000.

The following tables summarize the value of the Portfolio's derivative instruments held as of June 30, 2010 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivative	**Swap Contracts**
Interest Rate Contracts (a)	$ 6,596

The above derivative is located in the following Statement of Assets and Liabilities account:

(a) *Unrealized appreciation on open swap contracts*

Liability Derivatives	**Futures Contracts**	**Swap Contracts**	**Total**
Interest Rate Contracts (a)	$ (438,348)	$ (677,278)	$ (1,115,626)

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Net unrealized appreciation (depreciation) on futures and unrealized depreciation on open swap contracts. Asset of receivable for daily variation margin on open futures contracts reflects unsettled variation margin.*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the six months ended June 30, 2010 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	**Purchased Options**	**Written Options**	**Swap Contracts**	**Futures Contracts**	**Total**
Interest Rate Contracts (a)	$ (293,187)	$ 81,801	$ 209,490	$ 1,330,241	$ 1,328,345

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Net realized gain (loss) from investments (includes purchased options), written options, swap contracts and futures, respectively*

Change in Net Unrealized Appreciation (Depreciation)	**Swap Contracts**	**Futures Contracts**	**Total**
Interest Rate Contracts (a)	$ (607,824)	$ 183,273	$ (424,551)

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Change in net unrealized appreciation (depreciation) on swap contracts and futures, respectively*

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 income to its shareholders.

At December 31, 2009, the Portfolio 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 Government & Agency Securities VIP	234,000	12/31/2014
	924,000	12/31/2015

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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. 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 the Portfolio.

B. Purchases and Sales of Securities

During the six months ended June 30, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Government & Agency Securities VIP	388,033,615	374,713,895

For the six months ended June 30, 2010, transactions for written options on futures were as follows:

	Number of Contracts	Premiums
Outstanding, beginning of period	—	$ —
Options written	596	196,876
Options closed	(120)	(65,361)
Options exercised	(256)	(105,437)
Options expired	(220)	(26,078)
Outstanding, end of period	**—**	**$ —**

C. Related Parties

Management Agreement. Under the Investment Management Agreement with Deutsche Investment Management Americas Inc. ("DIMA" or the "Advisor"), an indirect, wholly owned subsidiary of Deutsche Bank AG, the Advisor directs the investments of 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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
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%

Accordingly, for the six months ended June 30, 2010, the total management fee and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Annualized Effective Rate
DWS Government & Agency Securities VIP	396,711	.45%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Government & Agency Securities VIP	88,158	14,953

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Government & Agency Securities VIP Class A	181	94
DWS Government & Agency Securities VIP Class B	24	4

Distribution Service Agreement. Under the Portfolio's Class B 12b-1 plans, DWS Investments Distributors, Inc. ("DIDI") received a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the six months ended June 30, 2010, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Government & Agency Securities VIP	7,998	1,391

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Government & Agency Securities VIP	7,377	1,001

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

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%, 40% and 15%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 97%.

E. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

F. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Portfolio Management Team Update

DWS Government & Agency Securities VIP

The current portfolio management team is as follows:

Deutsche Investment Management Americas Inc., Advisor to the Portfolio

William Chepolis, CFA

Ohn Choe, CFA

John D. Ryan

Portfolio Managers

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 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.

DWS Investments Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 778-1482

VS2GAS-3 (8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS High Income VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

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DWS INVESTMENTS
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Performance Summary

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.

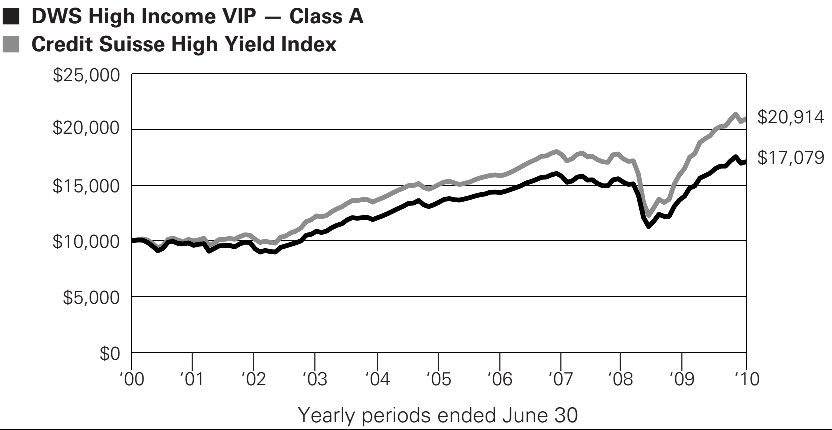
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 0.67% and 0.94% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

Bond investments are subject to interest-rate and credit risks. When interest rates rise, bond prices generally fall. Credit risk refers to the ability of an issuer to make timely payments of principal and interest. Investments in lower-quality and non-rated securities present greater risk of loss than investments in higher-quality securities. See the prospectus for details.

Portfolio returns shown for the 3-year, 5-year and 10-year 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 High Income VIP



The Credit Suisse High Yield Index is an unmanaged, trader-priced portfolio constructed to mirror the global high-yield debt 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 High Income VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$10,376	$12,201	$10,826	$12,691	$17,079
	Average annual total return	3.76%	22.01%	2.68%	4.88%	5.50%
Credit Suisse High Yield Index	Growth of $10,000	$10,469	$12,691	$11,801	$13,896	$20,914
	Average annual total return	4.69%	26.91%	5.68%	6.80%	7.66%

DWS High Income VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$10,347	$12,158	$10,730	$12,455	$17,899
	Average annual total return	3.47%	21.58%	2.37%	4.49%	7.55%
Credit Suisse High Yield Index	Growth of $10,000	$10,469	$12,691	$11,801	$13,896	$20,645
	Average annual total return	4.69%	26.91%	5.68%	6.80%	9.48%

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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,037.60	$1,034.70
Expenses Paid per $1,000*	$ 3.84	$ 5.25
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,021.03	$1,019.64
Expenses Paid per $1,000*	$ 3.81	$ 5.21

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS High Income VIP	.76%	1.04%

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.

Portfolio Summary

DWS High Income VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Corporate Bonds	84%	91%
Cash Equivalents	9%	0%
Loan Participations and Assignments	5%	8%
Common Stocks	1%	0%
Preferred Securities	1%	1%
	100%	100%

Sector Diversification (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/10**	**12/31/09**
Consumer Discretionary	20%	18%
Financials	15%	17%
Energy	13%	11%
Materials	12%	14%
Industrials	11%	8%
Telecommunication Services	10%	11%
Information Technology	6%	3%
Health Care	5%	7%
Utilities	4%	8%
Consumer Staples	4%	3%
	100%	100%

Quality (Excludes Securities Lending Collateral)	**6/30/10**	**12/31/09**
Cash Equivalents	2%	2%
AAA	8%	—
A	0%	1%
BBB	1%	7%
BB	26%	34%
B	49%	36%
CCC	9%	14%
D	1%	3%
Not Rated	4%	3%
	100%	100%

Effective Maturity (Excludes Cash Equivalents and Securities Lending Collateral)	**6/30/10**	**12/31/09**
Under 1 year	16%	7%
1–4.99 years	45%	45%
5–9.99 years	37%	47%
10–14.99 years	1%	—
15 years or greater	1%	1%
	100%	100%

Interest Rate Sensitivity	**6/30/10**	**12/31/09**
Effective Maturity	4.3 years	4.8 years
Effective Duration	3.5 years	3.7 years

Asset allocation, sector diversification, quality, effective maturity 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. Credit quality ratings are subject to change.

Effective maturity is the weighted average of the bonds held by the Portfolio taking into consideration any maturity shortening features.

Effective duration is the measurable change in the value of a security in response to a change in interest rates.

For more complete details about the Portfolio's investment portfolio, see page 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS High Income VIP

		Principal Amount ($)(a)	Value ($)
Corporate Bonds 81.4%			
Consumer Discretionary 15.1%			
AMC Entertainment, Inc.:			
8.0%, 3/1/2014		590,000	567,875
8.75%, 6/1/2019		765,000	768,825
American Achievement Corp., 144A, 8.25%, 4/1/2012		255,000	253,088
Ameristar Casinos, Inc., 9.25%, 6/1/2014 (b)		395,000	413,762
ArvinMeritor, Inc., 8.125%, 9/15/2015		280,000	268,800
Asbury Automotive Group, Inc.:			
7.625%, 3/15/2017		590,000	554,600
8.0%, 3/15/2014		250,000	246,875
Ashtead Holdings PLC, 144A, 8.625%, 8/1/2015		380,000	376,200
Avis Budget Car Rental LLC, 144A, 9.625%, 3/15/2018		260,000	262,600
Brunswick Corp., 144A, 11.25%, 11/1/2016		295,000	324,500
Cablevision Systems Corp.:			
7.75%, 4/15/2018		65,000	65,000
8.0%, 4/15/2020		65,000	65,813
CanWest MediaWorks LP, 144A, 9.25%, 8/1/2015**		340,000	81,600
Carrols Corp., 9.0%, 1/15/2013		225,000	223,875
CCO Holdings LLC:			
144A, 7.875%, 4/30/2018		225,000	226,125
144A, 8.125%, 4/30/2020		150,000	153,375
Cequel Communications Holdings I LLC, 144A, 8.625%, 11/15/2017		1,280,000	1,275,200
Clear Channel Worldwide Holdings, Inc.:			
Series A, 144A, 9.25%, 12/15/2017		100,000	99,500
Series B, 144A, 9.25%, 12/15/2017		150,000	150,750
Cooper-Standard Automotive, Inc., 144A, 8.5%, 5/1/2018		155,000	156,163
CSC Holdings LLC:			
8.5%, 4/15/2014		500,000	521,250
8.5%, 6/15/2015		430,000	443,975
DISH DBS Corp., 7.125%, 2/1/2016		465,000	466,162
Dollarama Group Holdings LP, 7.287%***, 8/15/2012 (c)		347,000	350,470
Easton-Bell Sports, Inc., 144A, 9.75%, 12/1/2016		75,000	77,625
Fontainebleau Las Vegas Holdings LLC, 144A, 11.0%, 6/15/2015**		490,000	1,838
Gannett Co., Inc.:			
144A, 8.75%, 11/15/2014		145,000	151,525
144A, 9.375%, 11/15/2017		295,000	310,488
Goodyear Tire & Rubber Co., 10.5%, 5/15/2016		225,000	244,688
Gray Television, Inc., 144A, 10.5%, 6/29/2015		350,000	339,500
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015		505,000	497,425
Group 1 Automotive, Inc., 144A, 3.0%, 3/15/2020		375,000	303,750
Harrah's Operating Co., Inc.:			
11.25%, 6/1/2017		1,415,000	1,489,287
144A, 12.75%, 4/15/2018		295,000	281,725
Hertz Corp., 8.875%, 1/1/2014		1,005,000	1,017,562
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014		337,000	303,300
Lear Corp.:			
7.875%, 3/15/2018		235,000	235,588
8.125%, 3/15/2020		230,000	230,575
Macy's Retail Holdings, Inc., 8.375%, 7/15/2015		85,000	93,713
Mediacom LLC, 9.125%, 8/15/2019		560,000	540,400
MGM Resorts International:			
144A, 9.0%, 3/15/2020		145,000	148,988
10.375%, 5/15/2014		340,000	369,750
11.125%, 11/15/2017		455,000	501,637
Michaels Stores, Inc., Step-up Coupon, 0% to 11/1/2011, 13.0% to 11/1/2016		150,000	133,500
Netflix, Inc., 8.5%, 11/15/2017		145,000	150,800
Nexstar Broadcasting, Inc., 144A, 8.875%, 4/15/2017		295,000	296,475
Norcraft Companies LP, 144A, 10.5%, 12/15/2015		1,260,000	1,297,800
Norcraft Holdings LP, 9.75%, 9/1/2012		630,000	596,137
Penske Automotive Group, Inc., 7.75%, 12/15/2016		1,085,000	1,019,900
Phillips-Van Heusen Corp., 7.375%, 5/15/2020		160,000	161,400
Pinnacle Entertainment, Inc., 7.5%, 6/15/2015		240,000	225,000
Sabre Holdings Corp., 8.35%, 3/15/2016		515,000	491,825
Seminole Indian Tribe of Florida, 144A, 7.804%, 10/1/2020		480,000	432,706
Simmons Bedding Co., 144A, 11.25%, 7/15/2015		315,000	338,231
Sirius XM Radio, Inc., 144A, 8.75%, 4/1/2015 (b)		340,000	334,900
Sonic Automotive, Inc., Series B, 9.0%, 3/15/2018		565,000	573,475
Standard Pacific Corp.:			
8.375%, 5/15/2018		100,000	95,000
10.75%, 9/15/2016		440,000	470,800
Toys "R" Us, Inc., 7.375%, 10/15/2018		695,000	653,300
Travelport LLC:			
5.163%***, 9/1/2014		390,000	364,650
9.875%, 9/1/2014		640,000	641,600
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015**		105,000	131
United Components, Inc., 9.375%, 6/15/2013		80,000	80,400
Unitymedia GmbH, 144A, 9.625%, 12/1/2019	EUR	550,000	675,930
Unitymedia Hessen GmbH & Co., KG, 144A, 8.125%, 12/1/2017		945,000	926,100

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

		Principal Amount ($)(a)	Value ($)
UPC Holding BV:			
144A, 7.75%, 1/15/2014	EUR	540,000	638,878
144A, 8.0%, 11/1/2016	EUR	405,000	470,491
Vertis, Inc., 13.5%, 4/1/2014 (PIK)		242,357	101,184
Videotron Ltd., 6.875%, 1/15/2014		80,000	80,400
WMG Acquisition Corp., 9.5%, 6/15/2016		375,000	399,375
Young Broadcasting, Inc., 8.75%, 1/15/2014**		2,040,000	1,224
Ziggo Bond Co. BV, 144A, 8.0%, 5/15/2018	EUR	90,000	106,204
			27,213,563

Consumer Staples 2.9%

	Principal Amount ($)(a)	Value ($)
B&G Foods, Inc., 7.625%, 1/15/2018	170,000	170,850
Cott Beverages, Inc., 144A, 8.375%, 11/15/2017	145,000	146,450
Dole Food Co., Inc., 144A, 8.0%, 10/1/2016	215,000	215,538
FAGE Dairy Industry SA, 144A, 9.875%, 2/1/2020	555,000	466,200
General Nutrition Centers, Inc., 5.75%***, 3/15/2014 (PIK)	280,000	256,900
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012	2,081,750	1,779,896
Rite Aid Corp., 7.5%, 3/1/2017	295,000	261,075
Smithfield Foods, Inc., 7.75%, 7/1/2017	1,495,000	1,427,725
SUPERVALU, Inc., 8.0%, 5/1/2016	210,000	207,900
Tops Markets LLC, 144A, 10.125%, 10/15/2015	330,000	339,900
		5,272,434

Energy 11.4%

	Principal Amount ($)(a)	Value ($)
Atlas Energy Operating Co., LLC, 10.75%, 2/1/2018	845,000	900,981
Belden & Blake Corp., 8.75%, 7/15/2012	2,050,000	1,911,625
Bristow Group, Inc., 7.5%, 9/15/2017	485,000	463,175
Chaparral Energy, Inc., 8.5%, 12/1/2015	1,370,000	1,274,100
Chesapeake Energy Corp.:		
6.25%, 1/15/2018	345,000	348,450
6.875%, 11/15/2020	510,000	514,462
7.25%, 12/15/2018	620,000	640,150
9.5%, 2/15/2015	260,000	287,300
Cloud Peak Energy Resources LLC:		
144A, 8.25%, 12/15/2017	145,000	143,550
144A, 8.5%, 12/15/2019	150,000	149,250
Coffeyville Resources LLC, 144A, 9.0%, 4/1/2015	410,000	405,900
CONSOL Energy, Inc.:		
144A, 8.0%, 4/1/2017	655,000	676,287
144A, 8.25%, 4/1/2020	250,000	260,625
Continental Resources, Inc.:		
144A, 7.375%, 10/1/2020	195,000	191,588
8.25%, 10/1/2019	105,000	109,725
Crosstex Energy LP, 8.875%, 2/15/2018	365,000	364,544
Dynegy Holdings, Inc., 7.75%, 6/1/2019	375,000	259,219
El Paso Corp.:		
7.25%, 6/1/2018	495,000	496,334
8.25%, 2/15/2016	310,000	324,725
Global Geophysical Services, Inc., 144A, 10.5%, 5/1/2017	775,000	744,000
Holly Corp., 144A, 9.875%, 6/15/2017	545,000	559,987
Holly Energy Partners LP, 144A, 8.25%, 3/15/2018	330,000	331,650
Linn Energy LLC:		
144A, 8.625%, 4/15/2020	305,000	312,244
11.75%, 5/15/2017	650,000	737,750
Newfield Exploration Co., 7.125%, 5/15/2018	640,000	633,600
OPTI Canada, Inc.:		
7.875%, 12/15/2014	1,260,000	1,096,200
8.25%, 12/15/2014	420,000	365,400
144A, 9.0%, 12/15/2012	140,000	141,400
Petrohawk Energy Corp.:		
7.875%, 6/1/2015	220,000	220,550
9.125%, 7/15/2013	450,000	469,125
10.5%, 8/1/2014	380,000	408,500
Plains Exploration & Production Co.:		
7.0%, 3/15/2017	220,000	210,100
7.625%, 6/1/2018	720,000	703,800
8.625%, 10/15/2019	400,000	405,000
Quicksilver Resources, Inc., 7.125%, 4/1/2016	155,000	142,988
Regency Energy Partners LP, 8.375%, 12/15/2013	515,000	530,450
Sabine Pass LNG LP:		
7.25%, 11/30/2013	930,000	837,000
7.5%, 11/30/2016	100,000	83,250
Southwestern Energy Co., 7.5%, 2/1/2018	585,000	621,562
Stone Energy Corp.:		
6.75%, 12/15/2014	590,000	501,500
8.625%, 2/1/2017	825,000	742,500
		20,520,546

Financials 12.2%

	Principal Amount ($)(a)	Value ($)
Algoma Acquisition Corp., 144A, 9.875%, 6/15/2015	925,000	786,250
Ally Financial, Inc.:		
7.0%, 2/1/2012	565,000	568,531
144A, 8.0%, 3/15/2020	545,000	532,737
8.0%, 11/1/2031	215,000	198,338
Antero Resources Finance Corp., 144A, 9.375%, 12/1/2017	215,000	215,000
Ashton Woods USA LLC, 144A, Step-up Coupon, 0% to 6/30/2012, 11.0% to 6/30/2015	712,400	413,192
Buffalo Thunder Development Authority, 144A, 9.375%, 12/15/2014**	250,000	45,000
Calpine Construction Finance Co., LP, 144A, 8.0%, 6/1/2016	570,000	582,825
Case New Holland, Inc., 7.75%, 9/1/2013	290,000	296,525
CIT Group, Inc., 7.0%, 5/1/2017	1,435,000	1,291,500
DuPont Fabros Technology LP, 144A (REIT), 8.5%, 12/15/2017	435,000	445,875

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

		Principal Amount ($)(a)	Value ($)
E*TRADE Financial Corp.:			
7.375%, 9/15/2013		995,000	895,500
12.5%, 11/30/2017 (PIK)		632,000	671,500
Express LLC, 144A, 8.75%, 3/1/2018		260,000	264,550
Expro Finance Luxembourg SCA, 144A, 8.5%, 12/15/2016		290,000	276,950
FCE Bank PLC, 9.375%, 1/17/2014	EUR	700,000	898,795
Fibria Overseas Finance Ltd., 144A, 7.5%, 5/4/2020		257,000	260,855
Ford Motor Credit Co., LLC, 8.125%, 1/15/2020		100,000	102,069
Fresenius US Finance II, Inc., 144A, 9.0%, 7/15/2015		420,000	455,175
Hellas Telecommunications Finance SCA, 144A, 8.644%***, 7/15/2015 (PIK)	EUR	315,220	42
Hexion US Finance Corp., 8.875%, 2/1/2018		955,000	861,887
Ineos Finance PLC:			
144A, 9.0%, 5/15/2015		325,000	324,188
144A, 9.25%, 5/15/2015	EUR	120,000	145,275
Inmarsat Finance PLC, 144A, 7.375%, 12/1/2017		670,000	685,075
International Lease Finance Corp.:			
144A, 8.625%, 9/15/2015		235,000	222,663
144A, 8.75%, 3/15/2017		465,000	440,588
iPayment, Inc., 9.75%, 5/15/2014		475,000	432,250
LBI Escrow Corp., 144A, 8.0%, 11/1/2017		360,000	370,800
National Money Mart Co., 144A, 10.375%, 12/15/2016		790,000	801,850
New ASAT (Finance) Ltd., 9.25%, 2/1/2011**		575,000	115,000
Nielsen Finance LLC:			
Step-up Coupon, 0% to 8/1/2011, 12.5% to 8/1/2016		505,000	481,012
11.5%, 5/1/2016		150,000	163,875
Nuveen Investments, Inc., 10.5%, 11/15/2015		615,000	535,050
Orascom Telecom Finance SCA, 144A, 7.875%, 2/8/2014		510,000	467,925
Pinnacle Foods Finance LLC:			
9.25%, 4/1/2015		345,000	351,900
144A, 9.25%, 4/1/2015		350,000	357,000
Reynolds Group Issuer, Inc.:			
144A, 7.75%, 10/15/2016		550,000	537,625
144A, 8.5%, 5/15/2018		610,000	598,562
SLM Corp., 8.0%, 3/25/2020		135,000	118,555
Susser Holdings LLC, 144A, 8.5%, 5/15/2016		175,000	175,000
Tropicana Entertainment LLC, 9.625%, 12/15/2014**		1,220,000	92
UCI Holdco, Inc., 8.537%***, 12/15/2013 (PIK)		735,297	713,238
Virgin Media Finance PLC, Series 1, 9.5%, 8/15/2016		1,135,000	1,198,844
Wind Acquisition Finance SA:			
144A, 11.0%, 12/1/2015	EUR	1,515,000	1,852,617
144A, 11.75%, 7/15/2017	EUR	345,000	426,102
144A, 12.0%, 12/1/2015		85,000	87,975
Wind Acquisition Holdings Finance SA, 144A, 12.25%, 7/15/2017 (PIK)	EUR	335,000	370,737
			22,036,894
Health Care 4.4%			
Community Health Systems, Inc., 8.875%, 7/15/2015		2,815,000	2,902,969
HCA, Inc.:			
9.25%, 11/15/2016		2,040,000	2,162,400
9.625%, 11/15/2016 (PIK)		809,000	865,630
IASIS Healthcare LLC, 8.75%, 6/15/2014		525,000	522,375
The Cooper Companies, Inc., 7.125%, 2/15/2015		840,000	842,100
Valeant Pharmaceuticals International, 8.375%, 6/15/2016		300,000	339,000
Vanguard Health Holding Co. II, LLC, 8.0%, 2/1/2018		285,000	273,600
			7,908,074
Industrials 9.5%			
Acco Brands Corp., 10.625%, 3/15/2015		105,000	113,925
Actuant Corp., 6.875%, 6/15/2017		300,000	292,500
ARAMARK Corp., 8.5%, 2/1/2015		560,000	565,600
BE Aerospace, Inc., 8.5%, 7/1/2018		300,000	315,000
Belden, Inc., 7.0%, 3/15/2017		420,000	405,825
Cenveo Corp., 8.875%, 2/1/2018		1,055,000	1,012,800
Congoleum Corp., 8.625%, 8/1/2008**		1,200,000	273,000
Corrections Corp. of America, 7.75%, 6/1/2017		35,000	36,313
Delta Air Lines, Inc., 144A, 9.5%, 9/15/2014		110,000	115,500
DynCorp International, Inc., 144A, 10.375%, 7/1/2017 (d)		270,000	270,675
Esco Corp., 144A, 4.412%***, 12/15/2013		430,000	393,450
Garda World Security Corp., 144A, 9.75%, 3/15/2017		375,000	380,625
Great Lakes Dredge & Dock Co., 7.75%, 12/15/2013		300,000	297,000
Iron Mountain, Inc., 8.375%, 8/15/2021		530,000	540,600
K. Hovnanian Enterprises, Inc.:			
8.875%, 4/1/2012		435,000	406,725
10.625%, 10/15/2016		365,000	365,000
Kansas City Southern de Mexico SA de CV:			
7.375%, 6/1/2014		1,045,000	1,063,287
7.625%, 12/1/2013		1,085,000	1,106,700
144A, 8.0%, 2/1/2018		715,000	740,025
Kansas City Southern Railway Co., 8.0%, 6/1/2015		655,000	674,650
McJunkin Red Man Corp., 144A, 9.5%, 12/15/2016		625,000	606,250
Mobile Mini, Inc., 9.75%, 8/1/2014		420,000	429,450
Navios Maritime Holdings, Inc., 9.5%, 12/15/2014		680,000	652,800
Ply Gem Industries, Inc., 144A, 13.125%, 7/15/2014		450,000	455,625

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

		Principal Amount ($)(a)	Value ($)
RailAmerica, Inc., 9.25%, 7/1/2017		304,000	318,440
RBS Global, Inc. & Rexnord Corp.:			
144A, 8.5%, 5/1/2018		715,000	693,550
11.75%, 8/1/2016		120,000	125,100
Rearden G Holdings EINS GmbH, 144A, 7.875%, 3/30/2020		135,000	136,350
Sitel LLC, 144A, 11.5%, 4/1/2018		565,000	522,625
Spirit AeroSystems, Inc., 7.5%, 10/1/2017		215,000	210,700
Titan International, Inc., 8.0%, 1/15/2012		1,190,000	1,237,600
TransDigm, Inc.:			
144A, 7.75%, 7/15/2014		170,000	170,000
7.75%, 7/15/2014		260,000	260,650
Triumph Group, Inc., 8.0%, 11/15/2017		75,000	71,625
United Rentals North America, Inc.:			
7.0%, 2/15/2014		360,000	338,400
9.25%, 12/15/2019		830,000	836,225
10.875%, 6/15/2016		390,000	418,275
USG Corp., 144A, 9.75%, 8/1/2014		220,000	228,800
			17,081,665
Information Technology 4.4%			
Alcatel-Lucent USA, Inc., 6.45%, 3/15/2029		570,000	376,200
Amkor Technology, Inc., 144A, 7.375%, 5/1/2018		250,000	242,500
Aspect Software, Inc., 144A, 10.625%, 5/15/2017		780,000	780,000
First Data Corp., 9.875%, 9/24/2015		490,000	372,400
Freescale Semiconductor, Inc.:			
8.875%, 12/15/2014		745,000	679,812
144A, 9.25%, 4/15/2018		1,150,000	1,135,625
Jabil Circuit, Inc., 7.75%, 7/15/2016		145,000	151,525
JDA Software Group, Inc., 144A, 8.0%, 12/15/2014		145,000	145,725
ManTech International Corp., 144A, 7.25%, 4/15/2018		120,000	121,200
MasTec, Inc., 7.625%, 2/1/2017		610,000	593,225
NXP BV, 7.875%, 10/15/2014		480,000	440,400
Seagate HDD Cayman, 144A, 6.875%, 5/1/2020		125,000	118,750
Seagate Technology International, 144A, 10.0%, 5/1/2014		235,000	267,900
SunGard Data Systems, Inc.:			
10.25%, 8/15/2015		1,790,000	1,848,175
10.625%, 5/15/2015		365,000	390,094
Vangent, Inc., 9.625%, 2/15/2015		350,000	334,688
			7,998,219
Materials 9.9%			
Appleton Papers, Inc., 144A, 11.25%, 12/15/2015		237,000	201,450
Ashland, Inc., 9.125%, 6/1/2017		260,000	284,700
Berry Plastics Corp.:			
8.25%, 11/15/2015		660,000	655,050
144A, 9.5%, 5/15/2018		390,000	356,850
Boise Paper Holdings LLC, 144A, 8.0%, 4/1/2020		170,000	169,575
CF Industries, Inc., 6.875%, 5/1/2018		155,000	157,712
Clondalkin Acquisition BV, 144A, 2.537%***, 12/15/2013		265,000	229,225
CPG International I, Inc., 10.5%, 7/1/2013		880,000	875,600
Crown Americas LLC, 144A, 7.625%, 5/15/2017		40,000	41,400
Domtar Corp., 10.75%, 6/1/2017		380,000	456,000
Essar Steel Algoma, Inc., 144A, 9.375%, 3/15/2015		1,410,000	1,339,500
Exopack Holding Corp., 11.25%, 2/1/2014		1,415,000	1,432,687
GEO Specialty Chemicals, Inc.:			
144A, 7.5%, 3/31/2015 (PIK)		1,297,793	1,103,124
10.0%, 3/31/2015		1,277,440	1,085,824
Georgia-Pacific LLC:			
144A, 7.125%, 1/15/2017		420,000	428,400
144A, 8.25%, 5/1/2016		500,000	533,125
Graphic Packaging International, Inc., 9.5%, 6/15/2017		810,000	846,450
Hexcel Corp., 6.75%, 2/1/2015		1,425,000	1,396,500
Huntsman International LLC, 144A, 8.625%, 3/15/2020		255,000	235,875
Innophos, Inc., 8.875%, 8/15/2014		170,000	175,100
Koppers, Inc., 7.875%, 12/1/2019		440,000	444,400
Kronos International, Inc., 6.5%, 4/15/2013	EUR	185,000	187,769
Lumena Resources Corp., 144A, 12.0%, 10/27/2014		1,120,000	963,200
Millar Western Forest Products Ltd., 7.75%, 11/15/2013		200,000	172,000
NewMarket Corp., 7.125%, 12/15/2016		1,005,000	974,850
Novelis, Inc.:			
7.25%, 2/15/2015		295,000	284,675
11.5%, 2/15/2015		360,000	376,200
Owens-Brockway Glass Container, Inc., 144A, 3.0%, 6/1/2015		235,000	215,906
Radnor Holdings Corp., 11.0%, 3/15/2010**		265,000	27
Silgan Holdings, Inc., 7.25%, 8/15/2016		415,000	425,375
United States Steel Corp., 7.375%, 4/1/2020		480,000	474,600
Viskase Companies, Inc., 144A, 9.875%, 1/15/2018		940,000	944,700
Wolverine Tube, Inc., 15.0%, 3/31/2012 (PIK)		805,911	463,399
			17,931,248
Telecommunication Services 9.2%			
Cincinnati Bell, Inc.:			
8.25%, 10/15/2017		720,000	673,200
8.75%, 3/15/2018		350,000	317,625
Clearwire Communications LLC, 144A, 12.0%, 12/1/2015		240,000	239,100
Cricket Communications, Inc.:			
9.375%, 11/1/2014		1,265,000	1,283,975
10.0%, 7/15/2015 (b)		380,000	397,100

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

		Principal Amount ($)(a)	Value ($)
Crown Castle International Corp., 9.0%, 1/15/2015		775,000	819,562
Digicel Group Ltd., 144A, 10.5%, 4/15/2018		495,000	510,469
Digicel Ltd., 144A, 8.25%, 9/1/2017		1,090,000	1,079,100
ERC Ireland Preferred Equity Ltd., 144A, 7.683%***, 2/15/2017 (PIK)	EUR	614,119	90,415
Grupo Iusacell Celular SA de CV, 10.0%, 3/31/2012**		278,182	89,018
Hughes Network Systems LLC, 9.5%, 4/15/2014		1,105,000	1,118,812
Intelsat Corp.:			
9.25%, 8/15/2014		160,000	163,600
9.25%, 6/15/2016		1,735,000	1,821,750
Intelsat Jackson Holdings SA:			
144A, 8.5%, 11/1/2019		365,000	368,650
11.25%, 6/15/2016		65,000	69,225
Intelsat Subsidiary Holding Co. SA:			
Series B, 144A, 8.875%, 1/15/2015		165,000	166,856
8.875%, 1/15/2015		960,000	975,600
MetroPCS Wireless, Inc., 9.25%, 11/1/2014		1,755,000	1,807,650
New Communications Holdings, Inc.:			
144A, 7.875%, 4/15/2015		65,000	65,488
144A, 8.25%, 4/15/2017		395,000	396,481
144A, 8.5%, 4/15/2020		525,000	526,313
144A, 8.75%, 4/15/2022		70,000	70,000
Sprint Nextel Corp., 8.375%, 8/15/2017		590,000	590,000
Telesat Canada, 11.0%, 11/1/2015		1,545,000	1,668,600
Windstream Corp.:			
7.0%, 3/15/2019		430,000	396,675
7.875%, 11/1/2017		845,000	824,931
8.625%, 8/1/2016		70,000	70,525
			16,600,720

Utilities 2.4%

	Principal Amount ($)(a)	Value ($)
AES Corp.:		
8.0%, 10/15/2017	415,000	419,150
8.0%, 6/1/2020	525,000	527,625
Energy Future Holdings Corp.:		
144A, 10.0%, 1/15/2020	150,000	149,250
10.875%, 11/1/2017	495,000	366,300
Mirant North America LLC, 7.375%, 12/31/2013	270,000	276,075
NRG Energy, Inc., 7.375%, 1/15/2017	990,000	980,100
NV Energy, Inc.:		
6.75%, 8/15/2017	455,000	458,371
8.625%, 3/15/2014	200,000	205,500
RRI Energy, Inc., 7.875%, 6/15/2017	150,000	141,750
Texas Competitive Electric Holdings Co., LLC, Series A, 10.25%, 11/1/2015	1,050,000	693,000
		4,217,121
Total Corporate Bonds (Cost $153,808,544)		**146,780,484**

Loan Participations and Assignments 5.7%

Senior Loans***

		Principal Amount ($)(a)	Value ($)
Alliance Mortgage Cycle Loan, Term Loan A, 9.5%, 6/1/2010**		700,000	0
Buffets, Inc.:			
Letter of Credit, First Lien, 7.375%, 4/22/2015		89,389	69,276
Term Loan B, 10.0%, 4/21/2015		380,000	341,620
Charter Communications Operating LLC, New Term Loan, 7.25%, 3/6/2014		1,253,351	1,257,788
Clarke American Corp., Term Loan B, 2.847%, 6/30/2014		138,220	119,214
First Data Corp., Term Loan B1, 3.097%, 9/24/2014		520,000	438,833
Hawker Beechcraft Acquisition Co., LLC:			
Term Loan, 2.347%, 3/26/2014		1,019,607	827,299
Letter of Credit, 2.533%, 3/26/2014		60,643	49,205
IASIS Healthcare LLC, Term Loan, 5.588%, 6/13/2014 (PIK)		662,500	597,078
Kabel Deutschland GmbH, Term Loan, 7.983%, 12/19/2014 (PIK)	EUR	1,633,104	1,890,060
Sabre, Inc., Term Loan B, 2.347%, 9/30/2014		408,838	364,293
Sbarro, Inc., Term Loan, 4.847%, 1/31/2014		305,000	272,213
Scorpion Holding Ltd., Second Lien Term Loan, 7.847%, 5/8/2014		875,000	877,188
Texas Competitive Electric Holdings Co., LLC:			
Term Loan B3, 3.85%, 10/10/2014		2,244,875	1,657,200
Term Loan B2, 4.066%, 10/10/2014		344,755	256,110
Tribune Co., Term Loan B, 5.25%, 6/4/2014**		1,009,426	616,885
US Foodservice, Inc., Term Loan B, 2.85%, 5/29/2012		468,795	403,918
VML US Finance LLC:			
Delayed Draw Term Loan B, 5.04%, 5/25/2012		109,916	107,152
Term Loan B, 5.04%, 5/27/2013		190,293	185,509
Total Loan Participations and Assignments (Cost $12,333,945)			**10,330,841**

Preferred Security 0.5%

Materials

	Principal Amount ($)(a)	Value ($)
Hercules, Inc., 6.5%, 6/30/2029 (Cost $729,804)	1,135,000	**885,300**

	Shares	Value ($)

Common Stocks 0.6%

Consumer Discretionary 0.1%

	Shares	Value ($)
Buffets Restaurants Holdings, Inc.*	18,256	54,768
Dex One Corp.*	3,884	73,796

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

	Shares	Value ($)
SuperMedia, Inc.*	726	13,278
Vertis Holdings, Inc.*	9,993	0
		141,842
Industrials 0.0%		
World Color Press, Inc.*	3,015	**33,617**
Materials 0.5%		
GEO Specialty Chemicals, Inc.*	24,225	20,591
GEO Specialty Chemicals, Inc. 144A*	2,206	1,875
LyondellBasell Industries NV "A"*	17,007	274,663
LyondellBasell Industries NV "B"*	40,584	655,432
		952,561
Total Common Stocks (Cost $3,609,182)		**1,128,020**

Warrants 0.0%

	Shares	Value ($)
Consumer Discretionary 0.0%		
Reader's Digest Association, Inc., Expiration Date 2/19/2014*	1,115	**0**
Financials 0.0%		
New ASAT (Finance) Ltd., Expiration Date 2/1/2011*	149,500	**0**
Industrials 0.0%		
World Color Press, Inc., Expiration Date 7/20/2014*	3,418	**3,948**
Materials 0.0%		
Ashland, Inc., Expiration Date 3/31/2029*	1,100	**0**
Total Warrants (Cost $244,286)		**3,948**

	Units	Value ($)
Other Investments 0.0%		
Consumer Discretionary		
AOT Bedding Super Holdings LLC* (Cost $31,000)	31	**31,031**

	Shares	Value ($)
Securities Lending Collateral 0.6%		
Daily Asset Fund Institutional, 0.27% (e) (f) (Cost $1,114,162)	1,114,162	**1,114,162**
Cash Equivalents 8.6%		
Central Cash Management Fund, 0.21% (e) (Cost $15,520,692)	15,520,692	**15,520,692**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $187,391,615)†	97.4	**175,794,478**
Other Assets and Liabilities, Net	2.6	**4,722,336**
Net Assets	100.0	**180,516,814**

* *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 and senior loans that are in default:*

Securities	Coupon	Maturity Date	Principal Amount ($)		Acquisition Cost ($)	Value ($)
Alliance Mortgage Cycle Loan	9.5%	6/1/2010	700,000	USD	700,000	0
Buffalo Thunder Development Authority	9.375%	12/15/2014	250,000	USD	250,000	45,000
CanWest MediaWorks LP	9.25%	8/1/2015	340,000	USD	340,000	81,600
Congoleum Corp.	8.625%	8/1/2008	1,200,000	USD	1,021,050	273,000
Fontainebleau Las Vegas Holdings LLC	11.0%	6/15/2015	490,000	USD	495,962	1,838
Grupo Iusacell Celular SA de CV	10.0%	3/31/2012	278,182	USD	264,717	89,018
New ASAT (Finance) Ltd.	9.25%	2/1/2011	575,000	USD	519,944	115,000
Radnor Holdings Corp.	11.0%	3/15/2010	265,000	USD	234,313	27
Tribune Co.	5.25%	6/4/2014	1,009,426	USD	905,407	616,885
Tropicana Entertainment LLC	9.625%	12/15/2014	1,220,000	USD	959,601	92
Trump Entertainment Resorts, Inc.	8.5%	6/1/2015	105,000	USD	107,100	131
Young Broadcasting, Inc.	8.75%	1/15/2014	2,040,000	USD	1,981,498	1,224
					7,779,592	**1,223,815**

*** *These securities are shown at their current rate as of June 30, 2010. Floating rate securities' yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate.*

† *The cost for federal income tax purposes was $187,531,069. At June 30, 2010, net unrealized depreciation for all securities based on tax cost was $11,736,591. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $4,677,028 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $16,413,619.*

(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, 2010 amounted to $1,067,312, which is 0.6% of net assets.*

(c) *Security has deferred its 6/15/2008, 12/15/2008 and 6/15/2009 interest payments until 8/15/2012.*

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

(d) *When-issued security*

(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.

PIK: Denotes that all or a portion of the income is paid in-kind.

REIT: Real Estate Investment Trust

At June 30, 2010, open credit default swap contracts sold were as follows:

Effective/ Expiration Date	Notional Amount ($) (g)	Fixed Cash Flows Received	Underlying Debt Obligation/Quality Rating (h)	Value ($)	Upfront Payments Paid/ (Received) ($)	Unrealized Appreciation/ (Depreciation) ($)
6/21/2010 9/20/2013	320,000[1]	5.00%	Ford Motor Co., 6.5%, 8/1/2018, CCC	(9,200)	(9,200)	—
6/21/2010 9/20/2013	385,000[1]	5.00%	Ford Motor Co., 6.5%, 8/1/2018, CCC	(13,475)	(13,475)	—
9/20/2010 9/20/2013	525,000[1]	5.00%	Ford Motor Co., 6.5%, 8/1/2018, CCC	(14,729)	(15,094)	365
6/21/2010 9/20/2015	175,000[2]	5.00%	Ford Motor Co., 6.5%, 8/1/2018, CCC	(16,625)	(16,625)	—
3/22/2010 6/20/2015	2,500,000[2]	5.00%	MARKIT CDX.NA.HY	(139,504)	(107,812)	(31,692)
3/22/2010 6/20/2015	1,000,000[3]	5.00%	MARKIT CDX.NA.HY	(53,750)	(53,750)	—
3/22/2010 6/20/2015	1,500,000[2]	5.00%	MARKIT CDX.NA.HY	(81,619)	(50,625)	(30,994)
3/22/2010 6/20/2015	4,500,000[3]	5.00%	MARKIT CDX.NA.HY	(246,733)	(191,250)	(55,483)
Total net unrealized depreciation						**(117,804)**

(g) *The maximum potential amount of future undiscounted payments that the Portfolio could be required to make under a credit default swap contract would be the notional amount of the contract. These potential amounts would be partially offset by any recovery values of the referenced debt obligation or net amounts received from the settlement of buy protection credit default swap contracts entered into by the Portfolio for the same referenced debt obligation.*

(h) *The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings.*

Counterparties:

1 *The Goldman Sachs & Co.*

2 *JPMorgan Chase Securities, Inc.*

3 *Credit Suisse*

At June 30, 2010, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)	Counterparty
EUR	6,368,400	USD	7,806,130	7/27/2010	**17,502**	Citigroup, Inc.

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)	Counterparty
EUR	38,400	USD	46,953	7/27/2010	**(11)**	JPMorgan Chase Bank

Currency Abbreviations			
EUR	Euro	USD	United States Dollar

For information on the Portfolio's policy and additional disclosures regarding credit default swap contracts and forward foreign currency exchange contracts, please refer to the Derivatives section of Note A in the accompanying Notes to Financial Statements.

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed Income Investments (i)				
Corporate Bonds	$ —	$ 144,253,305	$ 2,527,179	$ 146,780,484
Loan Participations and Assignments	—	10,330,841	—	10,330,841
Preferred Security	—	885,300	—	885,300
Common Stocks	1,050,786	54,768	22,466	1,128,020
Warrants	—	3,948	0	3,948
Other Investments	—	—	31,031	31,031
Short-Term Investments (i)	16,634,854	—	—	16,634,854
Derivatives (j)	—	17,867	—	17,867
Total	**$ 17,685,640**	**$ 155,546,029**	**$ 2,580,676**	**$ 175,812,345**

Liabilities				
Derivatives (j)	$ —	$ (118,180)	$ —	$ (118,180)
Total	**$ —**	**$ (118,180)**	**$ —**	**$ (118,180)**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(i) *See Investment Portfolio for additional detailed categorizations.*

(j) *Derivatives include unrealized appreciation (depreciation) on open credit default swap contracts and forward foreign currency exchange contracts.*

Level 3 Reconciliation

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining value:

	Corporate Bonds	**Loan Participations and Assignments**	**Common Stocks**	**Convertible Preferred Stocks**	**Warrants**	**Other Investments**	**Total**
Balance as of December 31, 2009	$ 2,525,906	$ 1,393,416	$ 22,466	$ 0	$ 5,989	$ —	**$ 3,947,777**
Realized gains (loss)	—	32,529	—	(45,457)	—	—	**(12,928)**
Change in unrealized appreciation (depreciation)	147,373	60,632	—	45,457	(5,989)	31	**247,504**
Amortization premium/discount	4,620	2,591	—	—	—	—	**7,211**
Net purchases (sales)	—	(666,668)	—	0	—	31,000	**(635,668)**
Transfers into Level 3	315,000 (k)	—	—	—	—	—	**315,000**
Transfers (out) of Level 3	(465,720) (l)	(822,500) (m)	—	—	—	—	**(1,288,220)**
Balance as of June 30, 2010	**$ 2,527,179**	**$ —**	**$ 22,466**	**$ —**	**$ 0**	**$ 31,031**	**$ 2,580,676**
Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2010	**$ 147,373**	**$ —**	**$ —**	**$ —**	**$ (5,989)**	**$ 31**	**$ 141,415**

Transfers between price levels are recognized at the beginning of the reporting period.

(k) *The investment was transferred from Level 2 to Level 3 because of the lack of observable market data due to a decrease in market activity.*

(l) *The investment was transferred from Level 3 to Level 2 as a result of the availability of a pricing source supported by observable inputs.*

(m) *The investment was transferred from Level 3 to Level 2 as a result of the availability of observable market data due to increased market activity.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $170,756,761) — including $1,067,312 of securities loaned	$ 159,159,624
Investment in Daily Assets Fund Institutional (cost $1,114,162)*	1,114,162
Investment in Central Cash Management Fund (cost $15,520,692)	15,520,692
Total investments, at value (cost $187,391,615)	175,794,478
Cash	193,022
Foreign currency, at value (cost $776)	779
Receivable for investments sold	3,717,616
Receivable for Portfolio shares sold	392,778
Unrealized appreciation on open forward foreign currency exchange contracts	17,502
Interest receivable	3,274,928
Foreign taxes recoverable	1,264
Unrealized appreciation on open swap contracts	365
Other assets	2,009
Total assets	183,394,741

Liabilities	
Payable for investments purchased	668,694
Payable for investments purchased — when-issued securities	270,000
Payable for Portfolio shares redeemed	21,556
Payable upon return of securities loaned	1,114,162
Unrealized depreciation on open swap contracts	118,169
Upfront payments received on open swap contracts	457,831
Unrealized depreciation on open forward foreign currency exchange contracts	11
Net payable on closed forward foreign currency exchange contracts	2,921
Accrued management fee	69,720
Other accrued expenses and payables	154,863
Total liabilities	2,877,927
Net assets, at value	**$ 180,516,814**

Net Assets Consist of	
Undistributed net investment income	7,307,685
Net unrealized appreciation (depreciation) on:	
Investments	(11,597,137)
Swap contracts	(117,804)
Foreign currency	9,913
Accumulated net realized gain (loss)	(106,630,051)
Paid-in capital	291,544,208
Net assets, at value	**$ 180,516,814**
Class A **Net Asset Value,** offering and redemption price per share ($180,375,567 ÷ 28,738,598 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 6.28**
Class B **Net Asset Value,** offering and redemption price per share ($141,247 ÷ 22,382 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 6.31**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income	
Interest (net of foreign taxes withheld of $1,326)	$ 8,246,936
Income distributions — Central Cash Management Fund	4,220
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	4,578
Total Income	8,255,734
Expenses:	
Management fee	460,877
Administration fee	92,175
Distribution service fee (Class B)	188
Services to shareholders	3,560
Professional fees	69,295
Trustees' fees and expenses	5,325
Reports to shareholders	28,598
Custodian fee	26,725
Other	27,199
Total expenses	713,942
Net investment income (loss)	**7,541,792**

Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments	235,226
Swap contracts	625
Foreign currency	1,677,056
	1,912,907
Change in net unrealized appreciation (depreciation) on:	
Investments	(2,637,153)
Swap contracts	(117,804)
Foreign currency	37,541
	(2,717,416)
Net gain (loss)	**(804,509)**
Net increase (decrease) in net assets resulting from operations	**$ 6,737,283**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income	$ 7,541,792	$ 15,506,352
Net realized gain (loss)	1,912,907	(10,439,947)
Change in net unrealized appreciation (depreciation)	(2,717,416)	54,537,371
Net increase (decrease) in net assets resulting from operations	6,737,283	59,603,776
Distributions to shareholders from:		
Net investment income:		
Class A	(15,325,538)	(18,645,480)
Class B	(11,524)	(15,950)
Total distributions	(15,337,062)	(18,661,430)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	39,676,638	36,369,714
Reinvestment of distributions	15,325,538	18,645,480
Cost of shares redeemed	(62,906,380)	(52,798,244)
Net increase (decrease) in net assets from Class A share transactions	(7,904,204)	2,216,950
Class B		
Proceeds from shares sold	1,665	2,036
Reinvestment of distributions	11,524	15,950
Cost of shares redeemed	(16,363)	(32,524)
Net increase (decrease) in net assets from Class B share transactions	(3,174)	(14,538)
Increase (decrease) in net assets	(16,507,157)	43,144,758
Net assets at beginning of period	197,023,971	153,879,213
Net assets at end of period (including undistributed net investment income of $7,307,685 and $15,102,955, respectively)	**$ 180,516,814**	**$ 197,023,971**

Other Information		
Class A		
Shares outstanding at beginning of period	30,057,940	29,000,230
Shares sold	6,018,580	6,555,256
Shares issued to shareholders in reinvestment of distributions	2,379,741	3,844,429
Shares redeemed	(9,717,663)	(9,341,975)
Net increase (decrease) in Class A shares	(1,319,342)	1,057,710
Shares outstanding at end of period	**28,738,598**	**30,057,940**
Class B		
Shares outstanding at beginning of period	22,888	25,274
Shares sold	244	379
Shares issued to shareholders in reinvestment of distributions	1,779	3,268
Shares redeemed	(2,529)	(6,033)
Net increase (decrease) in Class B shares	(506)	(2,386)
Shares outstanding at end of period	**22,382**	**22,888**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 6.55**	**$ 5.30**	**$ 7.81**	**$ 8.38**	**$ 8.23**	**$ 8.78**
Income (loss) from investment operations:						
Net investment income[b]	.27	.51	.57	.63	.62	.68
Net realized and unrealized gain (loss)	(.01)	1.40	(2.29)	(.54)	.19	(.38)
Total from investment operations	.26	1.91	(1.72)	.09	.81	.30
Less distributions from:						
Net investment income	(.53)	(.66)	(.79)	(.66)	(.66)	(.85)
Net asset value, end of period	**$ 6.28**	**$ 6.55**	**$ 5.30**	**$ 7.81**	**$ 8.38**	**$ 8.23**
Total Return (%)	3.76**	39.99	(23.94)[c]	.96	10.47	3.89
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	180	197	154	248	322	344
Ratio of expenses before expense reductions (%)	.76*	.67	.80	.69	.71	.70
Ratio of expenses after expense reductions (%)	.76*	.67	.79	.69	.71	.70
Ratio of net investment income (%)	8.18*	8.81	8.42	7.84	7.73	8.27
Portfolio turnover rate (%)	37**	66	38	61	93	100

a *For the six months ended June 30, 2010 (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,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 6.58**	**$ 5.31**	**$ 7.81**	**$ 8.38**	**$ 8.22**	**$ 8.77**
Income (loss) from investment operations:						
Net investment income[b]	.26	.49	.53	.60	.59	.65
Net realized and unrealized gain (loss)	(.02)	1.42	(2.27)	(.54)	.20	(.39)
Total from investment operations	.24	1.91	(1.74)	.06	.79	.26
Less distributions from:						
Net investment income	(.51)	(.64)	(.76)	(.63)	(.63)	(.81)
Net asset value, end of period	**$ 6.31**	**$ 6.58**	**$ 5.31**	**$ 7.81**	**$ 8.38**	**$ 8.22**
Total Return (%)	3.47**	39.64	(24.13)[c]	.54	10.11	3.41
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.1	.2	.1	10	53	56
Ratio of expenses before expense reductions (%)	1.04*	.94	1.25	1.08	1.10	1.10
Ratio of expenses after expense reductions (%)	1.04*	.94	1.23	1.08	1.10	1.10
Ratio of net investment income (%)	7.91*	8.54	7.98	7.45	7.34	7.87
Portfolio turnover rate (%)	37**	66	38	61	93	100

a *For the six months ended June 30, 2010 (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*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

Multiple Classes of Shares of Beneficial Interest. Certain portfolios of the Trust offer 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 Rule 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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

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 they trade and are classified as Level 1 securities. 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 Portfolio's Board. 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 one or more broker-dealers. 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. These securities are generally categorized as Level 2. Senior loans are valued by independent pricing services approved by the Portfolio's Board. If the pricing services are unable to provide valuations, senior loans are valued at the mean of the most recent bid and asked quotations or evaluated price, as applicable, obtained from one or more broker-dealers. 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. Certain senior loans may be valued on the basis of a price provided by a single source or broker-dealer. Senior loans are generally categorize as Level 2.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and are classified as Level 2.

Swaps contracts are valued daily based upon prices supplied by a Board approved pricing vendor, if available, and otherwise are valued at the price provided by the broker-dealer with which the swap was traded. Swaps are generally classified as Level 2.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

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.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Loan Participations and Assignments. The Portfolio 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.

When-Issued/Delayed Delivery Securities. The Portfolio may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the

Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Derivatives. Authoritative accounting guidance requires that disclosures about the Portfolio's derivative and hedging activities and derivatives accounted for as hedging instruments must be disclosed separately from derivatives that do not qualify for hedge accounting. Because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings, the Portfolio's derivatives are not accounted for as hedging instruments. As such, even though the Portfolio may use derivatives in an attempt to achieve an economic hedge, the Portfolio's derivatives are not considered to be hedging instruments. The disclosure below is presented in accordance with authoritative accounting guidance.

Credit Default Swap Contracts. A credit default swap is a contract between a buyer and a seller of protection against pre-defined credit events for the reference entity. The Portfolio buys or sells credit default swap contracts to gain exposure to an underlying issuer's credit quality characteristics without directly investing in that issuer, or to hedge the risk of default on Portfolio securities. As a seller in the credit default swap contract, the Portfolio is required to pay the par (or other agreed-upon) value of the referenced entity to the counterparty with the occurrence of a credit event by a third party, such as a US or foreign corporate issuer, on the reference entity, which would likely result in a loss to the Portfolio. In return, the Portfolio receives from the counterparty a periodic stream of payments over the term of the contract provided that no credit event has occurred. If no credit event occurs, the Portfolio keeps the stream of payments with no payment obligations. The Portfolio may also buy credit default swap contracts in order to hedge against the risk of a credit event on debt securities, in which case the Portfolio functions as the counterparty referenced above. This involves the risk that the contract may expire worthless. It also involves counterparty risk that the seller may fail to satisfy its payment obligations to the Portfolio with the occurrence of a credit event. 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 reference entities for all outstanding credit default swap contracts sold by the Portfolio.

Credit default swap contracts are marked to market daily based upon quotations from a Board approved pricing vendor 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 quarterly payments 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.

A summary of the open credit default swap contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in credit default swap contracts with a total notional amount generally indicative of a range from $0 to approximately $10,905,000.

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 Portfolio enters into forward currency contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign currency denominated portfolio holdings and to facilitate transactions in foreign currency denominated securities.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain (loss) is recorded daily. Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. The maximum counterparty credit risk to the Portfolio is measured by the unrealized gain on appreciated 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.

A summary of the open forward currency contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in forward currency contracts with a total contract value generally indicative of a range from approximately $7,853,000 to $13,966,000.

The following table summarizes the value of the Portfolio's derivative instruments held as of June 30, 2010 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivatives	**Forward Contracts**	**Swap Contracts**	**Total**
Credit Contracts (a)	$ —	$ 365	$ 365
Foreign Exchange Contracts (b)	17,502	—	17,502
	$ 17,502	**$ 365**	**$ 17,867**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Unrealized appreciation on open swap contracts*

(b) *Unrealized appreciation on open forward foreign currency exchange contracts*

Liability Derivatives	**Forward Contracts**	**Swap Contracts**	**Total**
Credit Contracts (a)	$ —	$ (118,169)	$ (118,169)
Foreign Exchange Contracts (b)	(2,932)	—	(2,932)
	$ (2,932)	**$ (118,169)**	**$ (121,101)**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Unrealized appreciation (depreciation) on open swap contracts*

(b) *Unrealized depreciation on open forward foreign currency exchange contracts and net payable on closed forward foreign currency exchange contracts*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the six months ended June 30, 2010 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	**Forward Contracts**	**Swap Contracts**	**Total**
Credit Contracts (a)	$ —	$ 625	$ 625
Foreign Exchange Contracts (b)	1,947,153	—	1,947,153
	$ 1,947,153	**$ 625**	**$ 1,947,778**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Net realized gain (loss) from swap contracts*

(b) *Net realized gain (loss) from foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

Change in Net Unrealized Appreciation (Depreciation)	**Forward Contracts**	**Swap Contracts**	**Total**
Credit Contracts (a)	$ —	$ (117,804)	$ (117,804)
Foreign Exchange Contracts (b)	40,941	—	40,941
	$ 40,941	**$ (117,804)**	**$ (76,863)**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Change in net unrealized appreciation (depreciation) on swap contracts*

(b) *Change in net unrealized appreciation (depreciation) on foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

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 income to its shareholders.

At December 31, 2009, the Portfolio 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 High Income VIP	55,108,000	12/31/2010
	13,877,000	12/31/2011
	3,844,000	12/31/2014
	858,000	12/31/2015
	17,301,000	12/31/2016
	17,232,000	12/31/2017

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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, investments in foreign denominated investments, investments in forward currency 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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. 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 the Portfolio, with the exception of securities in default of principal.

B. Purchases and Sales of Securities

During the six months ended June 30, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS High Income VIP	65,503,629	98,076,098

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
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%

For the period from January 1, 2010 through September 30, 2010, the Advisor has contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of the class as follows:

Portfolio	Annual Rate
DWS High Income VIP	
Class B	1.25%

Accordingly, for the six months ended June 30, 2010, the total management fee and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Annualized Effective Rate
DWS High Income VIP	460,877	.50%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS High Income VIP	92,175	14,053

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS High Income VIP Class A	177	91
DWS High Income VIP Class B	17	11

Distribution Service Agreement. Under the Portfolio's Class B 12b-1 plans, DWS Investments Distributors, Inc. ("DIDI") received a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the six months ended June 30, 2010, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS High Income VIP	188	30

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS High Income VIP	9,351	3,338

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Investing in High Yield Securities

The Portfolio's performance could be hurt if a security declines in credit quality or goes into default, or if an issuer does not make timely payments of interest or principal. Because the issuers of high-yield debt securities or junk bonds (debt securities rated below the fourth-highest category) may be in uncertain financial health, the prices of their debt securities can be more vulnerable to bad economic news, or even the expectation of bad news, than investment-grade debt securities. Because the Portfolio may invest in securities not paying current interest or in securities already in default, these risks may be more pronounced.

E. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

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%, 31% and 28%. One Participating Insurance Company was the owner of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 100%.

F. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

G. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Portfolio Management Team Update

Gary Sullivan, CFA, has changed his name to Gary Russell.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 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.

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

VS2HI-3 (8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Large Cap Value VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

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DWS
INVESTMENTS
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Performance Summary

June 30, 2010

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.

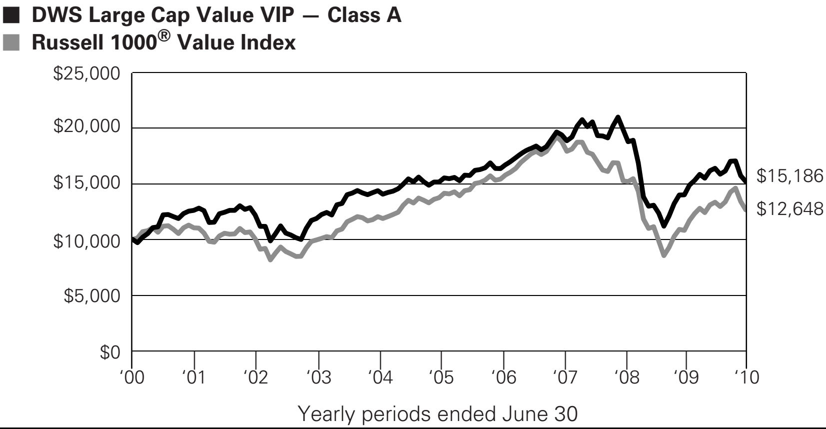
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 0.76% and 1.06% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

Stocks may decline in value. See the prospectus for details.

Portfolio returns shown for the 3-year, 5-year and 10-year/Life of Class 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	$9,275	$10,854	$7,840	$10,032	$15,186
	Average annual total return	–7.25%	8.54%	–7.79%	.06%	4.27%
Russell 1000 Value Index	Growth of $10,000	$9,488	$11,692	$6,740	$9,207	$12,648
	Average annual total return	–5.12%	16.92%	–12.32%	–1.64%	2.38%

DWS Large Cap Value VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$9,265	$10,820	$7,758	$9,851	$12,302
	Average annual total return	–7.35%	8.20%	–8.11%	–.30%	2.62%
Russell 1000 Value Index	Growth of $10,000	$9,488	$11,692	$6,740	$9,207	$12,590
	Average annual total return	–5.12%	16.92%	–12.32%	–1.64%	2.92%

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 Large Cap Value VIP

As an investor of the Portfolio, you incur two types of costs: ongoing expenses and transaction costs. Ongoing expenses include management fees, distribution and service (12b-1) fees and other Portfolio expenses. Examples of transaction costs include contract charges, redemption fees and account maintenance fees, which are not shown in this section. The following tables are intended to help you understand your ongoing expenses (in dollars) of investing in the Portfolio and to help you compare these expenses with the ongoing expenses of investing in other mutual funds. The example in the table is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period (January 1, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$ 927.50	$ 926.50
Expenses Paid per $1,000*	$ 3.92	$ 5.30
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,020.73	$1,019.29
Expenses Paid per $1,000*	$ 4.11	$ 5.56

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Large Cap Value VIP	.82%	1.11%

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.

Portfolio Summary

DWS Large Cap Value VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	95%	99%
Cash Equivalents	5%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/10**	**12/31/09**
Energy	17%	15%
Financials	13%	15%
Health Care	13%	13%
Consumer Staples	12%	12%
Utilities	11%	11%
Telecommunication Services	10%	11%
Industrials	9%	10%
Materials	6%	6%
Consumer Discretionary	6%	5%
Information Technology	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 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Large Cap Value VIP

	Shares	Value ($)
Common Stocks 94.7%		
Consumer Discretionary 5.4%		
Distributors 1.9%		
Genuine Parts Co. (a)	87,354	**3,446,116**
Diversified Consumer Services 1.0%		
H&R Block, Inc.	117,822	**1,848,627**
Hotels Restaurants & Leisure 1.2%		
Carnival Corp. (Units) (a)	76,151	**2,302,806**
Textiles, Apparel & Luxury Goods 1.3%		
VF Corp. (a)	32,599	**2,320,397**
Consumer Staples 11.4%		
Beverages 1.1%		
PepsiCo, Inc.	33,958	**2,069,740**
Food & Staples Retailing 3.1%		
CVS Caremark Corp.	107,130	3,141,052
Kroger Co.	127,612	2,512,680
		5,653,732
Food Products 3.1%		
General Mills, Inc.	51,686	1,835,886
Kellogg Co.	44,646	2,245,694
Mead Johnson Nutrition Co.	33,924	1,700,271
		5,781,851
Tobacco 4.1%		
Altria Group, Inc.	203,176	4,071,647
Philip Morris International, Inc.	75,483	3,460,141
		7,531,788
Energy 16.1%		
Energy Equipment & Services 5.5%		
Ensco PLC (ADR)	66,069	2,595,190
Halliburton Co.	101,636	2,495,164
Noble Corp.*	93,418	2,887,551
Transocean Ltd.* (a)	46,301	2,145,125
		10,123,030
Oil, Gas & Consumable Fuels 10.6%		
Canadian Natural Resources Ltd.	71,745	2,384,086
Chevron Corp.	51,019	3,462,149
ConocoPhillips	18,753	920,585
ExxonMobil Corp.	51,879	2,960,735
Marathon Oil Corp. (a)	123,580	3,842,102
Nexen, Inc.	107,639	2,117,259
Suncor Energy, Inc.	135,366	3,985,175
		19,672,091
Financials 12.4%		
Capital Markets 0.7%		
Ameriprise Financial, Inc.	35,790	**1,293,092**
Diversified Financial Services 3.4%		
Bank of America Corp.	211,088	3,033,335
JPMorgan Chase & Co.	87,866	3,216,774
		6,250,109
Insurance 8.3%		
Assurant, Inc.	76,683	2,660,900
Fidelity National Financial, Inc. "A"	152,748	1,984,197
HCC Insurance Holdings, Inc.	75,648	1,873,044
Lincoln National Corp.	138,062	3,353,526
MetLife, Inc.	47,242	1,783,858
PartnerRe Ltd.	52,299	3,668,252
		15,323,777
Health Care 11.8%		
Health Care Equipment & Supplies 2.9%		
Baxter International, Inc.	74,762	3,038,328
Becton, Dickinson & Co.	33,688	2,277,982
		5,316,310
Health Care Providers & Services 3.2%		
McKesson Corp.	58,429	3,924,092
WellPoint, Inc.*	39,942	1,954,362
		5,878,454
Life Sciences Tools & Services 1.4%		
Thermo Fisher Scientific, Inc.*	53,671	**2,632,562**
Pharmaceuticals 4.3%		
Merck & Co., Inc.	109,461	3,827,851
Teva Pharmaceutical Industries Ltd. (ADR)	80,221	4,170,690
		7,998,541
Industrials 8.9%		
Aerospace & Defense 6.0%		
Honeywell International, Inc. (a)	73,382	2,864,099
L-3 Communications Holdings, Inc. (a)	30,671	2,172,734
Lockheed Martin Corp.	38,973	2,903,489
United Technologies Corp.	49,187	3,192,728
		11,133,050
Electrical Equipment 1.4%		
Emerson Electric Co. (a)	60,043	**2,623,279**
Machinery 1.5%		
Dover Corp.	65,575	**2,740,379**
Information Technology 3.2%		
Communications Equipment 0.8%		
Brocade Communications Systems, Inc.*	262,373	**1,353,845**
Computers & Peripherals 1.3%		
Hewlett-Packard Co.	56,171	**2,431,081**
IT Services 1.1%		
Automatic Data Processing, Inc.	51,305	**2,065,539**
Materials 5.9%		
Chemicals 3.2%		
Air Products & Chemicals, Inc.	47,114	3,053,458
Praxair, Inc.	38,041	2,890,736
		5,944,194
Containers & Packaging 1.7%		
Sonoco Products Co. (a)	104,575	**3,187,446**
Metals & Mining 1.0%		
Kinross Gold Corp.	108,711	**1,857,871**
Telecommunication Services 9.4%		
Diversified Telecommunication Services 7.9%		
AT&T, Inc.	190,213	4,601,253
BCE, Inc.	83,898	2,455,694
CenturyLink, Inc. (a)	130,148	4,335,230
Verizon Communications, Inc.	113,506	3,180,438
		14,572,615

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

	Shares	Value ($)
Wireless Telecommunication Services 1.5%		
Vodafone Group PLC (ADR) (a)	140,982	**2,914,098**
Utilities 10.2%		
Electric Utilities 7.9%		
Allegheny Energy, Inc. (a)	100,192	2,071,971
American Electric Power Co., Inc. (a)	76,733	2,478,476
Duke Energy Corp.	111,353	1,781,648
Entergy Corp. (a)	35,170	2,518,875
Exelon Corp.	31,862	1,209,800
FirstEnergy Corp. (a)	67,444	2,376,052
Southern Co.	66,441	2,211,156
		14,647,978
Multi-Utilities 2.3%		
PG&E Corp.	102,947	**4,231,122**
Total Common Stocks (Cost $163,024,743)		**175,145,520**

	Shares	Value ($)
Securities Lending Collateral 11.4%		
Daily Assets Fund Institutional, 0.27% (b) (c) (Cost $21,163,017)	21,163,017	**21,163,017**
Cash Equivalents 4.7%		
Central Cash Management Fund, 0.21% (b) (Cost $8,752,229)	8,752,229	**8,752,229**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $192,939,989)†	110.8	**205,060,766**
Other Assets and Liabilities, Net	(10.8)	**(20,045,900)**
Net Assets	100.0	**185,014,866**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $195,412,496. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $9,648,270. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $19,237,775 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $9,589,505.*

(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, 2010 amounted to $20,456,360, which is 11.1% 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.*

ADR: American Depositary Receipt

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks (d)	$ 175,145,520	$ —	$ —	$ 175,145,520
Short-Term Investments (d)	29,915,246	—	—	29,915,246
Total	**$ 205,060,766**	**$ —**	**$ —**	**$ 205,060,766**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(d) *See Investment Portfolio for additional detailed categorizations.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $163,024,743) — including $20,456,360 of securities loaned	$	175,145,520
Investment in Daily Assets Fund Institutional (cost $21,163,017)*		21,163,017
Investment in Central Cash Management Fund (cost $8,752,229)		8,752,229
Total investments, at value (cost $192,939,989)		205,060,766
Cash		10,000
Foreign currency, at value (cost $8,102)		8,709
Receivable for investments sold		1,748,859
Dividends receivable		543,566
Interest receivable		7,443
Foreign taxes recoverable		21,051
Total assets		207,400,394
Liabilities		
Payable upon return of securities loaned		21,163,017
Payable for investments purchased		937,131
Payable for Portfolio shares redeemed		121,085
Accrued management fee		97,350
Other accrued expenses and payables		66,945
Total liabilities		22,385,528
Net assets, at value	**$**	**185,014,866**
Net Assets Consist of		
Undistributed net investment income		2,071,712
Net unrealized appreciation (depreciation) on:		
Investments		12,120,777
Foreign currency		706
Accumulated net realized gain (loss)		(49,011,679)
Paid-in capital		219,833,350
Net assets, at value	**$**	**185,014,866**
Class A		
Net Asset Value, offering and redemption price per share ($184,252,246 ÷ 18,649,464 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**9.88**
Class B		
Net Asset Value, offering and redemption price per share ($762,620 ÷ 77,037 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**9.90**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $23,568)	$	3,116,027
Income distributions — Central Cash Management Fund		4,760
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		13,888
Total Income		3,134,675
Expenses:		
Management fee		669,112
Administration fee		102,940
Custodian fee		9,208
Services to shareholders		2,786
Distribution service fee (Class B)		980
Record keeping fees (Class B)		139
Professional fees		30,721
Trustees' fees and expenses		4,650
Reports to shareholders		19,189
Other		6,927
Total expenses		846,652
Net investment income (loss)		**2,288,023**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		2,196,807
Foreign currency		1,514
		2,198,321
Change in net unrealized appreciation (depreciation) on:		
Investments		(18,955,432)
Foreign currency		(2,188)
		(18,957,620)
Net gain (loss)		**(16,759,299)**
Net increase (decrease) in net assets resulting from operations	**$**	**(14,471,276)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ 2,288,023	$ 3,970,664
Net realized gain (loss)	2,198,321	(2,868,405)
Change in net unrealized appreciation (depreciation)	(18,957,620)	44,336,276
Net increase (decrease) in net assets resulting from operations	(14,471,276)	45,438,535
Distributions to shareholders from:		
Net investment income:		
Class A	(4,108,146)	(2,847,989)
Class B	(14,019)	(9,025)
Total distributions	$ (4,122,165)	$ (2,857,014)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,617,211	5,193,145
Net assets acquired in tax-free reorganization	—	107,453,089
Reinvestment of distributions	4,108,146	2,847,989
Cost of shares redeemed	(17,475,198)	(62,359,106)
Net increase (decrease) in net assets from Class A share transactions	(10,749,841)	53,135,117
Class B		
Proceeds from shares sold	135,311	313,837
Net assets acquired in tax-free reorganization	—	202,242
Reinvestment of distributions	14,019	9,025
Cost of shares redeemed	(30,781)	(238,487)
Net increase (decrease) in net assets from Class B share transactions	118,549	286,617
Increase (decrease) in net assets	(29,224,733)	96,003,255
Net assets at beginning of period	214,239,599	118,236,344
Net assets at end of period (including undistributed net investment income of $2,071,712 and $3,905,854, respectively)	**$ 185,014,866**	**$ 214,239,599**

Other Information		
Class A		
Shares outstanding at beginning of period	19,667,770	13,220,277
Shares sold	236,853	540,244
Shares issued in tax-free reorganization	—	12,224,432
Shares issued to shareholders in reinvestment of distributions	366,145	355,554
Shares redeemed	(1,621,304)	(6,672,737)
Net increase (decrease) in Class A shares	(1,018,306)	6,447,493
Shares outstanding at end of period	**18,649,464**	**19,667,770**
Class B		
Shares outstanding at beginning of period	66,594	32,776
Shares sold	12,098	32,526
Shares issued in tax-free reorganization	—	22,957
Shares issued to shareholders in reinvestment of distributions	1,246	1,124
Shares redeemed	(2,901)	(22,789)
Net increase (decrease) in Class B shares	10,443	33,818
Shares outstanding at end of period	**77,037**	**66,594**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$10.86**	**$ 8.92**	**$19.21**	**$17.96**	**$15.81**	**$15.79**
Income (loss) from investment operations: Net investment income (loss)[b]	.12	.21	.21	.26	.29[d]	.26
Net realized and unrealized gain (loss)	(.88)	1.97	(5.68)	1.98	2.12	.04
Total from investment operations	(.76)	2.18	(5.47)	2.24	2.41	.30
Less distributions from: Net investment income	(.22)	(.24)	(.34)	(.32)	(.26)	(.28)
Net realized gains	—	—	(4.48)	(.67)	—	—
Total distributions	(.22)	(.24)	(4.82)	(.99)	(.26)	(.28)
Net asset value, end of period	**$ 9.88**	**$10.86**	**$ 8.92**	**$19.21**	**$17.96**	**$15.81**
Total Return (%)	(7.25)**	25.37	(36.40)[c]	13.15[c,e]	15.41[d]	1.97[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	184	214	118	229	275	268
Ratio of expenses before expense reductions (%)	.82*	.76	.87	.83	.83	.80
Ratio of expenses after expense reductions (%)	.82*	.76	.86	.82	.83	.80
Ratio of net investment income (loss) (%)	2.22*	2.22	1.59	1.43	1.73[d]	1.64
Portfolio turnover rate (%)	14**	76	97	103	76	64

a *For the six months ended June 30, 2010 (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 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 0.04% lower.*

* *Annualized* ** *Not annualized*

Class B

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$10.86**	**$ 8.92**	**$19.20**	**$17.94**	**$15.79**	**$15.77**
Income (loss) from investment operations: Net investment income (loss)[b]	.10	.19	.12	.19	.23[d]	.19
Net realized and unrealized gain (loss)	(.88)	1.96	(5.64)	1.99	2.11	.05
Total from investment operations	(.78)	2.15	(5.52)	2.18	2.34	.24
Less distributions from: Net investment income	(.18)	(.21)	(.28)	(.25)	(.19)	(.22)
Net realized gains	—	—	(4.48)	(.67)	—	—
Total distributions	(.18)	(.21)	(4.76)	(.92)	(.19)	(.22)
Net asset value, end of period	**$ 9.90**	**$10.86**	**$ 8.92**	**$19.20**	**$17.94**	**$15.79**
Total Return (%)	(7.35)**	24.86	(36.64)[c]	12.77[c,e]	14.96[d]	1.58[c]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	1	1	.29	8	40	40
Ratio of expenses before expense reductions (%)	1.11*	1.06	1.28	1.21	1.21	1.21
Ratio of expenses after expense reductions (%)	1.11*	1.06	1.26	1.20	1.21	1.20
Ratio of net investment income (loss) (%)	1.93*	1.92	1.20	1.06	1.35[d]	1.24
Portfolio turnover rate (%)	14**	76	97	103	76	64

a *For the six months ended June 30, 2010 (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 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 0.04% lower.*

* *Annualized* ** *Not annualized*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

Multiple Classes of Shares of Beneficial Interest. Certain portfolios of the Trust offer 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 Rule 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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

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 they trade and are classified as Level 1 securities. 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, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

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.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

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 income to its shareholders.

At December 31, 2009, the Portfolio 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 Large Cap Value VIP	36,654,000	12/31/2016
	12,083,000	12/31/2017

In addition, included in the Portfolio's net tax basis capital loss carryforward of approximately $48,737,000 is $19,469,000 inherited from its merger with DWS Davis Venture Value VIP in fiscal year 2009, which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the above expiration dates, whichever occurs first, subject to certain limitations under Sections 381–384 of the Internal Revenue Code.

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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. 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, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Large Cap Value VIP	27,384,594	47,681,044

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
DWS Large Cap Value VIP	
$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%

Deutsche Asset Management International GmbH ("DeAMi") serves as subadvisor to the Portfolio. DeAMi is paid by the Advisor for its services.

For the period from January 1, 2010 through September 30, 2010, the Advisor has contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of each class as follows:

Portfolio	Annual Rate
DWS Large Cap Value VIP	
Class A	.88%
Class B	1.28%

Accordingly, for the six months ended June 30, 2010, the total management fee and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Annualized Effective Rate
DWS Large Cap Value VIP	669,112	.65%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Large Cap Value VIP	102,940	15,921

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Large Cap Value VIP Class A	141	73
DWS Large Cap Value VIP Class B	24	13

Distribution Service Agreement. Under the Portfolio's Class B 12b-1 plans, DWS Investments Distributors, Inc. ("DIDI") received a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the six months ended June 30, 2010, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Large Cap Value VIP	980	164

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Large Cap Value VIP	6,520	724

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

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 55%, 30% and 10%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 80% and 20%.

E. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

F. Acquisition of Assets

On April 24, 2009, the Portfolio acquired all of the net assets of DWS Davis Venture Value VIP pursuant to a plan of reorganization approved by shareholders on November 21, 2008. The primary reason for the acquisition was to consolidate portfolios managed by the Advisor with comparable investment objectives. The acquisition was accomplished by a tax-free exchange of 17,064,120 Class A shares and 32,154 Class B shares of DWS Davis Venture Value VIP for 12,224,432 Class A shares and 22,957 Class B shares of the Portfolio, respectively, outstanding on April 24, 2009. DWS Davis Venture Value VIP's net assets at that date, $107,655,331, including $5,676,099 of net unrealized appreciation, were combined with those of the Portfolio. The aggregate net assets of the Portfolio immediately before the acquisition were $106,678,067. The combined net assets of the Portfolio immediately following the acquisition were $214,333,398.

G. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 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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VS2LCV-3 (8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Mid Cap Growth VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

A member of
Deutsche Bank Group

DWS INVESTMENTS
Deutsche Bank Group

Performance Summary

June 30, 2010

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.

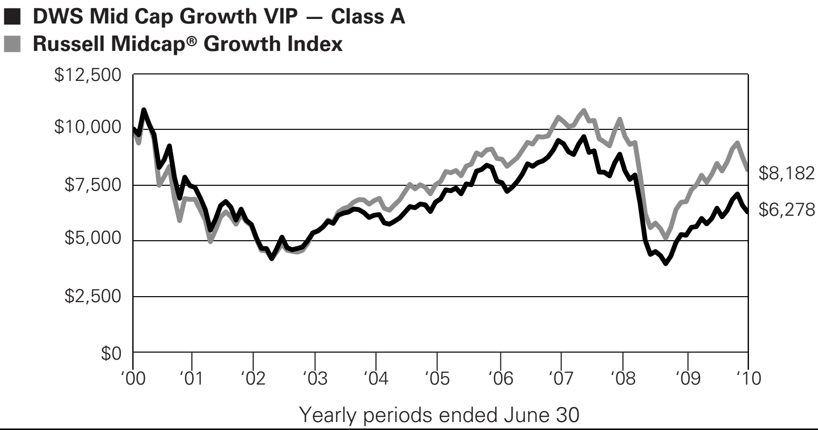
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 is 1.17% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Risk Considerations

Stocks of medium-sized companies involve greater risk than securities of larger, more-established companies. Stocks may decline in value. See the prospectus for details.

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



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	10-Year
Class A	Growth of $10,000	$9,733	$11,987	$6,716	$9,141	$6,278
	Average annual total return	–2.67%	19.87%	–12.43%	–1.78%	–4.55%
Russell Midcap Growth Index	Growth of $10,000	$9,669	$12,130	$7,908	$10,702	$8,182
	Average annual total return	–3.31%	21.30%	–7.53%	1.37%	–1.99%

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 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 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$ 973.30
Expenses Paid per $1,000*	$ 5.33

Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,019.39
Expenses Paid per $1,000*	$ 5.46

* *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 six-month period, then divided by 365.*

Annualized Expense Ratio	**Class A**
DWS Variable Series II — DWS Mid Cap Growth VIP	1.09%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio of any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

Portfolio Summary

DWS Mid Cap Growth VIP

Asset Allocation (As a % of Investment Portfolio Excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	98%	98%
Cash Equivalents	2%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/10**	**12/31/09**
Information Technology	23%	22%
Consumer Discretionary	17%	18%
Health Care	17%	12%
Industrials	13%	14%
Energy	9%	12%
Financials	8%	9%
Materials	6%	8%
Consumer Staples	5%	3%
Telecommunication Services	2%	2%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Mid Cap Growth VIP

	Shares	Value ($)
Common Stocks 98.7%		
Consumer Discretionary 16.8%		
Auto Components 2.1%		
BorgWarner, Inc.*	4,400	164,296
Gentex Corp.	13,700	246,326
		410,622
Diversified Consumer Services 0.6%		
Strayer Education, Inc.	600	**124,734**
Hotels Restaurants & Leisure 2.9%		
Darden Restaurants, Inc.	8,700	337,995
Panera Bread Co. "A"* (a)	2,000	150,580
Penn National Gaming, Inc.*	4,100	94,710
		583,285
Household Durables 0.9%		
Jarden Corp.	7,000	**188,090**
Internet & Catalog Retail 0.8%		
Priceline.com, Inc.*	850	**150,059**
Specialty Retail 7.6%		
Advance Auto Parts, Inc.	5,500	275,990
Children's Place Retail Stores, Inc.*	7,300	321,346
Guess?, Inc.	8,900	278,036
Tiffany & Co. (a)	6,600	250,206
Urban Outfitters, Inc.*	11,500	395,485
		1,521,063
Textiles, Apparel & Luxury Goods 1.9%		
Deckers Outdoor Corp.*	2,700	**385,749**
Consumer Staples 4.6%		
Food Products 1.2%		
Diamond Foods, Inc. (a)	5,800	**238,380**
Household Products 1.4%		
Church & Dwight Co., Inc. (a)	4,600	**288,466**
Personal Products 2.0%		
Herbalife Ltd. (a)	8,600	**396,030**
Energy 9.2%		
Energy Equipment & Services 3.9%		
Cameron International Corp.*	4,200	136,584
Complete Production Services, Inc.*	10,100	144,430
Core Laboratories NV	1,400	206,654
FMC Technologies, Inc.* (a)	5,700	300,162
		787,830
Oil, Gas & Consumable Fuels 5.3%		
Alpha Natural Resources, Inc.*	4,900	165,963
Concho Resources, Inc.*	3,900	215,787
EXCO Resources, Inc.	9,400	137,334
Pioneer Natural Resources Co.	3,000	178,350
Southwestern Energy Co.*	3,000	115,920
Ultra Petroleum Corp.*	5,630	249,127
		1,062,481
Financials 7.5%		
Capital Markets 3.9%		
Affiliated Managers Group, Inc.* (a)	1,800	109,386
Jefferies Group, Inc. (a)	8,900	187,612
Lazard Ltd. "A"	4,800	128,208
Och-Ziff Capital Management Group "A", (Limited Partnership) (a)	16,300	205,217
TD Ameritrade Holding Corp.* (a)	10,100	154,530
		784,953
Commercial Banks 0.8%		
Prosperity Bancshares, Inc.	4,400	**152,900**
Diversified Financial Services 1.6%		
Portfolio Recovery Associates, Inc.* (a)	4,800	**320,544**
Insurance 1.2%		
Lincoln National Corp.	4,700	114,163
W.R. Berkley Corp.	5,000	132,300
		246,463
Health Care 16.6%		
Biotechnology 2.5%		
Alexion Pharmaceuticals, Inc.*	3,500	179,165
Human Genome Sciences, Inc.* (a)	6,900	156,354
Regeneron Pharmaceuticals, Inc.*	2,800	62,496
Vertex Pharmaceuticals, Inc.*	2,800	92,120
		490,135
Health Care Equipment & Supplies 3.4%		
Kinetic Concepts, Inc.*	6,700	244,617
Thoratec Corp.* (a)	6,100	260,653
Varian Medical Systems, Inc.*	3,500	182,980
		688,250
Health Care Providers & Services 4.7%		
AmerisourceBergen Corp.	7,800	247,650
Fresenius Medical Care AG & Co. KGaA (ADR)	4,600	246,974
Laboratory Corp. of America Holdings*	3,500	263,725
Owens & Minor, Inc.	6,450	183,051
		941,400
Health Care Technology 1.9%		
Cerner Corp.* (a)	2,900	220,081
SXC Health Solutions Corp.*	2,100	153,825
		373,906
Life Sciences Tools & Services 1.9%		
Life Technologies Corp.* (a)	4,400	207,900
QIAGEN NV* (a)	9,400	180,668
		388,568
Pharmaceuticals 2.2%		
Biovail Corp. (a)	12,500	240,500
Questcor Pharmaceuticals, Inc.*	19,500	199,095
		439,595
Industrials 12.9%		
Aerospace & Defense 1.1%		
BE Aerospace, Inc.*	8,700	**221,241**
Air Freight & Logistics 0.8%		
Atlas Air Worldwide Holdings, Inc.*	3,400	**161,500**
Commercial Services & Supplies 1.4%		
Stericycle, Inc.* (a)	4,200	**275,436**
Construction & Engineering 1.0%		
Aecom Technology Corp.*	9,100	**209,846**
Electrical Equipment 1.1%		
General Cable Corp.* (a)	8,000	**213,200**
Industrial Conglomerates 1.1%		
McDermott International, Inc.*	9,900	**214,434**
Machinery 3.3%		
Flowserve Corp.	1,500	127,200

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

	Shares	Value ($)
Gardner Denver, Inc.	3,700	164,983
Joy Global, Inc.	4,300	215,387
Terex Corp.*	8,100	151,794
		659,364
Professional Services 2.4%		
FTI Consulting, Inc.* (a)	7,700	335,643
Robert Half International, Inc.	6,200	146,010
		481,653
Road & Rail 0.7%		
Genesee & Wyoming, Inc. "A"*	3,900	**145,509**
Information Technology 22.6%		
Communications Equipment 2.6%		
F5 Networks, Inc.*	3,600	246,852
Harris Corp.	2,700	112,455
Juniper Networks, Inc.*	6,800	155,176
		514,483
Computers & Peripherals 0.5%		
Lexmark International, Inc. "A"*	2,900	**95,787**
Electronic Equipment, Instruments & Components 1.5%		
Itron, Inc.*	3,850	238,007
Sanmina-SCI Corp.*	4,500	61,245
		299,252
Internet Software & Services 1.6%		
Equinix, Inc.* (a)	2,700	219,294
VistaPrint NV* (a)	2,200	104,478
		323,772
IT Services 2.5%		
Cognizant Technology Solutions Corp. "A"*	6,400	320,384
Lender Processing Services, Inc.	5,700	178,467
		498,851
Semiconductors & Semiconductor Equipment 8.2%		
Analog Devices, Inc.	6,000	167,160
ARM Holdings PLC (ADR) (a)	16,700	207,080
ASML Holding NV (NY Registered Shares)	2,800	76,916
Broadcom Corp. "A"	6,900	227,493
Cavium Networks, Inc.* (a)	6,300	164,997
First Solar, Inc.*	1,400	159,362
Marvell Technology Group Ltd.*	17,300	272,648
Netlogic Microsystems, Inc.* (a)	5,100	138,720
Novellus Systems, Inc.*	9,200	233,312
		1,647,688
Software 5.7%		
BMC Software, Inc.*	7,000	242,410
Concur Technologies, Inc.* (a)	5,900	251,812
McAfee, Inc.*	2,200	67,584
Red Hat, Inc.*	3,600	104,184
Rovi Corp.*	6,700	253,997
Salesforce.com, Inc.* (a)	2,600	223,132
		1,143,119
Materials 6.0%		
Chemicals 0.5%		
Scotts Miracle-Gro Co. "A"	2,400	**106,584**
Construction Materials 0.9%		
Martin Marietta Materials, Inc. (a)	2,100	**178,101**
Containers & Packaging 1.3%		
Crown Holdings, Inc.*	4,900	122,696
Owens-Illinois, Inc.*	5,300	140,185
		262,881
Metals & Mining 2.1%		
Cliffs Natural Resources, Inc.	2,800	132,048
Kinross Gold Corp.	10,400	177,736
United States Steel Corp. (a)	2,900	111,795
		421,579
Paper & Forest Products 1.2%		
Schweitzer-Mauduit International, Inc.	4,500	**227,025**
Telecommunication Services 2.5%		
Wireless Telecommunication Services		
American Tower Corp. "A"*	6,300	280,350
MetroPCS Communications, Inc.* (a)	28,200	230,958
		511,308
Total Common Stocks (Cost $16,764,465)		**19,776,116**

Securities Lending Collateral 27.6%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.27% (b) (c) (Cost $5,526,787)	5,526,787	**5,526,787**

Cash Equivalents 2.3%

	Shares	Value ($)
Central Cash Management Fund, 0.21% (b) (Cost $469,716)	469,716	**469,716**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $22,760,968)†	128.6	**25,772,619**
Other Assets and Liabilities, Net	(28.6)	**(5,733,644)**
Net Assets	100.0	**20,038,975**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $22,875,933. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $2,896,686. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $3,748,609 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $851,923.*

(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, 2010 amounted to $5,375,019, which is 26.8% of net assets.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending. Income earned by the Portfolio is net of borrower rebates.*

ADR: American Depositary Receipt

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks (d)	$ 19,776,116	$ —	$ —	$ 19,776,116
Short-Term Investments (d)	5,996,503	—	—	5,996,503
Total	**$ 25,772,619**	**$ —**	**$ —**	**$ 25,772,619**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(d) *See Investment Portfolio for additional detailed categorizations.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $16,764,465) — including $5,375,019 of securities loaned	$	19,776,116
Investment in Daily Assets Fund Institutional (cost $5,526,787)*		5,526,787
Investment in Central Cash Management Fund (cost $469,716)		469,716
Total investments, at value (cost $22,760,968)		25,772,619
Cash		10,000
Receivable for investments sold		167,658
Dividends receivable		5,232
Interest receivable		685
Foreign taxes recoverable		381
Other assets		73
Total assets		25,956,648

Liabilities		
Payable upon return of securities loaned		5,526,787
Payable for investments purchased		287,231
Payable for Portfolio shares redeemed		56,478
Accrued management fee		2,811
Other accrued expenses and payables		44,366
Total liabilities		5,917,673
Net assets, at value	**$**	**20,038,975**

Net Assets Consist of		
Accumulated net investment loss		(49,857)
Net unrealized appreciation (depreciation) on investments		3,011,651
Accumulated net realized gain (loss)		(26,700,427)
Paid-in capital		43,777,608
Net assets, at value	**$**	**20,038,975**
Class A		
Net Asset Value, offering and redemption price per share ($20,038,975 ÷ 2,116,179 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**9.47**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Dividends (net of foreign taxes withheld of $1,197)	$	70,404
Income distributions — Central Cash Management Fund		420
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		4,654
Total Income		75,478
Expenses:		
Management fee		73,428
Administration fee		11,042
Services to shareholders		563
Custodian fee		5,068
Legal fees		4,458
Audit and tax fees		23,892
Trustees' fees and expenses		2,485
Reports to shareholders		13,586
Other		2,178
Total expenses before expense reductions		136,700
Expense reductions		(16,343)
Total expenses after expense reductions		120,357
Net investment income (loss)		**(44,879)**

Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from investments		1,219,749
Change in net unrealized appreciation (depreciation) on investments		(1,698,437)
Net gain (loss)		**(478,688)**
Net increase (decrease) in net assets resulting from operations	**$**	**(523,567)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ (44,879)	$ (40,620)
Net realized gain (loss)	1,219,749	(3,073,291)
Change in net unrealized appreciation (depreciation)	(1,698,437)	10,072,701
Net increase (decrease) in net assets resulting from operations	(523,567)	6,958,790
Portfolio share transactions:		
Class A		
Proceeds from shares sold	755,272	2,976,222
Cost of shares redeemed	(2,598,747)	(5,876,870)
Shares converted*	—	17,354
Net increase (decrease) in net assets from Class A share transactions	(1,843,475)	(2,883,294)
Class B		
Cost of shares redeemed	—	(64)
Shares converted*	—	(17,354)
Net increase (decrease) in net assets from Class B share transactions	—	(17,418)
Increase (decrease) in net assets	(2,367,042)	4,058,078
Net assets at beginning of period	22,406,017	18,347,939
Net assets at end of period (including accumulated net investment loss of $49,857 and $4,978, respectively)	**$ 20,038,975**	**$ 22,406,017**

Other Information		
Class A		
Shares outstanding at beginning of period	2,302,964	2,694,618
Shares sold	74,689	374,687
Shares redeemed	(261,474)	(769,440)
Shares converted*	—	3,099
Net increase (decrease) in Class A shares	(186,785)	(391,654)
Shares outstanding at end of period	**2,116,179**	**2,302,964**
Class B		
Shares outstanding at beginning of period	—	3,171
Shares redeemed	—	(10)
Shares converted*	—	(3,161)
Net increase (decrease) in Class B shares	—	(3,171)
Shares outstanding at end of period	—	**—**

* *On March 6, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 9.73**	**$ 6.80**	**$13.61**	**$12.56**	**$11.32**	**$ 9.84**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.02)	(.02)	(.02)	(.05)	(.06)[d]	(.05)
Net realized and unrealized gain (loss)	(.24)	2.95	(6.79)	1.10	1.30	1.53
Total from investment operations	(.26)	2.93	(6.81)	1.05	1.24	1.48
Net asset value, end of period	**$ 9.47**	**$ 9.73**	**$ 6.80**	**$13.61**	**$12.56**	**$11.32**
Total Return (%)[c]	(2.67)**	43.09	(50.04)	8.36	10.95[d]	15.04
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	20	22	18	51	53	57
Ratio of expenses before expense reductions (%)	1.24*	1.17	1.17	1.05	1.03	1.01
Ratio of expenses after expense reductions (%)	1.09*	.92	1.02	.90	.93	.95
Ratio of net investment income (loss) (%)	(.41)*	(.21)	(.19)	(.38)	(.51)[d]	(.45)
Portfolio turnover rate (%)	32**	89	82	68	46	104

a *For the six months ended June 30, 2010 (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*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

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 they trade and are classified as Level 1 securities. 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, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

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 income to its shareholders.

At December 31, 2009, the Portfolio 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 Mid Cap Growth VIP	20,154,000	12/31/2011
	935,000	12/31/2016
	6,546,000	12/31/2017

In addition, from November 1, 2009 through December 31, 2009, the Portfolio incurred 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, 2010.

Portfolio	
DWS Mid Cap Growth VIP	$ 167,000

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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. 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, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Mid Cap Growth VIP	6,888,939	8,692,168

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
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%

For the period from January 1, 2010 through September 30, 2010, the Advisor has contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of the class as follows:

Portfolio	Annual Rate
DWS Mid Cap Growth VIP	
Class A	1.09%

Accordingly, for the six months ended June 30, 2010, the total management fee, management fee waived and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Mid Cap Growth VIP	73,428	16,252	.52%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Mid Cap Growth VIP	11,042	1,749

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Waived ($)
DWS Mid Cap Growth VIP Class A	91	91

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Mid Cap Growth VIP	5,530	181

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

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 63% and 35%.

E. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

F. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 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.

DWS Investments Distributors, Inc.
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DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Money Market VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

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DWS Money Market 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. The yield quotation more closely reflects the current earnings of the Portfolio than the total return quotation.

Risk Considerations

An investment in this Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) 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. The share price of money market portfolios can fall below the $1.00 share price. You should not rely on or expect the Advisor to enter into support agreements or take other actions to maintain the Portfolio's $1.00 share price. The credit quality of the Portfolio's holdings can change rapidly in certain markets, and the default of a single holding could have an adverse impact on the Portfolio's share price. The Portfolio's share price can also be negatively affected during periods of high redemption pressures and/or illiquid markets. The actions of a few large investors in the Portfolio may have a significant adverse effect on the share price of the Portfolio. See the prospectus for specific details regarding the Portfolio's risk profile.

Portfolio's Class A Shares Yield	7-day current yield
June 30, 2010	.01%*
December 31, 2009	.02%

* *The investment advisor has agreed to waive fees/reimburse expenses. Without such fee waivers/expense reimbursements, the 7-day current yield would have been –.14% as of June 30, 2010.*

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.

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 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,000.00
Expenses Paid per $1,000*	$ 1.54

Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,023.26
Expenses Paid per $1,000*	$ 1.56

* *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 six-month period, then divided by 365.*

Annualized Expense Ratio	**Class A**
DWS Variable Series II — DWS Money Market VIP	.31%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

Portfolio Summary

DWS Money Market VIP

Asset Allocation (As a % of Investment Portfolio)	**6/30/10**	**12/31/09**
Commercial Paper	35%	33%
Repurchase Agreements	23%	13%
Short-Term Notes	17%	21%
Government & Agency Obligations	12%	10%
Certificates of Deposit and Bank Notes	12%	22%
Supranational	1%	1%
	100%	100%

Weighted Average Maturity*		
DWS Variable Series II — DWS Money Market VIP	36 days	48 days
First Tier Retail Money Fund Average	35 days	47 days

* *The Portfolio 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.*

Weighted average maturity, also known as effective maturity, is the weighted average of the bonds held by the Portfolio taking into consideration any maturity shortening features.

Asset allocation and weighted average maturity are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Money Market VIP

	Principal Amount ($)	Value ($)
Certificates of Deposit and Bank Notes 11.8%		
Bank of Tokyo-Mitsubishi UFJ Ltd., 0.3%, 7/13/2010	1,000,000	1,000,000
Credit Agricole SA, 0.35%, 8/2/2010	1,500,000	1,500,000
DnB NOR Bank ASA:		
0.46%, 8/24/2010	2,600,000	2,600,000
0.5%, 9/27/2010	1,000,000	1,000,000
KBC Bank NV:		
0.52%, 7/23/2010	1,500,000	1,500,000
0.66%, 8/17/2010	1,500,000	1,500,000
Mizuho Corporate Bank Ltd.:		
0.42%, 7/12/2010	2,000,000	2,000,000
0.5%, 10/4/2010	2,000,000	2,000,000
Natixis:		
0.43%, 8/17/2010	1,500,000	1,500,000
0.53%, 8/2/2010	2,000,000	2,000,000
Nordea Bank Finland PLC:		
0.45%, 8/24/2010	1,250,000	1,250,000
0.48%, 10/22/2010	1,000,000	1,000,015
0.75%, 9/23/2010	1,250,000	1,250,000
Skandinaviska Enskilda Banken AB, 0.4%, 7/15/2010	2,250,000	2,250,000
Sumitomo Mitsui Banking Corp., 0.42%, 7/7/2010	1,800,000	1,800,000
Svenska Handelsbanken AB, 0.46%, 8/24/2010	4,000,000	4,000,000
UBS AG, 0.56%, 10/1/2010	1,250,000	1,250,000
Total Certificates of Deposit and Bank Notes (Cost $29,400,015)		**29,400,015**
Commercial Paper 34.9%		
Issued at Discount**		
Amstel Funding Corp.:		
0.55%, 8/11/2010	1,000,000	999,374
0.57%, 8/23/2010	3,000,000	2,997,482
0.6%, 7/30/2010	1,300,000	1,299,372
0.65%, 7/26/2010	1,200,000	1,199,458
Amsterdam Funding Corp., 144A, 0.32%, 7/20/2010	2,000,000	1,999,662
Argento Variable Funding:		
144A, 0.32%, 7/1/2010	1,200,000	1,200,000
144A, 0.34%, 7/23/2010	650,000	649,865
144A, 0.39%, 8/24/2010	1,200,000	1,199,298
144A, 0.49%, 8/2/2010	1,500,000	1,499,347
144A, 0.52%, 8/3/2010	2,600,000	2,598,761
Cancara Asset Securitisation LLC, 144A, 0.56%, 9/7/2010	2,000,000	1,997,884
Coca-Cola Co.:		
0.25%, 8/16/2010	1,300,000	1,299,585
0.45%, 12/17/2010	1,000,000	997,888
Danske Corp., 144A, 0.475%, 9/30/2010	2,000,000	1,997,599
ENI Finance USA, Inc., 0.38%, 7/15/2010	1,000,000	999,852
General Electric Capital Corp., 0.52%, 10/14/2010	2,000,000	1,996,967
Gotham Funding Corp., 144A, 0.4%, 7/20/2010	2,500,000	2,499,472
Grampian Funding LLC, 144A, 0.49%, 8/2/2010	2,100,000	2,099,085
Hannover Funding Co., LLC:		
0.5%, 7/23/2010	2,800,000	2,799,144
0.52%, 8/3/2010	1,300,000	1,299,380
Johnson & Johnson, 144A, 0.22%, 7/12/2010	1,000,000	999,933
JPMorgan Chase & Co., 0.25%, 7/26/2010	1,250,000	1,249,783
KBC Financial Products International Ltd.:		
144A, 0.45%, 7/23/2010	1,500,000	1,499,587
144A, 0.49%, 7/26/2010	2,000,000	1,999,319
Nestle Finance International Ltd.:		
0.26%, 7/13/2010	1,534,000	1,533,867
0.27%, 8/25/2010	1,350,000	1,349,443
Nieuw Amsterdam Receivables Corp.:		
144A, 0.4%, 7/12/2010	1,300,000	1,299,841
144A, 0.45%, 8/2/2010	4,000,000	3,998,400
NRW.Bank:		
0.25%, 7/6/2010	1,750,000	1,749,939
0.4%, 9/14/2010	1,300,000	1,298,917
0.42%, 10/6/2010	1,000,000	998,868
0.45%, 7/8/2010	1,500,000	1,499,869
Regency Markets No. 1 LLC, 144A, 0.37%, 7/20/2010	1,300,000	1,299,746
Romulus Funding Corp.:		
144A, 0.45%, 7/9/2010	4,000,000	3,999,600
144A, 0.5%, 7/16/2010	1,000,000	999,792
Salisbury Receivables Co., LLC, 144A, 0.34%, 7/22/2010	500,000	499,901
Scaldis Capital LLC:		
0.39%, 7/30/2010	2,000,000	1,999,372
0.4%, 7/12/2010	1,800,000	1,799,780
0.49%, 8/5/2010	2,000,000	1,999,047
Standard Chartered Bank, 0.34%, 7/1/2010	3,500,000	3,500,000
Straight-A Funding LLC:		
144A, 0.24%, 7/2/2010	1,300,000	1,299,991
144A, 0.25%, 7/6/2010	1,250,000	1,249,957
144A, 0.35%, 8/24/2010	1,000,000	999,475
144A, 0.36%, 7/19/2010	1,000,000	999,820
144A, 0.43%, 9/1/2010	1,300,000	1,299,037
Swiss Re Treasury US Corp., 0.4%, 8/9/2010	1,000,000	999,567
Tempo Finance Corp., 144A, 0.4%, 7/6/2010	2,600,000	2,599,856
Total Capital Canada Ltd.:		
144A, 0.42%, 9/3/2010	3,200,000	3,197,611
144A, 0.44%, 9/3/2010	2,000,000	1,998,436
Toyota Credit Canada, Inc., 0.47%, 8/6/2010	2,000,000	1,999,060
Toyota Motor Credit Corp., 0.58%, 9/2/2010	1,300,000	1,298,680
Total Commercial Paper (Cost $87,145,969)		**87,145,969**
Short-Term Notes* 17.3%		
ANZ National International Ltd., 144A, 0.404%, 10/19/2010	1,500,000	1,500,000

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

	Principal Amount ($)	Value ($)
ASB Finance Ltd.:		
144A, 0.48%, 12/3/2010	5,000,000	5,000,173
144A, 0.48%, 12/8/2010	1,300,000	1,300,111
Bank of Nova Scotia, 0.357%, 11/23/2010	2,500,000	2,500,000
Barclays Bank PLC, 0.517%, 10/22/2010	2,200,000	2,200,000
Canadian Imperial Bank of Commerce:		
0.23%, 8/25/2010	1,500,000	1,500,000
0.24%, 7/26/2010	2,500,000	2,500,000
0.349%, 10/15/2010	1,300,000	1,300,000
Commonwealth Bank of Australia, 144A, 0.557%, 1/3/2011	1,380,000	1,380,000
Intesa Sanpaolo SpA:		
0.275%, 9/24/2010	1,800,000	1,800,000
0.275%, 10/18/2010	1,200,000	1,199,945
JPMorgan Chase Bank NA, 0.347%, 7/28/2011	1,300,000	1,300,000
National Australia Bank Ltd.:		
144A, 0.377%, 1/27/2011	1,000,000	1,000,000
0.4%, 7/12/2010	1,500,000	1,500,000
Natixis, 0.399%, 12/14/2010	1,000,000	1,000,000
Rabobank Nederland NV:		
0.337%, 11/22/2010	1,000,000	1,000,000
0.35%, 3/11/2011	1,800,000	1,800,000
144A, 0.791%, 4/7/2011	4,000,000	4,000,000
Royal Bank of Canada:		
0.347%, 2/24/2011	675,000	675,000
0.425%, 11/24/2010	1,300,000	1,300,000
Toronto-Dominion Bank, 0.35%, 2/4/2011	1,500,000	1,500,000
Westpac Banking Corp.:		
0.26%, 1/10/2011	1,300,000	1,300,000
0.341%, 7/6/2010	2,500,000	2,500,000
144A, 0.398%, 12/13/2010	2,000,000	2,000,000
Total Short-Term Notes (Cost $43,055,229)		**43,055,229**

Supranational 0.6%

	Principal Amount ($)	Value ($)
Inter-American Development Bank, 0.333%**, 8/16/2010 (Cost $1,399,392)	1,400,000	**1,399,392**

Government & Agency Obligations 12.5%

US Government Sponsored Agencies 10.1%

	Principal Amount ($)	Value ($)
Federal Home Loan Bank:		
0.27%, 10/29/2010	1,250,000	1,249,861
0.4%, 1/4/2011	700,000	699,945
0.43%, 2/22/2011	800,000	800,007
0.54%, 5/24/2011	1,100,000	1,100,079
Federal Home Loan Mortgage Corp.:		
0.191%**, 8/16/2010	2,200,000	2,199,452
0.197%**, 8/17/2010	1,500,000	1,499,608
0.237%**, 9/1/2010	2,650,000	2,648,905
0.278%**, 10/26/2010	1,300,000	1,298,817
0.328%**, 12/7/2010	700,000	698,980
0.377%**, 10/25/2010	800,000	799,020
Federal National Mortgage Association:		
0.204%**, 8/2/2010	3,000,000	2,999,440
0.21%**, 7/1/2010	1,300,000	1,300,000
0.219%**, 11/15/2010	1,300,000	1,298,912
0.278%**, 11/1/2010	1,000,000	999,043
0.299%**, 1/18/2011	1,500,000	1,497,487
0.346%**, 10/1/2010	1,000,000	999,106
0.368%**, 12/1/2010	1,380,000	1,377,830
0.535%**, 8/5/2010	1,600,000	1,599,144
		25,065,636

US Treasury Obligations 2.4%

	Principal Amount ($)	Value ($)
US Treasury Bill, 0.49%**, 7/29/2010	500,000	499,809
US Treasury Notes:		
1.125%, 6/30/2011	2,500,000	2,517,445
1.5%, 10/31/2010	1,000,000	1,003,797
2.75%, 7/31/2010	650,000	651,191
4.5%, 11/15/2010	750,000	761,608
4.5%, 2/28/2011	650,000	667,685
		6,101,535
Total Government & Agency Obligations (Cost $31,167,171)		**31,167,171**

Repurchase Agreements 23.7%

	Principal Amount ($)	Value ($)
Banc of America Securities LLC, 0.03%, dated 6/30/2010, to be repurchased at $32,909,681 on 7/1/2010 (a)	32,909,654	32,909,654
JPMorgan Securities, Inc., 0.02%, dated 6/30/2010, to be repurchased at $4,543,771 on 7/1/2010 (b)	4,543,768	4,543,768
JPMorgan Securities, Inc., 0.03%, dated 6/30/2010, to be repurchased at $21,810,061 on 7/1/2010 (c)	21,810,043	21,810,043
Total Repurchase Agreements (Cost $59,263,465)		**59,263,465**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $251,431,241)†	100.8	**251,431,241**
Other Assets and Liabilities, Net	(0.8)	**(1,904,939)**
Net Assets	100.0	**249,526,302**

* *These securities are shown at their current rate as of June 30, 2010. Floating rate securities' yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate.*

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

† *The cost for federal income tax purposes was $251,431,241.*

(a) *Collateralized by $159,007,000 Federal Home Loan Mortgage Corp., Zero Coupon, maturing on 5/4/2037 with a value of $33,567,968.*

(b) *Collateralized by $5,470,000 US Treasury STRIPS, maturing on 2/15/2017 with a value of $4,635,880.*

(c) *Collateralized by $20,786,410 Federal Home Loan Mortgage Corp., with various coupon rates from 4.5–5.5%, with various maturity dates of 4/15/2027–3/15/2038 with a value of $22,247,145.*

144A: Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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. Securities held by a money market portfolio are reflected as Level 2 because the securities are valued at amortized cost (which approximates fair value) and, accordingly, the inputs used to determine value are not quoted prices in an active market.

The following is a summary of the inputs used as of June 30, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Investments in Securities (d)	$ —	$ 192,167,776	$ —	$ 192,167,776
Repurchase Agreements	—	59,263,465	—	59,263,465
Total	**$ —**	**$ 251,431,241**	**$ —**	**$ 251,431,241**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(d) *See Investment Portfolio for additional detailed categorizations.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investment in securities, valued at amortized cost	$	192,167,776
Repurchase agreements, valued at amortized cost		59,263,465
Total investments, valued at amortized cost		251,431,241
Receivable for Portfolio shares sold		237,807
Interest receivable		69,898
Other assets		2,587
Total assets		251,741,533
Liabilities		
Cash overdraft		642
Payable for investments purchased		1,997,599
Payable for Portfolio shares redeemed		124,334
Distributions payable		1,034
Accrued management fee		36,184
Other accrued expenses and payables		55,438
Total liabilities		2,215,231
Net assets, at value	**$**	**249,526,302**
Net Assets Consist of		
Distributions in excess of net investment income		(16,402)
Accumulated net realized gain (loss)		(353)
Paid-in capital		249,543,057
Net assets, at value	**$**	**249,526,302**
Class A		
Net Asset Value, offering and redemption price per share ($249,526,302 ÷ 249,612,579 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**1.00**

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Interest	$	409,351
Expenses:		
Management fee		365,832
Administration fee		128,362
Custodian fee and other		9,276
Services to shareholders		868
Trustees' fee and expenses		5,510
Professional fees		25,077
Reports to shareholders		6,079
Total expenses		541,004
Expense reductions		(144,580)
Total expenses after expense reductions		396,424
Net investment income		**12,927**
Net realized gain (loss)		**(353)**
Net increase (decrease) in net assets resulting from operations	**$**	**12,574**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income	$ 12,927	$ 1,242,942
Net realized gain (loss)	(353)	23,268
Net increase (decrease) in net assets resulting from operations	12,574	1,266,210
Distributions to shareholders from:		
Net investment income		
Class A	(12,927)	(1,233,793)
Class B	—	(37)
Total distributions	$ (12,927)	$ (1,233,830)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	59,707,612	102,195,146
Shares converted*	—	41,096
Reinvestment of distributions	14,950	1,523,848
Cost of shares redeemed	(79,834,465)	(231,903,870)
Net increase (decrease) in net assets from Class A share transactions	(20,111,903)	(128,143,780)
Class B		
Proceeds from shares sold	—	50
Shares converted*	—	(41,096)
Reinvestment of distributions	—	58
Cost of shares redeemed	—	(49)
Net increase (decrease) in net assets from Class B share transactions	—	(41,037)
Increase (decrease) in net assets	(20,112,256)	(128,152,437)
Net assets at beginning of period	269,638,558	397,790,995
Net assets at end of period (including distributions in excess of net investment income of $16,402 and $16,402, respectively)	**$ 249,526,302**	**$ 269,638,558**

Other Information		
Class A		
Shares outstanding at beginning of period	269,724,482	397,868,262
Shares sold	59,707,612	102,195,146
Shares converted*	—	41,096
Shares issued to shareholders in reinvestment of distributions	14,950	1,523,848
Shares redeemed	(79,834,465)	(231,903,870)
Net increase (decrease) in Class A shares	(20,111,903)	(128,143,780)
Shares outstanding at end of period	**249,612,579**	**269,724,482**
Class B		
Shares outstanding at beginning of period	—	41,037
Shares sold	—	50
Shares converted*	—	(41,096)
Shares issued to shareholders in reinvestment of distributions	—	58
Shares redeemed	—	(49)
Net increase (decrease) in Class B shares	—	(41,037)
Shares outstanding at end of period	**—**	**—**

* *On February 3, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
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	.000***	.003	.026	.049	.046	.028
Total from investment operations	.000***	.003	.026	.049	.046	.028
Less distributions from:						
Net investment income	.000***	(.003)	(.026)	(.049)	(.046)	(.028)
Net asset value, end of period	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**	**$1.000**
Total Return (%)	.00[b]**	.34	2.64[b]	5.00[b]	4.65[b]	2.80
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	250	270	398	355	294	235
Ratio of expenses before expense reductions (%)	.42*	.43	.52	.46	.52	.52
Ratio of expenses after expense reductions (%)	.31*	.43	.50	.45	.51	.52
Ratio of net investment income (%)	.01*	.37	2.56	4.88	4.58	2.77

a *For the six months ended June 30, 2010 (Unaudited).*

b *Total return would have been lower had certain expenses not been reduced.*

* *Annualized*

** *Not annualized*

*** *Amount is less than $0.0005.*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

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. Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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 Portfolio 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. Securities held by a money market portfolio are reflected as Level 2 because the securities are valued at amortized cost (which approximates fair value) and, accordingly, the inputs used to determine value are not quoted prices in an active market.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

Repurchase Agreements. The Portfolio may enter into repurchase agreements with certain banks and broker/dealers whereby the 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.

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 income to its shareholders.

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 remains open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. 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. Net investment income of the Portfolio is declared as a daily dividend and is distributed to shareholders monthly. The Portfolio may take into account capital gains and losses in its daily dividend declarations. The Portfolio 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. 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

Other. Investment transactions are accounted for on a trade date. Interest income is recorded on the accrual basis. 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 the Portfolio.

B. 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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
DWS Money Market VIP	
$0–$500 million	.285%
next $500 million	.270%
next $1.0 billion	.255%
over $2.0 billion	.240%

For the period from January 1, 2010 through April 30, 2010, the Advisor has contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of the class as follows:

Portfolio	Annual Rate
DWS Money Market VIP	
Class A	.44%

For the period from May 1, 2010 through September 30, 2010, the Advisor has contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of the class as follows:

Portfolio	Annual Rate
DWS Money Market VIP	
Class A	.51%

Accordingly, for the six months ended June 30, 2010, the total management fee, management fee waived and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Money Market VIP	365,832	144,218	.17%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Money Market VIP	128,362	20,977

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Waived ($)
DWS Money Market VIP Class A	362	362

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Money Market VIP	6,079	235

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

C. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

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 30%, 22% and 14%.

D. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

E. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 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.

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

VS2MM-3 (8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Small Cap Growth VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

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

A member of
Deutsche Bank Group

DWS INVESTMENTS
Deutsche Bank Group

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.

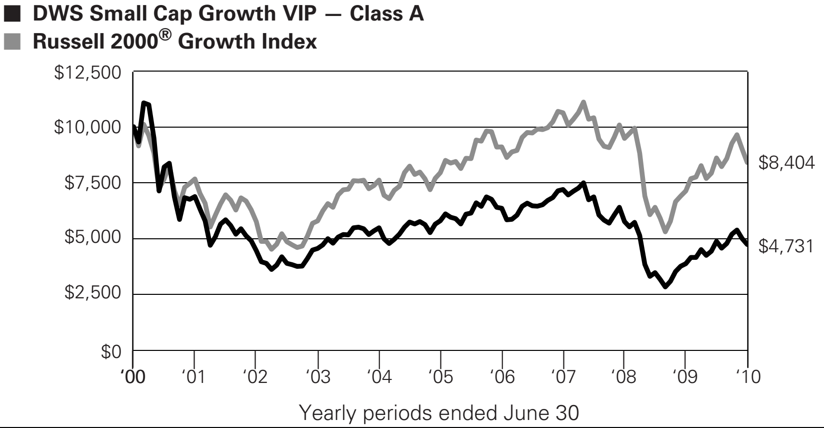
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 is 0.77% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Risk Considerations

Stocks of smaller companies involve greater risk than securities of larger, more-established companies. Stocks may decline in value. See the prospectus for details.

Portfolio returns shown for the 3-year, 5-year and 10-year 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 Small Cap Growth VIP



The Russell 2000® Growth Index is an unmanaged, capitalization-weighted measure of 2,000 of the smallest capitalized US companies with a greater-than-average growth orientation and whose common stocks trade on the NYSE, NYSE Alternext US (formerly known as "Amex") and Nasdaq.

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

Comparative Results

DWS Small Cap Growth VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$9,710	$12,238	$6,580	$8,168	$4,731
	Average annual total return	–2.90%	22.38%	–13.02%	–3.97%	–7.21%
Russell 2000 Growth Index	Growth of $10,000	$9,769	$11,796	$7,905	$10,582	$8,404
	Average annual total return	–2.31%	17.96%	–7.54%	1.14%	–1.72%

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 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 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$ 971.00
Expenses Paid per $1,000*	$ 4.20

Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,020.53
Expenses Paid per $1,000*	$ 4.31

* *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 six-month period, then divided by 365.*

Annualized Expense Ratio	**Class A**
DWS Variable Series II — DWS Small Cap Growth VIP	.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.

Portfolio Summary

DWS Small Cap Growth VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	97%	98%
Cash Equivalents	3%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/10**	**12/31/09**
Information Technology	25%	24%
Health Care	22%	17%
Consumer Discretionary	16%	16%
Industrials	16%	19%
Energy	7%	9%
Financials	6%	7%
Consumer Staples	4%	5%
Materials	3%	2%
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 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Small Cap Growth VIP

	Shares	Value ($)
Common Stocks 97.5%		
Consumer Discretionary 15.7%		
Auto Components 0.8%		
Gentex Corp.	29,600	**532,208**
Diversified Consumer Services 0.8%		
Capella Education Co.* (a)	7,100	**577,585**
Hotels Restaurants & Leisure 1.5%		
Buffalo Wild Wings, Inc.* (a)	20,600	753,548
Red Robin Gourmet Burgers, Inc.* (a)	18,900	324,324
		1,077,872
Media 1.3%		
Cinemark Holdings, Inc.	72,700	**956,005**
Specialty Retail 8.6%		
Advance Auto Parts, Inc.	21,000	1,053,780
Children's Place Retail Stores, Inc.* (a)	23,300	1,025,666
DSW, Inc. "A"* (a)	44,600	1,001,716
Guess?, Inc.	31,500	984,060
hhgregg, Inc.* (a)	36,800	858,176
Urban Outfitters, Inc.* (a)	36,400	1,251,796
		6,175,194
Textiles, Apparel & Luxury Goods 2.7%		
Carter's, Inc.* (a)	22,600	593,250
Deckers Outdoor Corp.*	2,400	342,888
True Religion Apparel, Inc.* (a)	46,100	1,017,427
		1,953,565
Consumer Staples 4.2%		
Food Products		
American Italian Pasta Co. "A"*	7,400	391,238
Darling International, Inc.*	72,900	547,479
Diamond Foods, Inc. (a)	24,355	1,000,990
Green Mountain Coffee Roasters, Inc.* (a)	43,050	1,106,385
		3,046,092
Energy 6.9%		
Energy Equipment & Services 1.8%		
Dril-Quip, Inc.*	10,800	475,416
Superior Well Services, Inc.* (a)	29,900	499,928
T-3 Energy Services, Inc.*	10,700	298,530
		1,273,874
Oil, Gas & Consumable Fuels 5.1%		
BPZ Resources, Inc.* (a)	90,000	373,500
Carrizo Oil & Gas, Inc.* (a)	17,000	264,010
Clean Energy Fuels Corp.* (a)	29,600	442,224
Cloud Peak Energy, Inc.*	23,800	315,588
Concho Resources, Inc.*	10,700	592,031
EXCO Resources, Inc.	23,800	347,718
Goodrich Petroleum Corp.* (a)	15,700	188,400
Northern Oil & Gas, Inc.*	48,000	616,320
Rosetta Resources, Inc.*	28,300	560,623
		3,700,414
Financials 5.8%		
Capital Markets 1.0%		
Stifel Financial Corp.* (a)	16,300	**707,257**

	Shares	Value ($)
Commercial Banks 1.8%		
East West Bancorp., Inc. (a)	36,900	562,725
Prosperity Bancshares, Inc. (a)	21,100	733,225
		1,295,950
Consumer Finance 1.4%		
Dollar Financial Corp.* (a)	49,600	**981,584**
Diversified Financial Services 1.6%		
Portfolio Recovery Associates, Inc.* (a)	17,620	**1,176,664**
Health Care 21.5%		
Biotechnology 6.3%		
Alexion Pharmaceuticals, Inc.*	16,600	849,754
Halozyme Therapeutics, Inc.* (a)	106,100	746,944
Human Genome Sciences, Inc.* (a)	30,800	697,928
ImmunoGen, Inc.* (a)	65,600	608,112
Incyte Corp.* (a)	26,000	287,820
InterMune, Inc.*	12,100	113,135
Regeneron Pharmaceuticals, Inc.* (a)	31,600	705,312
United Therapeutics Corp.* (a)	10,600	517,386
		4,526,391
Health Care Equipment & Supplies 3.6%		
Accuray, Inc.*	45,400	301,002
Kinetic Concepts, Inc.*	23,700	865,287
Thoratec Corp.* (a)	32,500	1,388,725
		2,555,014
Health Care Providers & Services 2.8%		
Genoptix, Inc.*	20,500	352,600
Gentiva Health Services, Inc.* (a)	28,400	767,084
Owens & Minor, Inc.	31,900	905,322
		2,025,006
Health Care Technology 3.6%		
athenahealth, Inc.* (a)	11,500	300,495
Cerner Corp.* (a)	7,500	569,175
Merge Healthcare, Inc.*	75,707	221,822
SXC Health Solutions Corp.*	19,900	1,457,675
		2,549,167
Pharmaceuticals 5.2%		
Biovail Corp.	40,200	773,448
Flamel Technologies SA (ADR)* (a)	55,700	387,672
Par Pharmaceutical Companies, Inc.* (a)	25,900	672,364
Questcor Pharmaceuticals, Inc.*	149,100	1,522,311
VIVUS, Inc.* (a)	41,000	393,600
		3,749,395
Industrials 15.4%		
Aerospace & Defense 1.2%		
BE Aerospace, Inc.* (a)	33,900	**862,077**
Air Freight & Logistics 0.9%		
Atlas Air Worldwide Holdings, Inc.* (a)	13,400	**636,500**
Commercial Services & Supplies 1.5%		
EnerNOC, Inc.* (a)	34,100	**1,072,104**
Construction & Engineering 0.5%		
MYR Group, Inc.*	23,600	**393,884**

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

	Shares	Value ($)
Electrical Equipment 3.9%		
A-Power Energy Generation Systems Ltd.* (a)	56,500	402,280
AZZ, Inc.	14,700	540,519
Baldor Electric Co. (a)	30,800	1,111,264
General Cable Corp.* (a)	27,200	724,880
		2,778,943
Machinery 4.2%		
Ampco-Pittsburgh Corp.	18,800	391,604
Badger Meter, Inc. (a)	25,000	967,250
RBC Bearings, Inc.*	38,500	1,116,115
Terex Corp.*	28,200	528,468
		3,003,437
Professional Services 2.5%		
FTI Consulting, Inc.*	26,000	1,133,340
TrueBlue, Inc.*	58,100	650,139
		1,783,479
Road & Rail 0.7%		
Genesee & Wyoming, Inc. "A"*	13,600	**507,416**
Information Technology 24.1%		
Communications Equipment 2.0%		
Polycom, Inc.*	31,300	932,427
Riverbed Technology, Inc.*	18,700	516,494
		1,448,921
Computers & Peripherals 0.8%		
Lexmark International, Inc. "A"* (a)	16,500	**544,995**
Electronic Equipment, Instruments & Components 1.2%		
Itron, Inc.*	13,300	**822,206**
Internet Software & Services 3.7%		
Digital River, Inc.* (a)	41,400	989,874
MercadoLibre, Inc.* (a)	19,500	1,024,725
NIC, Inc.	45,100	289,091
VistaPrint NV* (a)	7,900	375,171
		2,678,861
IT Services 4.2%		
Forrester Research, Inc.*	38,600	1,168,036
hiSoft Technology International Ltd. (ADR)*	34,100	354,640
iGATE Corp.	88,600	1,135,852
Telvent GIT SA*	20,200	337,340
		2,995,868
Semiconductors & Semiconductor Equipment 4.1%		
Atheros Communications*	15,200	418,608
Cavium Networks, Inc.* (a)	26,650	697,963
Netlogic Microsystems, Inc.* (a)	37,800	1,028,160
Novellus Systems, Inc.* (a)	32,200	816,592
		2,961,323
Software 8.1%		
ArcSight, Inc.* (a)	40,000	895,600
Comm Vault Systems, Inc.* (a)	29,400	661,500
Concur Technologies, Inc.* (a)	25,100	1,071,268
Epicor Software Corp.*	64,800	517,752
Sourcefire, Inc.* (a)	28,600	543,400
Taleo Corp. "A"*	45,600	1,107,624
VanceInfo Technologies, Inc. (ADR)* (a)	43,600	1,015,008
		5,812,152
Materials 3.0%		
Metals & Mining 1.9%		
North American Palladium Ltd.*	91,400	284,254
Randgold Resources Ltd. (ADR) (a)	3,100	293,725
Thompson Creek Metals Co., Inc.*	42,100	365,428
Vista Gold Corp.* (a)	55,400	94,180
Walter Energy, Inc.	5,000	304,250
		1,341,837
Paper & Forest Products 1.1%		
Schweitzer-Mauduit International, Inc. (a)	16,100	**812,245**
Telecommunication Services 0.9%		
Wireless Telecommunication Services		
Syniverse Holdings, Inc.*	31,000	**633,950**
Total Common Stocks (Cost $56,752,135)		**69,949,435**

Securities Lending Collateral 45.8%

	Shares	Value ($)
Daily Assets Fund Institutional, 0.27% (b) (c) (Cost $32,811,806)	32,811,806	**32,811,806**

Cash Equivalents 3.5%

	Shares	Value ($)
Central Cash Management Fund, 0.21% (b) (Cost $2,507,863)	2,507,863	**2,507,863**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $92,071,804)†	146.8	**105,269,104**
Other Assets and Liabilities, Net	(46.8)	**(33,564,783)**
Net Assets	100.0	**71,704,321**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $92,400,276. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $12,868,828. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $16,438,017 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $3,569,189.*

(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, 2010 amounted to $31,757,308, which is 44.3% 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 accompanying notes are an integral part of the financial statements.

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks (d)	$ 69,949,435	$ —	$ —	$ 69,949,435
Short-Term Investments (d)	35,319,669	—	—	35,319,669
Total	**$ 105,269,104**	**$ —**	**$ —**	**$ 105,269,104**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(d) *See Investment Portfolio for additional detailed categorizations.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $56,752,135) — including $31,757,308 of securities loaned	$	69,949,435
Investment in Daily Assets Fund Institutional (cost $32,811,806)*		32,811,806
Investment in Central Cash Management Fund (cost $2,507,863)		2,507,863
Total investments, at value (cost $92,071,804)		105,269,104
Cash		10,000
Receivable for investments sold		253,290
Dividends receivable		13,570
Interest receivable		6,631
Other assets		193
Total assets		105,552,788
Liabilities		
Payable for investments purchased		828,319
Payable for Portfolio shares redeemed		64,896
Payable upon return of securities loaned		32,811,806
Accrued management fee		35,853
Other accrued expenses and payables		107,593
Total liabilities		33,848,467
Net assets, at value	**$**	**71,704,321**
Net Assets Consist of		
Accumulated net investment loss		(176,349)
Net unrealized appreciation (depreciation) on investments		13,197,300
Accumulated net realized gain (loss)		(115,131,528)
Paid-in capital		173,814,898
Net assets, at value	**$**	**71,704,321**
Class A		
Net Asset Value, offering and redemption price per share ($71,704,321 ÷ 6,900,713 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**10.39**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $671)	$	129,248
Income distributions — Central Cash Management Fund		1,482
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		45,089
Total Income		175,819
Expenses:		
Management fee		216,849
Administration fee		39,427
Services to shareholders		2,142
Legal fees		5,916
Audit and tax fees		30,713
Custodian fee		6,664
Trustees' fees and expenses		3,439
Reports to shareholders		28,619
Other		3,802
Total expenses		337,571
Net investment income (loss)		**(161,752)**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from investments		4,139,372
Change in net unrealized appreciation (depreciation) on investments		(5,933,605)
Net gain (loss)		**(1,794,233)**
Net increase (decrease) in net assets resulting from operations	**$**	**(1,955,985)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ (161,752)	$ (146,790)
Net realized gain (loss)	4,139,372	(20,542,495)
Change in net unrealized appreciation (depreciation)	(5,933,605)	44,155,860
Net increase (decrease) in net assets resulting from operations	(1,955,985)	23,466,575
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,919,363	3,738,488
Cost of shares redeemed	(8,844,301)	(17,049,742)
Shares converted*	—	10,873
Net increase (decrease) in net assets from Class A share transactions	(5,924,938)	(13,300,381)
Class B		
Proceeds from shares sold	—	244
Cost of shares redeemed	—	(33)
Shares converted*	—	(10,873)
Net increase (decrease) in net assets from Class B share transactions	—	(10,662)
Increase (decrease) in net assets	(7,880,923)	10,155,532
Net assets at beginning of period	79,585,244	69,429,712
Net assets at end of period (including accumulated net investment loss of $176,349 and $14,597, respectively)	**$ 71,704,321**	**$ 79,585,244**

Other Information		
Class A		
Shares outstanding at beginning of period	7,439,067	9,122,504
Shares sold	262,677	442,413
Shares redeemed	(801,031)	(2,127,728)
Shares converted*	—	1,878
Net increase (decrease) in Class A shares	(538,354)	(1,683,437)
Shares outstanding at end of period	**6,900,713**	**7,439,067**
Class B		
Shares outstanding at beginning of period	—	1,867
Shares sold	—	38
Shares redeemed	—	(5)
Shares converted*	—	(1,900)
Net increase (decrease) in Class B shares	—	(1,867)
Shares outstanding at end of period	—	—

* *On March 6, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$10.70**	**$ 7.61**	**$15.07**	**$14.19**	**$13.48**	**$12.59**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.02)	(.02)	(.01)	(.01)	(.04)[e]	(.06)
Net realized and unrealized gain (loss)	(.29)	3.11	(7.45)	.89	.75	.95
Total from investment operations	(.31)	3.09	(7.46)	.88	.71	.89
Net asset value, end of period	**$10.39**	**$10.70**	**$ 7.61**	**$15.07**	**$14.19**	**$13.48**
Total Return (%)	(2.90)**	40.60	(49.50)[c]	6.20[c]	5.27[c,e]	7.07[d]
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	72	80	69	174	208	243
Ratio of expenses before expense reductions (%)	.86*	.77	.88	.75	.73	.72
Ratio of expenses after expense reductions (%)	.86*	.77	.85	.72	.72	.72
Ratio of net investment income (loss) (%)	(.41)*	(.22)	(.04)	(.09)	(.32)[e]	(.47)
Portfolio turnover rate (%)	37**	93	67	67	73	94

a *For the six months ended June 30, 2010 (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*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

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 they trade and are classified as Level 1 securities. 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, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

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 income to its shareholders.

At December 31, 2009, the Portfolio 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 Small Cap Growth VIP	71,888,000	12/31/2010
	4,155,000	12/31/2011
	8,113,000	12/31/2016
	34,286,000	12/31/2017

In addition, from November 1, 2009 through December 31, 2009, the Portfolio incurred 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, 2010.

Portfolio	
DWS Small Cap Growth VIP	$ 500,000

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 and has determined that no provision for income tax is required in the Portfolio's financial statements. The Portfolio's federal tax return for the prior three fiscal years remains open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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. 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, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Small Cap Growth VIP	28,044,134	34,512,791

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
DWS Small Cap Growth VIP	
$0–$250 million	.550%
next $750 million	.525%
over $1 billion	.500%

Accordingly, for the six months ended June 30, 2010, the total management fee and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Annualized Effective Rate
DWS Small Cap Growth VIP	216,849	.55%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Small Cap Growth VIP	39,427	6,221

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Small Cap Growth VIP Class A	121	43

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Small Cap Growth VIP	5,034	357

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

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 43%, 28% and 25%.

E. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

F. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 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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VS2SCG-3 (8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Strategic Income VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

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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.

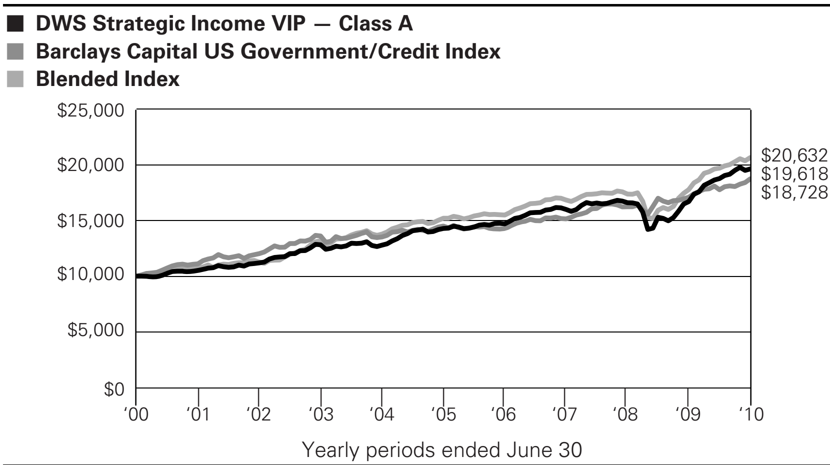
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 is 0.86% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Risk Considerations

Bond investments are subject to interest-rate and credit risks. When interest rates rise, bond prices generally fall. Credit risk refers to the ability of an issuer to make timely payments of principal and interest. Investments in lower-quality and non-rated securities present greater risk of loss than investments in higher-quality securities. The portfolio may use derivatives, including as part of its global alpha strategy. Investing in derivatives entails special risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. Investing in foreign securities, particularly those of emerging markets, presents certain risks, such as currency fluctuations, political and economic changes, and market risks. See the prospectus for details.

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



The Barclays Capital US Government/Credit Index is an unmanaged index comprising intermediate- and long-term government and investment-grade corporate debt securities.

The Blended Index consists of the Credit Suisse High Yield Index (35%), Barclays Capital US Government/Credit Index (35%), JPMorgan Emerging Markets Bond Index Global Diversified (15%) and Citigroup Non US Hedged World Government Bond Index ("WGBI") (15%). The Advisor believes this blended benchmark, which is a secondary benchmark, more accurately reflects typical portfolio asset allocations and represents the overall investment process.

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	$10,462	$11,758	$12,276	$13,742	$19,618
	Average annual total return	4.62%	17.58%	7.07%	6.56%	6.97%
Barclays Capital US Government/Credit Index	Growth of $10,000	$10,549	$10,965	$12,377	$12,921	$18,728
	Average annual total return	5.49%	9.65%	7.37%	5.26%	6.48%
Blended Index	Growth of $10,000	$10,483	$11,610	$12,262	$13,576	$20,632
	Average annual total return	4.83%	16.10%	7.03%	6.30%	7.51%

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 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 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	Class A
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,046.20
Expenses Paid per $1,000*	$ 4.46

Hypothetical 5% Portfolio Return	Class A
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,020.43
Expenses Paid per $1,000*	$ 4.41

* *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 six-month period, then divided by 365.*

Annualized Expense Ratio	Class A
DWS Variable Series II — DWS Strategic Income VIP	.88%

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.

Portfolio Summary

DWS Strategic Income VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Corporate Bonds	61%	62%
Government & Agency Obligations	19%	18%
Cash Equivalents	8%	8%
Mortgage-Backed Securities Pass-Throughs	3%	4%
Loan Participations and Assignments	3%	3%
Commercial Mortgage-Backed Securities	2%	1%
Collateralized Mortgage Obligations	2%	2%
Asset Backed	1%	1%
Preferred Securities	1%	1%
Municipal Bonds and Notes	0%	—
	100%	100%

Quality (Excludes Securities Lending Collateral)	**6/30/10**	**12/31/09**
Cash Equivalents	7%	9%
AAA	17%	12%
AA	4%	8%
A	4%	6%
BBB	15%	14%
BB	16%	18%
B	27%	21%
CCC	9%	8%
Below CCC	—	2%
Not Rated	1%	2%
	100%	100%

Interest Rate Sensitivity	**6/30/10**	**12/31/09**
Effective Maturity	6.6 years	6.6 years
Effective Duration	4.4 years	3.7 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. Credit quality ratings are subject to change.

Effective maturity is the weighted average of the bonds held by the Portfolio taking into consideration any maturity shortening features.

Effective duration is the measurable change in the value of a security in response to a change in interest rates.

For more complete details about the Portfolio's investment portfolio, see page 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Strategic Income VIP

	Principal Amount ($) (a)	Value ($)
Corporate Bonds 62.6%		
Consumer Discretionary 8.2%		
Advance Auto Parts, Inc., 5.75%, 5/1/2020	232,000	237,217
AMC Entertainment, Inc., 8.0%, 3/1/2014	105,000	101,062
American Achievement Corp., 144A, 8.25%, 4/1/2012	30,000	29,775
Ameristar Casinos, Inc., 9.25%, 6/1/2014	115,000	120,462
ArvinMeritor, Inc.:		
8.125%, 9/15/2015	55,000	52,800
10.625%, 3/15/2018	60,000	63,600
Asbury Automotive Group, Inc.:		
7.625%, 3/15/2017	65,000	61,100
8.0%, 3/15/2014	30,000	29,625
Ashtead Holdings PLC, 144A, 8.625%, 8/1/2015	120,000	118,800
Avis Budget Car Rental LLC, 144A, 9.625%, 3/15/2018	45,000	45,450
Brunswick Corp., 144A, 11.25%, 11/1/2016	45,000	49,500
Cablevision Systems Corp.:		
7.75%, 4/15/2018	10,000	10,000
8.0%, 4/15/2020	10,000	10,125
CanWest MediaWorks LP, 144A, 9.25%, 8/1/2015**	50,000	12,000
Carnival Corp., 6.65%, 1/15/2028	285,000	296,720
Carrols Corp., 9.0%, 1/15/2013	30,000	29,850
CCO Holdings LLC:		
144A, 7.875%, 4/30/2018	40,000	40,200
144A, 8.125%, 4/30/2020	25,000	25,563
Cequel Communications Holdings I LLC, 144A, 8.625%, 11/15/2017	215,000	214,194
Clear Channel Worldwide Holdings, Inc.:		
Series A, 144A, 9.25%, 12/15/2017	15,000	14,925
Series B, 144A, 9.25%, 12/15/2017	25,000	25,125
Comcast Corp., 5.15%, 3/1/2020	145,000	151,808
Cooper-Standard Automotive, Inc., 144A, 8.5%, 5/1/2018	25,000	25,188
DISH DBS Corp.:		
6.375%, 10/1/2011	345,000	356,212
6.625%, 10/1/2014	65,000	65,000
7.125%, 2/1/2016	155,000	155,387
Dollarama Group Holdings LP, 7.287%***, 8/15/2012 (b)	52,000	52,520
Fontainebleau Las Vegas Holdings LLC, 144A, 11.0%, 6/15/2015**	65,000	244
Ford Motor Co., 7.45%, 7/16/2031	65,000	58,662
GameStop Corp., 8.0%, 10/1/2012	60,000	61,650
Goodyear Tire & Rubber Co., 10.5%, 5/15/2016	25,000	27,188
Gray Television, Inc., 144A, 10.5%, 6/29/2015	60,000	58,200
Great Canadian Gaming Corp., 144A, 7.25%, 2/15/2015	55,000	54,175
Group 1 Automotive, Inc., 144A, 3.0%, 3/15/2020	65,000	52,650
Harrah's Operating Co., Inc.:		
11.25%, 6/1/2017	240,000	252,600
144A, 12.75%, 4/15/2018	55,000	52,525
Hertz Corp., 8.875%, 1/1/2014	285,000	288,562
Hyundai Motor Manufacturing Czech, 144A, 4.5%, 4/15/2015	145,000	143,794
Isle of Capri Casinos, Inc., 7.0%, 3/1/2014	39,000	35,100
Lear Corp.:		
7.875%, 3/15/2018	40,000	40,100
8.125%, 3/15/2020	40,000	40,100
Limited Brands, Inc., 7.0%, 5/1/2020	20,000	20,150
Macy's Retail Holdings, Inc.:		
5.9%, 12/1/2016	143,000	143,357
8.375%, 7/15/2015	10,000	11,025
Mediacom Broadband LLC, 8.5%, 10/15/2015	75,000	71,625
Mediacom LLC, 9.125%, 8/15/2019	30,000	28,950
MGM Resorts International:		
144A, 9.0%, 3/15/2020	65,000	66,787
10.375%, 5/15/2014	45,000	48,938
11.125%, 11/15/2017	50,000	55,125
Michaels Stores, Inc., Step-up Coupon, 0% to 11/1/2011, 13.0% to 11/1/2016	25,000	22,250
Nexstar Broadcasting, Inc., 144A, 8.875%, 4/15/2017	55,000	55,275
Norcraft Holdings LP, 9.75%, 9/1/2012	71,000	67,184
Penn National Gaming, Inc., 8.75%, 8/15/2019	25,000	25,688
Penske Automotive Group, Inc., 7.75%, 12/15/2016	175,000	164,500
Phillips-Van Heusen Corp., 7.375%, 5/15/2020	25,000	25,219
Pinnacle Entertainment, Inc.:		
7.5%, 6/15/2015	30,000	28,125
144A, 8.625%, 8/1/2017	310,000	319,300
Sabre Holdings Corp., 8.35%, 3/15/2016	160,000	152,800
Seminole Indian Tribe of Florida, 144A, 7.804%, 10/1/2020	70,000	63,103
Simmons Bedding Co., 144A, 11.25%, 7/15/2015	50,000	53,687
Sirius XM Radio, Inc., 144A, 8.75%, 4/1/2015	55,000	54,175
Sonic Automotive, Inc., Series B, 9.0%, 3/15/2018	95,000	96,425
Standard Pacific Corp.:		
8.375%, 5/15/2018	10,000	9,500
10.75%, 9/15/2016	80,000	85,600
Travelport LLC:		
5.163%***, 9/1/2014	45,000	42,075
9.875%, 9/1/2014	85,000	85,212

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

		Principal Amount ($) (a)	Value ($)
Trump Entertainment Resorts, Inc., 8.5%, 6/1/2015**		15,000	19
United Components, Inc., 9.375%, 6/15/2013		10,000	10,050
Unitymedia Hessen GmbH & Co., KG, 144A, 8.125%, 12/1/2017		200,000	196,000
UPC Holding BV:			
144A, 7.75%, 1/15/2014	EUR	200,000	236,621
144A, 8.0%, 11/1/2016	EUR	100,000	116,171
Vertis, Inc., 13.5%, 4/1/2014 (PIK)		22,809	9,523
WMG Acquisition Corp., 9.5%, 6/15/2016		45,000	47,925
Young Broadcasting, Inc., 8.75%, 1/15/2014**		275,000	165
			5,972,307
Consumer Staples 2.1%			
Alliance One International, Inc., 144A, 10.0%, 7/15/2016		70,000	71,225
Altria Group, Inc., 9.25%, 8/6/2019		145,000	180,975
B&G Foods, Inc., 7.625%, 1/15/2018		25,000	25,125
Central Garden & Pet Co., 8.25%, 3/1/2018		35,000	34,694
Dole Food Co., Inc., 144A, 8.0%, 10/1/2016		35,000	35,088
FAGE Dairy Industry SA, 144A, 9.875%, 2/1/2020		85,000	71,400
General Nutrition Centers, Inc., 5.75%***, 3/15/2014 (PIK)		40,000	36,700
Grupo Bimbo SAB de CV, 144A, 4.875%, 6/30/2020		160,000	160,797
Kraft Foods, Inc., 5.375%, 2/10/2020		145,000	155,375
North Atlantic Trading Co., 144A, 10.0%, 3/1/2012		223,000	190,665
Reddy Ice Corp., 144A, 11.25%, 3/15/2015		25,000	25,750
Reynolds American, Inc., 6.75%, 6/15/2017		200,000	216,678
Rite Aid Corp., 7.5%, 3/1/2017		60,000	53,100
Smithfield Foods, Inc.:			
7.75%, 7/1/2017		155,000	148,025
144A, 10.0%, 7/15/2014		85,000	94,137
SUPERVALU, Inc., 8.0%, 5/1/2016		35,000	34,650
TreeHouse Foods, Inc., 7.75%, 3/1/2018		25,000	25,938
			1,560,322
Energy 8.0%			
Atlas Energy Operating Co., LLC:			
10.75%, 2/1/2018		115,000	122,619
12.125%, 8/1/2017		55,000	60,775
Belden & Blake Corp., 8.75%, 7/15/2012		310,000	289,075
Bill Barrett Corp., 9.875%, 7/15/2016		40,000	42,400
Bristow Group, Inc., 7.5%, 9/15/2017		70,000	66,850
Chaparral Energy, Inc., 8.5%, 12/1/2015		230,000	213,900
Chesapeake Energy Corp.:			
6.25%, 1/15/2018		55,000	55,550
6.875%, 11/15/2020		75,000	75,656

	Principal Amount ($) (a)	Value ($)
7.25%, 12/15/2018	100,000	103,250
9.5%, 2/15/2015	185,000	204,425
CITGO Petroleum Corp., 144A, 11.5%, 7/1/2017	105,000	104,212
Coffeyville Resources LLC, 144A, 9.0%, 4/1/2015	70,000	69,300
Colorado Interstate Gas Co., 6.8%, 11/15/2015	30,000	34,568
CONSOL Energy, Inc.:		
144A, 8.0%, 4/1/2017	115,000	118,737
144A, 8.25%, 4/1/2020	60,000	62,550
Continental Resources, Inc.:		
144A, 7.375%, 10/1/2020	35,000	34,388
8.25%, 10/1/2019	20,000	20,900
Crosstex Energy LP, 8.875%, 2/15/2018	55,000	54,931
DCP Midstream LLC, 144A, 5.35%, 3/15/2020	165,000	168,706
El Paso Corp.:		
7.25%, 6/1/2018	55,000	55,148
9.625%, 5/15/2012	255,000	271,011
El Paso Pipeline Partners Operating Co., LLC, 6.5%, 4/1/2020	155,000	158,308
Enbridge Energy Partners LP, 5.2%, 3/15/2020	145,000	149,408
EXCO Resources, Inc., 7.25%, 1/15/2011	95,000	94,763
Frontier Oil Corp., 6.625%, 10/1/2011	40,000	40,150
Global Geophysical Services, Inc., 144A, 10.5%, 5/1/2017	130,000	124,800
Holly Energy Partners LP, 144A, 8.25%, 3/15/2018	55,000	55,275
Husky Energy, Inc., 7.25%, 12/15/2019	210,000	253,784
KCS Energy, Inc., 7.125%, 4/1/2012	240,000	239,400
Linn Energy LLC:		
144A, 8.625%, 4/15/2020	55,000	56,306
11.75%, 5/15/2017	75,000	85,125
Mariner Energy, Inc.:		
7.5%, 4/15/2013	60,000	61,500
8.0%, 5/15/2017	95,000	103,787
Newfield Exploration Co., 7.125%, 5/15/2018	90,000	89,100
Nexen, Inc., 6.2%, 7/30/2019	90,000	101,049
Niska Gas Storage US LLC, 144A, 8.875%, 3/15/2018	55,000	55,825
OPTI Canada, Inc.:		
7.875%, 12/15/2014	215,000	187,050
8.25%, 12/15/2014	70,000	60,900
Petrohawk Energy Corp.:		
7.875%, 6/1/2015	30,000	30,075
9.125%, 7/15/2013	65,000	67,763
Plains Exploration & Production Co.:		
7.0%, 3/15/2017	60,000	57,300
7.625%, 6/1/2018	110,000	107,525
8.625%, 10/15/2019	55,000	55,688
Quicksilver Resources, Inc.:		
7.125%, 4/1/2016	30,000	27,675
11.75%, 1/1/2016	15,000	16,538
Regency Energy Partners LP:		
8.375%, 12/15/2013	80,000	82,400
144A, 9.375%, 6/1/2016	115,000	121,900

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

		Principal Amount ($) (a)	Value ($)
Sabine Pass LNG LP:			
7.25%, 11/30/2013		115,000	103,500
7.5%, 11/30/2016		100,000	83,250
Southwestern Energy Co., 7.5%, 2/1/2018		85,000	90,313
Stone Energy Corp.:			
6.75%, 12/15/2014		95,000	80,750
8.625%, 2/1/2017		125,000	112,500
TransCanada PipeLines Ltd., 6.1%, 6/1/2040		145,000	156,030
Valero Energy Corp., 6.125%, 2/1/2020		160,000	164,415
Whiting Petroleum Corp.:			
7.25%, 5/1/2012		125,000	125,000
7.25%, 5/1/2013		20,000	20,150
Williams Partners LP, 144A, 5.25%, 3/15/2020		200,000	204,513
			5,852,766
Financials 17.0%			
Algoma Acquisition Corp., 144A, 9.875%, 6/15/2015		125,000	106,250
Ally Financial, Inc.:			
6.875%, 9/15/2011		297,000	301,084
7.0%, 2/1/2012		185,000	186,156
7.25%, 3/2/2011		455,000	462,394
144A, 8.0%, 3/15/2020		90,000	87,975
8.0%, 11/1/2031		75,000	69,187
144A, 8.3%, 2/12/2015		35,000	35,438
American International Group, Inc., Series G, 5.6%, 10/18/2016		290,000	264,770
Antero Resources Finance Corp., 144A, 9.375%, 12/1/2017		30,000	30,000
Ashton Woods USA LLC, 144A, Step-up Coupon, 0% to 6/30/2012, 11.0% to 6/30/2015		75,400	43,732
Bank of America Corp.:			
5.625%, 7/1/2020		145,000	146,152
7.625%, 6/1/2019		90,000	103,096
BBVA Bancomer SA, 144A, 7.25%, 4/22/2020		115,000	113,457
Buffalo Thunder Development Authority, 144A, 9.375%, 12/15/2014**		30,000	5,400
Calpine Construction Finance Co., LP, 144A, 8.0%, 6/1/2016		120,000	122,700
Case New Holland, Inc., 7.75%, 9/1/2013		45,000	46,012
CIT Group, Inc., 7.0%, 5/1/2017		300,000	270,000
Citigroup Funding, Inc., 5.0%, 4/7/2013		295,000	286,150
Depfa ACS Bank, 144A, 9.118%***, 10/6/2023		1,000,000	866,400
Discover Bank, 7.0%, 4/15/2020		145,000	146,411
E*TRADE Financial Corp., 7.375%, 9/15/2013		120,000	108,000
Export-Import Bank of Korea, 5.125%, 6/29/2020		113,000	113,454
Express LLC, 144A, 8.75%, 3/1/2018		45,000	45,787
FCE Bank PLC, 9.375%, 1/17/2014	EUR	100,000	128,399

		Principal Amount ($) (a)	Value ($)
Ford Motor Credit Co., LLC:			
7.25%, 10/25/2011		60,000	61,636
7.375%, 2/1/2011		45,000	45,843
7.5%, 8/1/2012		500,000	511,287
9.875%, 8/10/2011		145,000	152,575
GE Capital European Funding, 4.25%, 3/1/2017	EUR	290,000	363,087
General Electric Capital Corp., 5.5%, 1/8/2020		225,000	237,770
Genworth Financial, Inc., 7.7%, 6/15/2020		90,000	89,903
Hartford Financial Services Group, Inc.:			
5.5%, 3/30/2020		50,000	48,530
6.625%, 3/30/2040		85,000	78,929
Hellas Telecommunications Finance SCA, 144A, 8.644%***, 7/15/2015 (PIK)	EUR	106,853	14
Hexion US Finance Corp., 8.875%, 2/1/2018		165,000	148,912
Hospitality Properties Trust, (REIT), 7.875%, 8/15/2014		200,000	220,497
Host Hotels & Resorts LP, (REIT), 6.875%, 11/1/2014		165,000	164,587
Hutchison Whampoa Finance 09 Ltd., 4.75%, 11/14/2016	EUR	150,000	192,674
Intergas Finance BV, REG S, 6.875%, 11/4/2011		275,000	286,687
International Bank for Reconstruction & Development, 5.25%, 4/9/2025		290,000	290,000
International Finance Corp., 5.75%, 3/16/2015	AUD	285,000	243,837
International Lease Finance Corp.:			
144A, 8.625%, 9/15/2015		40,000	37,900
144A, 8.75%, 3/15/2017		80,000	75,800
iPayment, Inc., 9.75%, 5/15/2014		45,000	40,950
Jefferies Group, Inc., 6.875%, 4/15/2021		145,000	145,376
LBI Escrow Corp., 144A, 8.0%, 11/1/2017		100,000	103,000
Lincoln National Corp., 7.0%, 6/15/2040		290,000	305,441
MetLife, Inc., 7.717%, 2/15/2019		180,000	214,240
Morgan Stanley, Series F, 5.625%, 9/23/2019		82,000	79,328
New ASAT (Finance) Ltd., 9.25%, 2/1/2011**		90,000	18,000
Nielsen Finance LLC:			
Step-up Coupon, 0% to 8/1/2011, 12.5% to 8/1/2016		45,000	42,862
11.5%, 5/1/2016		20,000	21,850
Nomura Holdings, Inc., 6.7%, 3/4/2020		90,000	95,215
Nuveen Investments, Inc., 10.5%, 11/15/2015		60,000	52,200
Orascom Telecom Finance SCA, 144A, 7.875%, 2/8/2014		200,000	183,500
Pacific Life Global Funding, 144A, 4.49%***, 2/6/2016		386,000	370,587
Pinnacle Foods Finance LLC, 9.25%, 4/1/2015		35,000	35,700

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

		Principal Amount ($) (a)	Value ($)
PNC Bank NA, 6.875%, 4/1/2018		180,000	203,363
Prudential Financial, Inc., 5.375%, 6/21/2020		135,000	136,725
Rainbow National Services LLC, 144A, 10.375%, 9/1/2014		13,000	13,536
Reynolds Group Issuer, Inc., 144A, 8.5%, 5/15/2018		195,000	191,344
Rio Tinto Finance (USA) Ltd., 9.0%, 5/1/2019		240,000	314,945
SLM Corp., 8.0%, 3/25/2020		25,000	21,955
Sprint Capital Corp.:			
7.625%, 1/30/2011		50,000	50,875
8.375%, 3/15/2012		135,000	141,581
Susser Holdings LLC, 144A, 8.5%, 5/15/2016		30,000	30,000
Teachers Insurance & Annuity Association of America, 144A, 6.85%, 12/16/2039		185,000	215,478
Total Capital SA, 4.45%, 6/24/2020		290,000	296,017
Toyota Motor Credit Corp., 5.25%, 2/3/2012	EUR	270,000	346,274
Toys "R" Us Property Co. I, LLC, 144A, 10.75%, 7/15/2017		50,000	54,625
Tropicana Entertainment LLC, 9.625%, 12/15/2014**		150,000	11
UCI Holdco, Inc., 8.537%***, 12/15/2013 (PIK)		79,793	77,399
Vale Overseas Ltd., 5.625%, 9/15/2019		160,000	168,817
Virgin Media Finance PLC, Series 1, 9.5%, 8/15/2016		300,000	316,875
Virgin Media Secured Finance PLC, 144A, 6.5%, 1/15/2018		375,000	368,437
Wind Acquisition Finance SA:			
144A, 11.0%, 12/1/2015	EUR	180,000	220,113
144A, 11.75%, 7/15/2017	EUR	60,000	74,105
144A, 11.75%, 7/15/2017		100,000	102,500
Wind Acquisition Holdings Finance SA, 144A, 12.25%, 7/15/2017 (PIK)	EUR	60,000	66,401
			12,458,497

Health Care 3.8%

	Principal Amount ($) (a)	Value ($)
CareFusion Corp., 6.375%, 8/1/2019	145,000	165,638
Community Health Systems, Inc., 8.875%, 7/15/2015	575,000	592,969
Genzyme Corp., 144A, 5.0%, 6/15/2020	155,000	159,649
HCA, Inc.:		
7.875%, 2/15/2020	365,000	375,494
8.5%, 4/15/2019	45,000	47,700
9.125%, 11/15/2014	155,000	162,169
9.25%, 11/15/2016	310,000	328,600
9.625%, 11/15/2016 (PIK)	152,000	162,640
IASIS Healthcare LLC, 8.75%, 6/15/2014	95,000	94,525
Life Technologies Corp., 6.0%, 3/1/2020	215,000	232,826
The Cooper Companies, Inc., 7.125%, 2/15/2015	95,000	95,237
Valeant Pharmaceuticals International, 144A, 7.625%, 3/15/2020	85,000	100,300
Vanguard Health Holding Co. II, LLC, 8.0%, 2/1/2018	55,000	52,800
Watson Pharmaceuticals, Inc., 6.125%, 8/15/2019	220,000	247,687
		2,818,234

Industrials 5.0%

	Principal Amount ($) (a)	Value ($)
Acco Brands Corp., 10.625%, 3/15/2015	20,000	21,700
Actuant Corp., 6.875%, 6/15/2017	40,000	39,000
ARAMARK Corp., 8.5%, 2/1/2015	20,000	20,200
BE Aerospace, Inc., 8.5%, 7/1/2018	105,000	110,250
Belden, Inc.:		
7.0%, 3/15/2017	45,000	43,481
144A, 9.25%, 6/15/2019	40,000	42,200
Bombardier, Inc., 144A, 7.75%, 3/15/2020	55,000	57,063
Cenveo Corp.:		
8.875%, 2/1/2018	100,000	96,000
144A, 10.5%, 8/15/2016	55,000	55,963
Clean Harbors, Inc., 7.625%, 8/15/2016	35,000	35,963
Congoleum Corp., 8.625%, 8/1/2008**	125,000	28,438
Corrections Corp. of America, 7.75%, 6/1/2017	30,000	31,125
DynCorp International, Inc., 144A, 10.375%, 7/1/2017 (c)	50,000	50,125
Garda World Security Corp., 144A, 9.75%, 3/15/2017	60,000	60,900
Great Lakes Dredge & Dock Co., 7.75%, 12/15/2013	50,000	49,500
Hutchison Whampoa International 09/19 Ltd., 144A, 5.75%, 9/11/2019	225,000	239,791
Iron Mountain, Inc., 8.375%, 8/15/2021	80,000	81,600
K. Hovnanian Enterprises, Inc., 8.875%, 4/1/2012	55,000	51,425
Kansas City Southern de Mexico SA de CV:		
7.375%, 6/1/2014	115,000	117,012
7.625%, 12/1/2013	155,000	158,100
144A, 8.0%, 2/1/2018	105,000	108,675
Kansas City Southern Railway Co., 8.0%, 6/1/2015	100,000	103,000
Masco Corp., 7.125%, 3/15/2020	145,000	140,793
McJunkin Red Man Corp., 144A, 9.5%, 12/15/2016	95,000	92,150
Mobile Mini, Inc., 9.75%, 8/1/2014	65,000	66,462
Navios Maritime Holdings, Inc., 9.5%, 12/15/2014	75,000	72,000
Oshkosh Corp.:		
8.25%, 3/1/2017	10,000	10,400
8.5%, 3/1/2020	25,000	26,000
Owens Corning, Inc., 9.0%, 6/15/2019	217,000	256,576
Ply Gem Industries, Inc., 144A, 13.125%, 7/15/2014	75,000	75,937
RailAmerica, Inc., 9.25%, 7/1/2017	36,000	37,710
RBS Global, Inc.., 144A, 8.5%, 5/1/2018	120,000	116,400

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	Principal Amount ($) (a)	Value ($)
Republic Services, Inc., 144A, 5.0%, 3/1/2020	145,000	150,353
Sitel LLC, 144A, 11.5%, 4/1/2018	95,000	87,875
Textron, Inc., 7.25%, 10/1/2019	312,000	356,188
Titan International, Inc., 8.0%, 1/15/2012	195,000	202,800
TransDigm, Inc., 7.75%, 7/15/2014	30,000	30,075
United Rentals North America, Inc., 7.0%, 2/15/2014	175,000	164,500
USG Corp., 144A, 9.75%, 8/1/2014	45,000	46,800
Waste Management, Inc., 4.75%, 6/30/2020	95,000	97,662
		3,632,192
Information Technology 2.2%		
Alcatel-Lucent USA, Inc., 6.45%, 3/15/2029	70,000	46,200
Amkor Technology, Inc., 144A, 7.375%, 5/1/2018	45,000	43,650
Aspect Software, Inc., 144A, 10.625%, 5/15/2017	130,000	130,000
Equinix, Inc., 8.125%, 3/1/2018	120,000	122,700
First Data Corp., 9.875%, 9/24/2015	45,000	34,200
Freescale Semiconductor, Inc.:		
8.875%, 12/15/2014	125,000	114,062
144A, 9.25%, 4/15/2018	200,000	197,500
Jabil Circuit, Inc., 7.75%, 7/15/2016	30,000	31,350
L-3 Communications Corp.:		
5.875%, 1/15/2015	105,000	103,687
Series B, 6.375%, 10/15/2015	80,000	80,000
ManTech International Corp., 144A, 7.25%, 4/15/2018	20,000	20,200
MasTec, Inc., 7.625%, 2/1/2017	65,000	63,213
NXP BV, 7.875%, 10/15/2014	75,000	68,813
Seagate HDD Cayman, 144A, 6.875%, 5/1/2020	20,000	19,000
Seagate Technology International, 144A, 10.0%, 5/1/2014	25,000	28,500
SunGard Data Systems, Inc., 10.25%, 8/15/2015	225,000	232,312
Unisys Corp., 144A, 12.75%, 10/15/2014	80,000	89,400
Vangent, Inc., 9.625%, 2/15/2015	35,000	33,469
Western Union Co., 6.2%, 6/21/2040	145,000	150,036
		1,608,292
Materials 6.3%		
Appleton Papers, Inc., 144A, 11.25%, 12/15/2015	25,000	21,250
ArcelorMittal, 6.125%, 6/1/2018	250,000	261,470
Ashland, Inc., 9.125%, 6/1/2017	55,000	60,225
Ball Corp.:		
7.125%, 9/1/2016	30,000	31,387
7.375%, 9/1/2019	25,000	26,000
Berry Plastics Corp., 144A, 9.5%, 5/15/2018	65,000	59,475
Boise Paper Holdings LLC, 144A, 8.0%, 4/1/2020	30,000	29,925
CF Industries, Inc., 6.875%, 5/1/2018	25,000	25,437
Clondalkin Acquisition BV, 144A, 2.537%***, 12/15/2013	75,000	64,875
CPG International I, Inc., 10.5%, 7/1/2013	130,000	129,350
Crown Americas LLC, 144A, 7.625%, 5/15/2017	30,000	31,050
Dow Chemical Co.:		
7.375%, 11/1/2029	290,000	321,060
8.55%, 5/15/2019	290,000	354,993
Essar Steel Algoma, Inc., 144A, 9.375%, 3/15/2015	240,000	228,000
Exopack Holding Corp., 11.25%, 2/1/2014	160,000	162,000
GEO Specialty Chemicals, Inc.:		
144A, 7.5%, 3/31/2015 (PIK)	120,175	102,149
10.0%, 3/31/2015	119,040	101,184
Georgia-Pacific LLC:		
144A, 7.0%, 1/15/2015	45,000	45,450
144A, 7.125%, 1/15/2017	35,000	35,700
144A, 8.25%, 5/1/2016	65,000	69,306
9.5%, 12/1/2011	300,000	322,500
Graphic Packaging International, Inc., 9.5%, 6/15/2017	130,000	135,850
Greif, Inc., 7.75%, 8/1/2019	195,000	200,850
Hexcel Corp., 6.75%, 2/1/2015	255,000	249,900
Huntsman International LLC, 144A, 8.625%, 3/15/2020	50,000	46,250
Innophos, Inc., 8.875%, 8/15/2014	35,000	36,050
International Paper Co., 7.5%, 8/15/2021	145,000	169,780
MeadWestvaco Corp., 7.375%, 9/1/2019	145,000	157,556
Millar Western Forest Products Ltd., 7.75%, 11/15/2013	35,000	30,100
NewMarket Corp., 7.125%, 12/15/2016	110,000	106,700
Newmont Mining Corp., 5.125%, 10/1/2019	100,000	107,153
Novelis, Inc.:		
7.25%, 2/15/2015	100,000	96,500
11.5%, 2/15/2015	35,000	36,575
Owens-Brockway Glass Container, Inc.:		
144A, 3.0%, 6/1/2015	40,000	36,750
7.375%, 5/15/2016	110,000	114,675
Plastipak Holdings, Inc., 144A, 10.625%, 8/15/2019	15,000	16,650
Radnor Holdings Corp., 11.0%, 3/15/2010**	25,000	2
Silgan Holdings, Inc., 7.25%, 8/15/2016	50,000	51,250
Solo Cup Co., 10.5%, 11/1/2013	135,000	139,556
United States Steel Corp., 7.375%, 4/1/2020	80,000	79,100
Viskase Companies, Inc., 144A, 9.875%, 1/15/2018	145,000	145,725
Weyerhaeuser Co., 7.375%, 10/1/2019	145,000	153,222
Wolverine Tube, Inc., 15.0%, 3/31/2012 (PIK)	88,963	51,154
		4,644,134

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		Principal Amount ($) (a)	Value ($)
Telecommunication Services 5.7%			
CC Holdings GS V LLC, 144A, 7.75%, 5/1/2017		350,000	370,125
Cincinnati Bell, Inc., 8.75%, 3/15/2018		170,000	154,275
Cricket Communications, Inc.:			
9.375%, 11/1/2014		205,000	208,075
10.0%, 7/15/2015 (d)		100,000	104,500
Crown Castle International Corp., 9.0%, 1/15/2015		195,000	206,212
Digicel Group Ltd., 144A, 10.5%, 4/15/2018		100,000	103,125
Digicel Ltd., 144A, 8.25%, 9/1/2017		200,000	198,000
ERC Ireland Preferred Equity Ltd., 144A, 7.683%***, 2/15/2017 (PIK)	EUR	76,488	11,261
Frontier Communications Corp., 6.25%, 1/15/2013		36,000	36,090
Grupo Iusacell Celular SA de CV, 10.0%, 3/31/2012**		29,280	9,370
Hughes Network Systems LLC, 9.5%, 4/15/2014		150,000	151,875
Intelsat Corp.:			
9.25%, 8/15/2014		30,000	30,675
9.25%, 6/15/2016		380,000	399,000
Intelsat Jackson Holdings SA, 11.25%, 6/15/2016		60,000	63,900
Intelsat Subsidiary Holding Co. SA, 8.875%, 1/15/2015		195,000	198,169
iPCS, Inc., 2.469%***, 5/1/2013		35,000	32,725
MetroPCS Wireless, Inc., 9.25%, 11/1/2014		335,000	345,050
Millicom International Cellular SA, 10.0%, 12/1/2013		265,000	272,950
New Communications Holdings, Inc.:			
144A, 7.875%, 4/15/2015		10,000	10,075
144A, 8.25%, 4/15/2017		70,000	70,262
144A, 8.5%, 4/15/2020		90,000	90,225
144A, 8.75%, 4/15/2022		10,000	10,000
Nextel Communications, Inc., Series E, 6.875%, 10/31/2013		60,000	58,125
Qwest Communications International, Inc.:			
144A, 7.125%, 4/1/2018		55,000	54,862
144A, 8.0%, 10/1/2015		60,000	61,650
Qwest Corp., 7.5%, 10/1/2014		285,000	303,169
SBA Telecommunications, Inc.:			
144A, 8.0%, 8/15/2016		35,000	36,225
144A, 8.25%, 8/15/2019		25,000	26,313
Sprint Nextel Corp., 8.375%, 8/15/2017		115,000	115,000
Telesat Canada, 11.0%, 11/1/2015		180,000	194,400
West Corp., 9.5%, 10/15/2014		65,000	65,325
Windstream Corp.:			
7.0%, 3/15/2019		60,000	55,350
7.875%, 11/1/2017		135,000	131,794
8.625%, 8/1/2016		10,000	10,075
			4,188,227

	Principal Amount ($) (a)	Value ($)
Utilities 4.3%		
AES Corp.:		
8.0%, 10/15/2017	10,000	10,100
8.0%, 6/1/2020	175,000	175,875
144A, 8.75%, 5/15/2013	257,000	260,855
AmerenEnergy Generating Co., 6.3%, 4/1/2020	160,000	162,857
CMS Energy Corp., 8.5%, 4/15/2011	225,000	232,153
Energy Future Holdings Corp., 144A, 10.0%, 1/15/2020	25,000	24,875
Kinder Morgan, Inc., 6.5%, 9/1/2012	205,000	211,662
Mirant Americas Generation LLC, 8.3%, 5/1/2011	230,000	234,600
Mirant North America LLC, 7.375%, 12/31/2013	60,000	61,350
NRG Energy, Inc.:		
7.25%, 2/1/2014	390,000	395,362
7.375%, 2/1/2016	660,000	656,700
7.375%, 1/15/2017	90,000	89,100
NV Energy, Inc.:		
6.75%, 8/15/2017	80,000	80,593
8.625%, 3/15/2014	25,000	25,687
RRI Energy, Inc., 7.875%, 6/15/2017	25,000	23,625
Suburban Propane Partners LP, 7.375%, 3/15/2020	15,000	15,188
Toledo Edison Co., 7.25%, 5/1/2020	230,000	278,657
Xcel Energy, Inc., 4.7%, 5/15/2020	210,000	218,815
		3,158,054
Total Corporate Bonds (Cost $45,673,160)		**45,893,025**

Mortgage-Backed Securities Pass-Throughs 3.6%

	Principal Amount ($) (a)	Value ($)
Government National Mortgage Association:		
4.5%, 5/1/2039 (c)	1,500,000	1,562,461
5.0%, 5/1/2038 (c)	1,000,000	1,065,156
Total Mortgage-Backed Securities Pass-Throughs (Cost $2,601,719)		**2,627,617**

Asset-Backed 0.8%

Miscellaneous

	Principal Amount ($) (a)	Value ($)
Babson CLO Ltd., "A", Series 2005-3A, 144A, 0.624%***, 11/10/2019	193,425	182,683
Duane Street CLO, "A", Series 2005-1A, 144A, 0.624%***, 11/8/2017	485,188	447,586
Total Asset-Backed (Cost $574,862)		**630,269**

Commercial Mortgage-Backed Securities 2.2%

	Principal Amount ($) (a)	Value ($)
Credit Suisse Mortgage Capital Certificates Trust, "A2", Series 2007-C1, 5.268%, 2/15/2040	814,000	838,001
JPMorgan Chase Commercial Mortgage Securities Corp., "F", Series 2004-LN2, 144A, 5.636%***, 7/15/2041	500,000	314,955

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		Principal Amount ($) (a)	Value ($)
LB-UBS Commercial Mortgage Trust, "A3", Series 2006-C7, 5.347%, 11/15/2038		440,000	454,015
Total Commercial Mortgage-Backed Securities (Cost $1,621,382)			**1,606,971**

Collateralized Mortgage Obligations 1.7%

		Principal Amount ($) (a)	Value ($)
Banc of America Mortgage Securities, "2A2", Series 2004-A, 3.52%***, 2/25/2034		215,282	197,085
Bear Stearns Adjustable Rate Mortgage Trust, "2A1", Series 2005-11, 4.127%***, 12/25/2035		290,184	275,343
Citicorp Mortgage Securities, Inc., "1A7", Series 2006-4, 6.0%, 8/25/2036		124,745	120,323
Merrill Lynch Mortgage Investors Trust:			
"2A", Series 2003-A6, 3.615%***, 10/25/2033		153,219	149,278
"2A1A", Series 2005-A9, 5.108%***, 12/25/2035		211,431	210,722
Provident Funding Mortgage Loan Trust, "2A1", Series 2005-1, 2.99%***, 5/25/2035		125,356	116,277
Residential Funding Mortgage Securities I, "3A1", Series 2005-SA2, 5.117%***, 6/25/2035		11,537	11,332
Washington Mutual Mortgage Pass-Through Certificates Trust, "1A1", Series 2005-AR12, 4.8%***, 10/25/2035		154,701	144,996
Total Collateralized Mortgage Obligations (Cost $1,108,819)			**1,225,356**

Government & Agency Obligations 19.4%

Other Government Related (e) 4.8%

		Principal Amount ($) (a)	Value ($)
Citibank NA, FDIC Guaranteed, 0.39%***, 5/7/2012		650,000	651,507
JPMorgan Chase & Co., Series 3, FDIC Guaranteed, 0.787%***, 12/26/2012		232,000	234,154
Kreditanstalt fuer Wiederaufbau, 1.35%, 1/20/2014	JPY	185,000,000	2,162,377
Pemex Project Funding Master Trust, 5.75%, 3/1/2018		460,000	481,889
			3,529,927

Sovereign Bonds 7.5%

		Principal Amount ($) (a)	Value ($)
Federative Republic of Brazil:			
8.875%, 10/14/2019		295,000	385,712
12.5%, 1/5/2016	BRL	250,000	145,622
Government of Canada, 4.5%, 6/1/2015	CAD	350,000	362,043
Republic of Argentina, 5.83%, 12/31/2033	ARS	535	110
Republic of El Salvador, 144A, 7.65%, 6/15/2035		156,000	165,360
Republic of Indonesia, 144A, 6.875%, 3/9/2017		440,000	496,100
Republic of Lithuania, 144A, 7.375%, 2/11/2020		195,000	206,553
Republic of Panama, 9.375%, 1/16/2023		500,000	650,000
Republic of Peru, 7.35%, 7/21/2025		285,000	341,288
Republic of Poland, 6.375%, 7/15/2019		345,000	381,647
Republic of South Africa, 6.875%, 5/27/2019		220,000	251,625
Republic of Uruguay:			
7.625%, 3/21/2036		60,000	69,600
9.25%, 5/17/2017		105,000	132,563
Republic of Venezuela, 9.25%, 9/15/2027		150,000	100,875
Russian Federation, REG S, 7.5%, 3/31/2030		492,103	554,748
Socialist Republic of Vietnam, 144A, 6.875%, 1/15/2016		100,000	105,000
United Kingdom Treasury Bond, 3.75%, 9/7/2019	GBP	750,000	1,158,776
			5,507,622

US Government Sponsored Agency 0.2%

		Principal Amount ($) (a)	Value ($)
Federal Home Loan Mortgage Corp., 1.125%, 12/15/2011		100,000	**100,790**

US Treasury Obligations 6.9%

		Principal Amount ($) (a)	Value ($)
US Treasury Bills, 0.22%****, 9/16/2010 (f)		1,302,000	1,301,568
US Treasury Bond, 4.625%, 2/15/2040		592,000	665,445
US Treasury Notes:			
0.875%, 2/29/2012		500,000	502,675
2.5%, 3/31/2015		570,000	590,662
3.5%, 5/15/2020 (d)		1,917,000	2,006,255
			5,066,605
Total Government & Agency Obligations (Cost $13,439,590)			**14,204,944**

Loan Participations and Assignments 3.1%

Senior Loans*** 2.6%

		Principal Amount ($) (a)	Value ($)
Big West Oil LLC, Term Loan, 12%, 2/19/2015		35,000	35,284
Buffets, Inc.:			
Letter of Credit, First Lien, 7.375%, 4/22/2015		11,351	8,797
Term Loan B, 12.0%, 4/21/2015		70,000	62,930
Charter Communications Operating LLC:			
Replacement Term Loan, 2.35%, 3/6/2014		21,680	20,147
Term Loan, 3.79%, 9/6/2016		209,198	195,306
New Term Loan, 7.25%, 3/6/2014		112,700	113,099
Clarke American Corp., Term Loan B, 2.847%, 6/30/2014		22,191	19,140
Ford Motor Co., Term Loan, 3.35%, 12/16/2013		237,315	224,976
Hawker Beechcraft Acquisition Co., LLC:			
Term Loan, 2.347%, 3/26/2014		166,068	134,746
Letter of Credit, 2.533%, 3/26/2014		9,903	8,035

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		Principal Amount ($) (a)	Value ($)
Hexion Specialty Chemicals, Inc.:			
Term Loan C1, 2.563%, 5/6/2013		115,541	105,696
Term Loan C2, 2.813%, 5/6/2013		59,295	54,242
IASIS Healthcare LLC, Term Loan, 5.588%, 6/13/2014 (PIK)		106,353	95,850
Kabel Deutschland GmbH, Term Loan, 7.983%, 12/19/2014 (PIK)	EUR	91,111	105,447
OSI Restaurant Partners LLC:			
Term Loan, 2.786%, 6/14/2013		11,007	9,468
Term Loan B, 2.875%, 6/14/2014		121,819	104,786
Sabre, Inc., Term Loan B, 2.347%, 9/30/2014		48,148	42,902
Sbarro, Inc., Term Loan, 4.847%, 1/31/2014		40,000	35,700
Texas Competitive Electric Holdings Co., LLC:			
Term Loan B3, 3.85%, 10/10/2014		402,341	297,014
Term Loan B2, 4.066%, 10/10/2014		59,271	44,031
Tribune Co., Term Loan B, 5.25%, 6/4/2014**		88,875	54,314
US Foodservice, Inc., Term Loan B, 2.85%, 5/29/2012		84,782	73,049
VML US Finance LLC:			
Delayed Draw Term Loan B, 5.04%, 5/25/2012		18,264	17,805
Term Loan B, 5.04%, 5/27/2013		31,620	30,825
			1,893,589
Sovereign Loans 0.5%			
BOM Capital PLC, 144A, 6.699%, 3/11/2015		205,000	202,181
VTB Bank, 144A, 6.875%, 5/29/2018		145,000	149,169
			351,350
Total Loan Participations and Assignments (Cost $2,393,247)			**2,244,939**

Municipal Bonds and Notes 0.1%

	Principal Amount ($) (a)	Value ($)
Oregon, State Department of Transportation Highway, User Tax Revenue, Build America Bonds, Series A, 5.834%, 11/15/2034 (Cost $80,000)	80,000	**88,444**

Preferred Securities 0.8%

	Principal Amount ($) (a)	Value ($)
Financials 0.7%		
Capital One Capital VI, 8.875%, 5/15/2040	330,000	343,653
USB Capital XIII Trust, 6.625%, 12/15/2039	145,000	152,879
		496,532
Materials 0.1%		
Hercules, Inc., 6.5%, 6/30/2029	95,000	**74,100**
Total Preferred Securities (Cost $526,616)		**570,632**

	Shares	Value ($)
Common Stocks 0.0%		
Consumer Discretionary 0.0%		
Buffets Restaurants Holdings, Inc.*	2,318	6,954
Dex One Corp.*	540	10,260
SuperMedia, Inc.*	99	1,804
Vertis Holdings, Inc.*	940	0
		19,018
Industrials 0.0%		
World Color Press, Inc.*	322	**3,591**
Materials 0.0%		
GEO Specialty Chemicals, Inc.*	2,058	**1,749**
Total Common Stocks (Cost $320,829)		**24,358**
Warrants 0.0%		
Consumer Discretionary 0.0%		
Reader's Digest Association, Inc., Expiration Date 2/19/2014*	159	**0**
Financials 0.0%		
New ASAT (Finance) Ltd., Expiration Date 2/1/2011*	15,600	**0**
Industrials 0.0%		
World Color Press, Inc., Expiration Date 7/20/2014*	366	**423**
Materials 0.0%		
Ashland, Inc., Expiration Date 3/31/2029*	85	**0**
Total Warrants (Cost $17,432)		**423**

	Contracts	Value ($)
Call Options Purchased 0.0%		
Floating rate-LIBOR, Effective Date 5/16/2011, Expiration Date 5/16/2012, Cap Rate 3.0% (Cost $54,460)	14,000,000	**4,898**

	Units	Value ($)
Other Investments 0.0%		
Consumer Discretionary		
AOT Bedding Super Holdings LLC* (Cost $4,000)	4	**3,469**

	Shares	Value ($)
Securities Lending Collateral 2.5%		
Daily Assets Fund Institutional, 0.27% (g) (h) (Cost $1,818,253)	1,818,253	**1,818,253**
Cash Equivalents 8.2%		
Central Cash Management Fund, 0.21% (g) (Cost $6,048,734)	6,048,734	**6,048,734**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $76,283,103)†	105.0	**76,992,332**
Other Assets and Liabilities, Net	(5.0)	**(3,684,694)**
Net Assets	100.0	**73,307,638**

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

* 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 and senior loans that are in default:

Securities	Coupon	Maturity Date	Principal Amount ($)		Acquisition Cost ($)	Value ($)
Buffalo Thunder Development Authority	9.375%	12/15/2014	30,000	USD	30,000	5,400
CanWest MediaWorks LP	9.25%	8/1/2015	50,000	USD	50,000	12,000
Congoleum Corp.	8.625%	8/1/2008	125,000	USD	105,994	28,438
Fontainebleau Las Vegas Holdings LLC	11.0%	6/15/2015	65,000	USD	65,225	244
Grupo Iusacell Celular SA de CV	10.0%	3/31/2012	29,280	USD	27,863	9,370
New ASAT (Finance) Ltd.	9.25%	2/1/2011	90,000	USD	75,700	18,000
Radnor Holdings Corp.	11.0%	3/15/2010	25,000	USD	15,888	2
Tribune Co.	5.25%	6/4/2014	88,875	USD	88,819	54,314
Tropicana Entertainment LLC	9.625%	12/15/2014	150,000	USD	122,979	11
Trump Entertainment Resorts, Inc.	8.5%	6/1/2015	15,000	USD	10,838	19
Young Broadcasting, Inc.	8.75%	1/15/2014	275,000	USD	224,631	165
					817,937	**127,963**

*** These securities are shown at their current rate as of June 30, 2010. Floating rate securities' yields vary with a designated market index or market rate, such as the coupon-equivalent of the US Treasury bill rate.

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

† The cost for federal income tax purposes was $76,522,884. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $469,448. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $2,885,137 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,415,689.

(a) Principal amount stated in US dollars unless otherwise noted.

(b) Security has deferred its 6/15/2008, 12/15/2008 and 6/15/2009 interest payments until 8/15/2012.

(c) When-issued or delayed delivery security included.

(d) All or a portion of these securities were on loan (see Notes to Financial Statements). The value of all securities loaned at June 30, 2010 amounted to $1,773,771, which is 2.4% of net assets.

(e) Government-backed debt issued by financial companies or government sponsored enterprises.

(f) At June 30, 2010, this security has been pledged, in whole or in part, to cover initial margin requirements for open futures contracts.

(g) Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

(h) 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.

CLO: Collateralized Loan Obligation

FDIC: Federal Deposit Insurance Corp.

PIK: Denotes that all or a portion of the income is paid in-kind.

REG S: Securities sold under Regulation S may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

REIT: Real Estate Investment Trust

At June 30, 2010, open futures contracts purchased were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Japanese Government Bond	JPY	9/9/2010	6	9,613,301	71,850
10 Year US Treasury Note	USD	9/21/2010	17	2,083,297	22,905
CAC 40 Index	EUR	7/16/2010	16	673,448	(39,755)
Federal Republic of Germany Euro-Bund	EUR	9/8/2010	2	316,449	559
Federal Republic of Germany Euro-Schatz	EUR	9/8/2010	28	3,750,284	(989)
FTSE 100 Index	GBP	9/17/2010	11	802,115	(52,046)
FTSE MIB Index	EUR	9/17/2010	2	236,573	(12,222)
IBEX 35 Index	EUR	7/16/2010	5	562,694	(24,590)
NASDAQ 100 E-Mini Index	USD	9/17/2010	8	278,080	(17,378)
TOPIX Index	JPY	9/10/2010	4	379,347	(9,388)
United Kingdom Long Gilt Bond	GBP	9/28/2010	7	1,266,026	24,805
Total net unrealized depreciation					**(36,249)**

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

At June 30, 2010, open futures contracts sold were as follows:

Futures	Currency	Expiration Date	Contracts	Notional Value ($)	Unrealized Appreciation/ (Depreciation) ($)
10 Year Canadian Government Bond	CAD	9/21/2010	16	1,861,143	(43,492)
2 Year US Treasury Note	USD	9/30/2010	31	6,783,672	(20,890)
AEX Index	EUR	7/16/2010	3	232,219	12,515
ASX SPI 200 Index	AUD	9/16/2010	5	448,442	25,661
DJ Euro Stoxx 50 Index	EUR	9/17/2010	31	973,486	49,963
Federal Republic of Germany Euro-Bund	EUR	9/8/2010	53	8,385,900	(33,352)
Hang Seng Index	HKD	7/29/2010	4	515,712	14,980
Russell 2000 Mini Index	USD	9/17/2010	2	121,560	8,515
S&P 500 E-Mini Index	USD	9/17/2010	7	359,310	20,826
S&P TSX 60 Index	CAD	9/16/2010	3	371,537	12,674
Total net unrealized appreciation					**47,400**

At June 30, 2010, open written interest rate option contracts were as follows:

Effective/ Expiration Date	Cash Flows Paid	Contract Amount ($)	Strike Rate (%)	Value ($)	Premiums Received ($)	Unrealized Depreciation ($)
Call Option 5/16/2011 5/16/2012	30-year USD Swap Rate — 10-year USD Swap Rate	29,000,000	0.6	(37,230)	30,740	**(6,490)**

At June 30, 2010, open credit default swap contracts purchased were as follows:

Effective/ Expiration Date	Notional Amount ($)	Fixed Cash Flows Paid	Underlying Debt Obligation/Quality Rating (i)	Value ($)	Upfront Payments Paid/ (Received) ($)	Unrealized Appreciation/ Depreciation ($)
9/21/2009 12/20/2014	400,000[1]	1.0%	Home Depot, Inc., 5.875%, 12/16/2036, BBB+	(7,120)	(6,500)	(620)
9/21/2009 12/20/2014	400,000[2]	1.0%	Hewlett-Packard Co., 5.4%, 3/1/2017, A	(11,318)	(13,354)	2,036
9/21/2009 3/20/2015	400,000[1]	1.0%	Eli Lilly & Co., 6.57%, 1/1/2016, A+	(9,294)	(10,550)	1,256
3/22/2010 6/20/2015	2,000,000[2]	1.0%	Markit CDX.NA.IG	18,145	23,466	(5,321)
Total net unrealized depreciation						**(2,649)**

At June 30, 2010, open credit default swap contracts sold were as follows:

Effective/ Expiration Date	Notional Amount ($) (j)	Fixed Cash Flows Received	Underlying Debt Obligation/Quality Rating (i)	Value ($)	Upfront Payments Paid/ (Received) ($)	Unrealized Depreciation ($)
9/21/2009 12/20/2014	290,000[3]	1.0%	Berkshire Hathaway Finance Corp., 4.625%, 10/15/2013, AA	(11,385)	(7,340)	(4,045)
3/22/2010 6/20/2015	290,000[1]	1.0%	Freeport-McMoRan Copper & Gold, Inc., 8.375%, 4/1/2017, BB	(9,105)	(1,645)	(7,460)
Total unrealized depreciation						**(11,505)**

(i) *The quality ratings represent the lower of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") credit ratings.*

(j) *The maximum potential amount of future undiscounted payments that the Portfolio could be required to make under a credit default swap contract would be the notional amount of the contract. These potential amounts would be partially offset by any recovery values of the referenced debt obligation or net amounts received from the settlement of buy protection credit default swap contracts entered into by the Portfolio for the same referenced debt obligation.*

At June 30, 2010, open interest rate swaps contracts were as follows:

Effective/ Expiration Date	Notional Amount ($)	Cash Flows Paid by the Portfolio	Cash Flows Received by the Portfolio	Value ($)	Upfront Payments Paid/ (Received) ($)	Unrealized Appreciation/ (Depreciation) ($)
10/27/2010 10/27/2020	1,500,000[1]	Fixed — 4.12%	Floating — LIBOR	(128,031)	525	(128,556)
11/24/2010 11/24/2020	1,300,000[4]	Fixed — 3.96%	Floating — LIBOR	(89,168)	591	(89,759)
4/20/2009 4/20/2024	500,000[1]	Floating — LIBOR	Floating — 7.5%[††]	3,299	—	3,299

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

Effective/ Expiration Date	Notional Amount ($)	Cash Flows Paid by the Portfolio	Cash Flows Received by the Portfolio	Value ($)	Upfront Payments Paid/ (Received) ($)	Unrealized Appreciation/ (Depreciation) ($)
5/15/2009 5/15/2024	500,000[1]	Floating — LIBOR	Floating — 7.5%††	(1,031)	—	(1,031)
11/15/2009 11/15/2024	300,000[4]	Floating — LIBOR	Floating — 8.7%††	19,840	—	19,840
Total net unrealized depreciation						**(196,207)**

†† *These interest rate swaps are shown at their current rate as of June 30,2010.*

LIBOR: London InterBank Offered Rate

At June 30, 2010, open total return swap contracts were as follows:

Effective/ Expiration Date	Notional Amount ($)	Fixed Cash Flows Paid	Reference Entity	Value ($)	Upfront Payment Paid/ (Received) ($)	Unrealized Depreciation ($)
5/28/2010 6/14/2012	2,800,000[5]	0.45%	Global Interest Rate Strategy Index	(46,463)	1,867	**(48,330)**

Counterparties:

1 *Morgan Stanley*

2 *The Goldman Sachs & Co.*

3 *JPMorgan Chase Securities, Inc.*

4 *Barclays Bank PLC*

5 *Citigroup, Inc.*

At June 30, 2010, the Portfolio had the following open forward foreign currency exchange contracts:

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Appreciation ($)	Counterparty
EUR	788,900	USD	967,002	7/27/2010	2,178	Citigroup, Inc.
GBP	1,710,000	USD	2,562,358	8/18/2010	7,525	Royal Bank of Scotland PLC
EUR	3,259,000	USD	4,014,697	8/18/2010	28,432	UBS AG
Total unrealized appreciation					**38,135**	

Contracts to Deliver		In Exchange For		Settlement Date	Unrealized Depreciation ($)	Counterparty
EUR	5,300	USD	6,481	7/27/2010	(1)	JPMorgan Chase Securities, Inc.
USD	905,740	AUD	1,052,000	8/18/2010	(25,380)	Royal Bank of Scotland PLC
USD	306,290	NZD	436,000	8/18/2010	(8,303)	Royal Bank of Scotland PLC
USD	197,757	NOK	1,287,000	8/18/2010	(489)	Royal Bank of Scotland PLC
USD	718,283	SEK	5,582,000	8/18/2010	(2,411)	UBS AG
USD	1,241,593	CAD	1,296,000	8/18/2010	(24,543)	UBS AG
CHF	187,000	USD	169,691	8/18/2010	(3,949)	Royal Bank of Scotland PLC
JPY	121,167,000	USD	1,357,081	8/18/2010	(14,440)	UBS AG
EUR	1,985,000	USD	2,436,125	9/16/2010	(4,538)	Morgan Stanley
GBP	925,000	USD	1,370,736	9/21/2010	(11,803)	Morgan Stanley
JPY	195,000,000	USD	2,138,263	9/21/2010	(67,980)	Morgan Stanley
Total unrealized depreciation					**(163,837)**	

Currency Abbreviations

ARS	Argentine Peso	EUR	Euro	NOK	Norwegian Krone
AUD	Australian Dollar	GBP	British Pound	NZD	New Zealand Dollar
BRL	Brazilian Real	HKD	Hong Kong Dollar	SEK	Swedish Krona
CAD	Canadian Dollar	JPY	Japanese Yen	USD	United States Dollar
CHF	Swiss Franc				

For information on the Portfolio's policy and additional disclosures regarding option contracts, futures contracts, interest rate swap contracts, credit default swap contracts, total return swap contracts and forward foreign currency exchange contracts, please refer to the Derivatives section of Note A in the accompanying Notes to Financial Statements.

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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 accompanying notes are an integral part of the financial statements.

The following is a summary of the inputs used as of June 30, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Fixed Income Investments (k)				
Corporate Bonds	$ —	$ 44,193,455	$ 1,699,570	$ 45,893,025
Mortgage-Backed Securities Pass-Throughs	—	2,627,617	—	2,627,617
Asset-Backed	—	182,683	447,586	630,269
Commercial Mortgage-Backed Securities	—	1,606,971	—	1,606,971
Collateralized Mortgage Obligations	—	1,225,356	—	1,225,356
Government & Agency Obligations	—	12,903,376	—	12,903,376
Loan Participations and Assignments	—	2,244,939	—	2,244,939
Municipal Bonds and Notes	—	88,444	—	88,444
Preferred Securities	—	570,632	—	570,632
Common Stocks	15,655	6,954	1,749	24,358
Warrants	—	423	0	423
Other Investments	—	—	3,469	3,469
Short-Term Investments	7,866,987	1,301,568	—	9,168,555
Derivatives (l)	11,151	64,566	4,898	80,615
Total	**$ 7,893,793**	**$ 67,016,984**	**$ 2,157,272**	**$ 77,068,049**
Liabilities				
Derivatives (l)	$ —	$ (455,449)	$ (37,230)	$ (492,679)
Total	**$ —**	**$ (455,449)**	**$ (37,230)**	**$ (492,679)**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(k) *See Investment Portfolio for additional detailed categorizations.*

(l) *Derivatives include unrealized appreciation (depreciation) on open futures contracts, credit default swap contracts, interest rate swap contracts, total return swap contracts, forward foreign currency exchange contracts and value of options purchased.*

Level 3 Reconciliation

The following is a reconciliation of the Portfolio's Level 3 investments for which significant unobservable inputs were used in determining value:

	Corporate Bonds	Asset-Backed	Loan Participations and Assignments	Common Stocks	Warrants	Convertible Preferred Stocks	Call Options Purchased	Other Investments	Total	Written Options
Balance as of December 31, 2009	$1,399,392	$600,572	$ 72,237	$ 1,749	$ 625	$ 0	$ 0	$ —	**$2,074,575**	$ —
Realized gains (loss)	—	—	3,736	—	—	(4,191)	—	—	**(455)**	—
Change in unrealized appreciation (depreciation)	4,565	18,195	7,897	—	(625)	4,191	(49,562)	(531)	**(15,870)**	(6,490)
Amortization premium/ discount	4,483	—	408	—	—	—	—	—	**4,891**	—
Net purchases (sales)	290,000	—	(84,278)	—	—	0	54,460	4,000	**264,182**	(30,740)
Transfers into Level 3	50,000[m]	—	—	—	—	—	—	—	**50,000**	—
Transfers (out) of Level 3	(48,870)[n]	(171,181)[n]	—	—	—	—	—	—	**(220,051)**	—
Balance as of June 30, 2010	**$1,699,570**	**$447,586**	**$ —**	**$ 1,749**	**$ 0**	**$ —**	**$ 4,898**	**$ 3,469**	**$2,157,272**	**$(37,230)**
Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2010	**$ 4,565**	**$ 18,195**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (49,562)**	**$ (531)**	**$ (27,333)**	**$ (6,490)**

Transfers between price levels are recognized at the beginning of the reporting period.

(m) *The investment was transferred from Level 2 to Level 3 because of the lack of observable market data due to a decrease in market activity.*

(n) *The investment was transferred from Level 3 to Level 2 as a result of the availability of a pricing source supported by observable inputs.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $68,416,116) — including $1,773,771 of securities loaned	$	69,125,345
Investment in Daily Assets Fund Institutional (cost $1,818,253)*		1,818,253
Investment in Central Cash Management Fund (cost $6,048,734)		6,048,734
Total investments, at value (cost $76,283,103)		76,992,332
Foreign currency, at value (cost $318,125)		316,960
Receivable for investments sold		1,311,688
Receivable for Portfolio shares sold		34,812
Interest receivable		1,115,039
Receivable for variation margin on open futures contracts		1,936
Unrealized appreciation on open swap contracts		26,431
Upfront payments paid on swap contracts		26,449
Foreign taxes recoverable		1,119
Net receivable for open swap contracts		7,855
Net receivable on closed forward foreign currency exchange contracts		71
Unrealized appreciation on open forward foreign currency exchange contracts		38,135
Other assets		581
Total assets		79,873,408
Liabilities		
Cash overdraft		176,171
Payable for investments purchased		3,968,963
Payable upon return of securities loaned		1,818,253
Payable for Portfolio shares redeemed		156
Net payable for closed swap contracts		4,125
Unrealized depreciation on open forward foreign currency exchange contracts		163,837
Options written, at value (premiums received $30,740)		37,230
Unrealized depreciation on open swap contracts		285,122
Upfront payments received on swap contracts		39,389
Accrued management fee		5,488
Other accrued expenses and payables		67,036
Total liabilities		6,565,770
Net assets, at value	**$**	**73,307,638**
Net Assets Consist of		
Undistributed net investment income		1,633,028
Net unrealized appreciation (depreciation) on:		
Investments		709,229
Swap contracts		(258,691)
Written options		(6,490)
Futures		11,151
Foreign currency		(118,606)
Accumulated net realized gain (loss)		(776,792)
Paid-in capital		72,114,809
Net assets, at value	**$**	**73,307,638**
Class A		
Net Asset Value, offering and redemption price per share ($73,307,638 ÷ 6,446,500 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**11.37**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Interest (net of foreign taxes withheld of $143)	$	2,422,829
Income distributions — Central Cash Management Fund		5,719
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		1,176
Total Income		2,429,724
Expenses:		
Management fee		203,237
Administration fee		36,952
Services to shareholders		897
Custodian fee		38,023
Legal fees		10,617
Audit and tax fees		34,060
Trustees' fees and expenses		3,371
Reports to shareholders		9,222
Other		18,270
Total expenses before expense reductions		354,649
Expense reductions		(30,696)
Total expenses after expense reductions		323,953
Net investment income (loss)		**2,105,771**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		997,240
Swap contracts		47,050
Futures		(137,838)
Foreign currency		1,308,834
		2,215,286
Change in net unrealized appreciation (depreciation) on:		
Investments		(335,832)
Swap contracts		(313,819)
Written options		(6,490)
Futures		104,760
Foreign currency		(410,423)
		(961,804)
Net gain (loss)		**1,253,482**
Net increase (decrease) in net assets resulting from operations	**$**	**3,359,253**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income	$ 2,105,771	$ 4,244,300
Net realized gain (loss)	2,215,286	564,606
Change in net unrealized appreciation (depreciation)	(961,804)	9,572,764
Net increase (decrease) in net assets resulting from operations	3,359,253	14,381,670
Distributions to shareholders from:		
Net investment income:		
Class A	(4,806,010)	(3,708,667)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	5,346,475	9,943,530
Shares converted*	—	44,195
Reinvestment of distributions	4,806,010	3,708,667
Cost of shares redeemed	(9,273,245)	(23,212,559)
Net increase (decrease) in net assets from Class A share transactions	879,240	(9,516,167)
Class B		
Shares converted*	—	(44,195)
Cost of shares redeemed	—	(151)
Net increase (decrease) in net assets from Class B share transactions	—	(44,346)
Increase (decrease) in net assets	(567,517)	1,112,490
Net assets at beginning of period	73,875,155	72,762,665
Net assets at end of period (including undistributed net investment income of $1,633,028 and $4,333,267, respectively)	**$ 73,307,638**	**$ 73,875,155**

Other Information		
Class A		
Shares outstanding at beginning of period	6,362,456	7,250,530
Shares sold	457,317	943,043
Shares converted*	—	4,547
Shares issued to shareholders in reinvestment of distributions	420,473	392,867
Shares redeemed	(793,746)	(2,228,531)
Net increase (decrease) in Class A shares	84,044	(888,074)
Shares outstanding at end of period	**6,446,500**	**6,362,456**
Class B		
Shares outstanding at beginning of period	—	4,594
Shares converted*	—	(4,579)
Shares redeemed	—	(15)
Net increase (decrease) in Class B shares	—	(4,594)
Shares outstanding at end of period	**—**	**—**

* *On March 6, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$11.61**	**$10.03**	**$11.70**	**$11.80**	**$11.50**	**$12.25**
Income (loss) from investment operations:						
Net investment income[b]	.33	.63	.55	.63	.62	.65
Net realized and unrealized gain (loss)	.21	1.50	(1.38)	(.01)	.36	(.39)
Total from investment operations	.54	2.13	(.83)	.62	.98	.26
Less distributions from:						
Net investment income	(.78)	(.55)	(.69)	(.72)	(.57)	(.98)
Net realized gains	—	—	(.15)	—	(.11)	(.03)
Total distributions	(.78)	(.55)	(.84)	(.72)	(.68)	(1.01)
Net asset value, end of period	**$11.37**	**$11.61**	**$10.03**	**$11.70**	**$11.80**	**$11.50**
Total Return (%)	4.62[c]**	22.73[c]	(7.75)[c]	5.43[c]	8.98	2.38
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	73	74	73	100	86	71
Ratio of expenses before expense reductions (%)	.96*	.86	.89	.84	.85	.88
Ratio of expenses after expense reductions (%)	.88*	.80	.87	.83	.85	.88
Ratio of net investment income (%)	5.70*	5.96	5.06	5.50	5.47	5.61
Portfolio turnover rate (%)	147**	370	234	147	143	120

a *For the six months ended June 30, 2010 (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*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

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 they trade and are classified as Level 1 securities. 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. For certain 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, a fair valuation model may be used. This fair valuation model takes into account comparisons to the valuation of American Depository Receipts (ADRs), exchange-traded funds, futures contracts and certain indices and these securities are classified as Level 2.

Debt securities are valued by independent pricing services approved by the Portfolio's Board. 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 one or more broker-dealers. 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. These securities are generally categorized as Level 2. Senior loans are valued by independent pricing services approved by the Portfolio's Board. If the pricing services are unable to provide valuations, senior loans are valued at the mean of the most recent bid and asked quotations or evaluated price, as applicable, obtained from one or more broker-dealers. 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. Certain senior loans may be valued on the basis of a price provided by a single source or broker-dealer. Senior loans are generally categorize as Level 2.

Futures contracts are generally valued at the settlement prices established each day on the exchange on which they are traded and are classified as Level 1.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies and are classified as Level 2.

Swaps contracts are valued daily based upon prices supplied by a Board approved pricing vendor, if available, and otherwise are valued at the price provided by the broker-dealer with which the swap was traded. Swaps are generally classified as Level 2.

Exchange-traded options are 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 or asked price are available. Exchange-traded options are classified as Level 1. Over-the-counter written or purchased options are valued based upon a price supplied by a Board approved pricing vendor, if available, and otherwise are valued at the price provided by the broker-dealer with which the option was traded. Over-the-counter options are generally classified as Level 2.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

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.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

Loan Participations and Assignments. The Portfolio 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.

When-Issued/Delayed Delivery Securities. The Portfolio may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The price of such security and the date when the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Certain risks may arise upon entering into when-issued or delayed delivery securities from the potential inability of counterparties to meet the terms of their contracts or if the issuer does not issue the securities due to political, economic, or other factors. Additionally, losses may arise due to changes in the value of the underlying securities.

Derivatives. Authoritative accounting guidance requires that disclosures about the Portfolio's derivative and hedging activities and derivatives accounted for as hedging instruments must be disclosed separately from derivatives that do not qualify for hedge accounting. Because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings, the Portfolio's derivatives are not accounted for as hedging instruments. As such, even though the Portfolio may use derivatives in an attempt to achieve an economic hedge, the Portfolio's derivatives are not considered to be hedging instruments. The disclosure below is presented in accordance with authoritative accounting guidance.

Interest Rate Swap Contracts. The Portfolio enters into interest rate swap transactions to gain exposure to different parts of the yield curve while managing overall duration. 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 agrees 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 agrees 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 are 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. In connection with these agreements, securities and or cash may be identified as collateral in accordance with the terms of the swap agreements to provide assets of value and recourse in the event of default. The maximum counterparty credit risk is the net present value of the cash flows to be received from or paid to the counterparty over the term of the interest rate swap contract, to the extent that this amount is beneficial to the Portfolio, in addition to any related collateral posted to the counterparty by the Portfolio. This risk may be partially reduced by a master netting arrangement between the Portfolio and the counterparty. Payments received or made at the end of the measurement period are recorded as realized gain or loss on the Statement of Operations. The value of the swap is adjusted daily based upon a price supplied by a Board approved pricing vendor and the change in value is recorded as unrealized appreciation or depreciation.

A summary of the open interest rate swap contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in interest rate swap contracts with a total notional amount generally indicative of a range from approximately $4,100,000 to $4,850,000.

Credit Default Swap Contracts. A credit default swap is a contract between a buyer and a seller of protection against pre-defined credit events for the reference entity. The Portfolio buys or sells credit default swap contracts to gain exposure to an underlying issuer's credit quality characteristics without directly investing in that issuer, or to hedge the risk of default on Portfolio securities. As a seller in the credit default swap contract, the Portfolio is required to pay the par (or other agreed-upon) value of the referenced entity to the counterparty with the occurrence of a credit event by a third party, such as a US or foreign corporate issuer, on the reference entity, which would likely result in a loss to the Portfolio. In return, the Portfolio receives from the counterparty a periodic stream of payments over the term of the contract provided that no credit event has occurred. If no credit event occurs, the Portfolio keeps the stream of payments with no payment obligations. The Portfolio may also buy credit default swap contracts in order to hedge against the risk of a credit event on debt securities, in which case the Portfolio functions as the counterparty referenced above. This involves the risk that the contract may expire worthless. It also involves counterparty risk that the seller may fail to satisfy its payment obligations to the Portfolio with the occurrence of a credit event. 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 reference entities for all outstanding credit default swap contracts sold by the Portfolio.

Credit default swap contracts are marked to market daily based upon quotations from a Board approved pricing vendor 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 quarterly payments 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.

A summary of the open credit default swap contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in credit default swap contracts with a total notional amount generally indicative of a range from approximately $3,650,000 to $4,190,000.

Total Return Swap Contracts. Total return swaps involve commitments to pay interest in exchange for a market-linked return based on a notional amount. The Portfolio enters into total return swap transactions to gain exposure to different parts of the yield curve while managing overall duration. To the extent the total return of the reference security or index underlying the total return swap exceeds or falls short of the offsetting interest rate obligation, the Portfolio will receive a payment or make a payment to the counterparty, respectively. Certain risks may arise when entering into swap transactions including counterparty default, liquidity or unfavorable changes in the value of underlying reference security or index. An upfront payment made by the Portfolio is recorded as an asset in the Statement of Assets and Liabilities. An upfront payment received by the Portfolio is recorded as a liability in the Statement of Assets and Liabilities. Payments received or made at the end of each measurement period are recorded as realized gain or loss on the Statement of Operations. The value of the swap is adjusted daily based upon a price supplied by a Board approved pricing vendor and the change in value is recorded as unrealized appreciation or depreciation.

A summary of the open total return swap contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in total return swap contracts with a total notional amount generally indicative of a range from approximately $2,800,000 to $3,000,000.

Options. An option contract is a contract in which the writer (seller) of the option grants the buyer of the option, upon payment of a premium, 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 and interest rate options, will require cash settlement by the Portfolio if the option is exercised. Interest rate options are comprised of multiple European style options that have periodic exercise dates within the terms of the contract. The Portfolio enters into option contracts in order to hedge against potential adverse interest rate movements of portfolio assets.

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, exercised 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.

A summary of the open option contracts as of June 30, 2010 is included in the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in written option contracts with a total value generally indicative of a range from $0 to approximately $37,000 and purchased option contracts with a total value generally indicative of a range from approximately $5,000 to $59,000.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). The Portfolio enters into interest rate futures to gain exposure to different parts of the yield curve while managing overall duration. In addition, the Portfolio seeks to enhance returns by employing a global tactical asset allocation overlay strategy. The Portfolio enters into futures contracts on fixed-income securities and equities, including on financial indices, and security indices and on currency as part of its global tactical asset allocation overlay strategy. As part of this strategy, the Portfolio uses futures contracts to attempt to take advantage of short-term and medium-term inefficiencies within the global equity, bond and currency markets.

Futures contracts are valued at the most recent settlement price. Upon entering into a futures contract, the Portfolio is required to deposit with a financial intermediary cash or securities ("initial margin") in an amount 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 and are recorded for financial reporting purposes as unrealized gains or losses by the Portfolio. Gains or losses are realized when the contract expires or is closed. Since all futures contracts are exchange-traded, counterparty risk is minimized as the exchange's clearinghouse acts as the counterparty, and guarantees the futures against default.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid 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 underlying hedged security, index or currency. Risk of loss may exceed amounts recognized on the Statement of Assets and Liabilities.

A summary of the open futures contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in futures contracts with a total notional value generally indicative of a range from approximately $40,015,000 to $53,826,000.

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 Portfolio enters 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. The Portfolio also enters into forward currency contracts as part of its 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. Certain risks may arise upon entering into forward currency contracts from the potential inability of counterparties to meet the terms of their contracts. The maximum counterparty credit risk to the Portfolio is measured by the unrealized gain on appreciated 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.

A summary of the open forward currency contracts as of June 30, 2010 is included in a table following the Portfolio's Investment Portfolio. For the six months ended June 30, 2010, the Portfolio invested in forward currency contracts with a total contract value generally indicative of a range from approximately $18,392,000 to $25,660,000.

The following tables summarize the value of the Portfolio's derivative instruments held as of June 30, 2010 and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

Asset Derivatives	**Purchased Options**	**Forward Contracts**	**Swap Contracts**	**Futures Contracts**	**Total**
Equity Contracts (a)	$ —	$ —	$ —	$ (10,245)	$ (10,245)
Credit Contracts (a)	—	—	3,292	—	3,292
Interest Rate Contracts (a)	4,898	—	23,139	21,396	49,433
Foreign Exchange Contracts (b)	—	38,206	—	—	38,206
	$ 4,898	**$ 38,206**	**$ 26,431**	**$ 11,151**	**$ 80,686**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Investments in securities, at value (includes purchased options) and unrealized appreciation on swap contracts and net unrealized appreciation (depreciation) on futures. Asset of Receivable for daily variation margin on open futures contracts reflects unsettled variation margin.*

(b) *Unrealized appreciation on forward foreign currency exchange contracts and net receivable on closed forward foreign currency exchange contracts.*

Liability Derivatives	**Written Options**	**Forward Contracts**	**Swap Contracts**	**Total**
Credit Contracts (a)	$ —	$ —	$ (17,446)	$ (17,446)
Interest Rate Contracts (a)	(37,230)	—	(267,676)	(304,906)
Foreign Exchange Contracts (b)	—	(163,837)	—	(163,837)
	$ (37,230)	**$ (163,837)**	**$ (285,122)**	**$ (486,189)**

Each of the above derivatives is located in the following Statement of Assets and Liabilities accounts:

(a) *Options written, at value and unrealized depreciation on open swap contracts*

(b) *Unrealized depreciation on open forward foreign currency exchange contracts*

Additionally, the amount of unrealized and realized gains and losses on derivative instruments recognized in Portfolio earnings during the six months ended June 30, 2010 and the related location in the accompanying Statement of Operations is summarized in the following tables by primary underlying risk exposure:

Realized Gain (Loss)	Purchased Options	Forward Contracts	Swap Contracts	Futures Contracts	Total
Equity Contracts (a)	$ —	$ —	$ —	$ (416,343)	$ (416,343)
Credit Contracts (a)	—	—	(36,704)	—	(36,704)
Interest Rate Contracts (a)	38,962	—	83,754	278,505	401,221
Foreign Exchange Contracts (b)	—	1,331,444	—	—	1,331,444
	$ 38,962	**$ 1,331,444**	**$ 47,050**	**$ (137,838)**	**$ 1,279,618**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Net realized gain (loss) from investments (includes purchased options), swap contracts and futures, respectively*

(b) *Net realized gain (loss) from foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

Change in Net Unrealized Appreciation (Depreciation)	Purchased Options	Written Options	Forward Contracts	Swap Contracts	Futures Contracts	Total
Equity Contracts (a)	$ —	$ —	$ —	$ —	$ (22,372)	$ (22,372)
Credit contracts (a)	—	—	—	(12,919)	—	(12,919)
Interest Rate Contracts (a)	(49,562)	(6,490)	—	(300,900)	127,132	(229,820)
Foreign Exchange Contracts (b)	—	—	(402,051)	—	—	(402,051)
	$ (49,562)	**$ (6,490)**	**$ (402,051)**	**$ (313,819)**	**$ 104,760**	**$ (667,162)**

Each of the above derivatives is located in the following Statement of Operations accounts:

(a) *Change in net unrealized appreciation (depreciation) on investments (includes purchased options), written options, swap contracts and futures, respectively*

(b) *Change in net unrealized appreciation (depreciation) on foreign currency (Statement of Operations includes both forward currency contracts and foreign currency transactions)*

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 income to its shareholders.

Additionally, based on the Portfolio's understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which it invests, the Portfolio will provide for foreign taxes, and where appropriate, deferred foreign taxes.

At December 31, 2009, the Portfolio 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 Strategic Income VIP	1,611,000	12/31/2016
	1,390,000	12/31/2017

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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 investments in foreign denominated investments, investments in forward currency contracts, 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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. 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 the Portfolio, with the exception of securities in default of principal.

B. Purchases and Sales of Securities

During the six months ended June 30, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Strategic Income VIP excluding US Treasury Obligations	77,993,517	80,931,586
US Treasury Obligations	22,841,602	20,158,456

For the six months ended June 30, 2010, transactions for written options on interest rate swaps were as follows:

	Contract Amount		Premiums
Outstanding, beginning of period	—	$	—
Options written	29,000,000		30,740
Outstanding, end of period	**29,000,000**	**$**	**30,740**

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
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%

Effective August 1, 2010, QS Investors, LLC ("QS Investors") acts as investment sub-advisor to the Portfolio. On August 1, 2010, members of the Advisor's Quantitative Strategies Group ("QS Group"), including members of the portfolio management teams of the Portfolio, separated from the Advisor and formed QS Investors as a separate investment advisory firm unaffiliated with the Advisor (the "Separation"). In order for the Portfolio to continue to access the investment expertise offered by members of the QS Group following the Separation, the Advisor recommended that the Portfolio's Board approve a sub-advisory agreement between the Advisor and QS Investors (the "Sub-Advisory Agreement"). On May 4, 2010, following a review of QS Investors' capabilities and the terms of the Separation and the Sub-Advisory Agreement, the Portfolio's Board approved the Sub-Advisory Agreement. This action was taken pursuant to an order the Portfolio and the Advisor requested and received from the Securities and Exchange Commission that permits the Advisor, with the approval of the Portfolio's Board, to appoint sub-advisors that are not affiliated with the Advisor to manage all or a portion of a Portfolio's assets without the need for a shareholder meeting or vote. As an investment sub-advisor to the Portfolio, QS Investors manages the assets attributable only to the Portfolio's iGAP strategy. QS Investors is paid by the Advisor, not the Portfolio, for the services QS Investors provides to the Portfolio.

For the period from January 1, 2010 through September 30, 2010, the Advisor has contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of the class as follows:

Portfolio	Annual Rate
DWS Strategic Income VIP	
Class A	.87%

Accordingly, for the six months ended June 30, 2010, the total management fee, management fee waived and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Strategic Income VIP	203,237	30,635	.47%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Strategic Income VIP	36,952	6,054

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Waived ($)
DWS Strategic Income VIP Class A	61	61

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Strategic Income VIP	4,697	511

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Investing in High Yield Securities

The Portfolio's performance could be hurt if a security declines in credit quality or goes into default, or if an issuer does not make timely payments of interest or principal. Because the issuers of high-yield debt securities or junk bonds (debt securities rated below the fourth-highest category) may be in uncertain financial health, the prices of their debt securities can be more vulnerable to bad economic news, or even the expectation of bad news, than investment-grade debt securities. Because the Portfolio may invest in securities not paying current interest or in securities already in default, these risks may be more pronounced.

E. Investing in Emerging Markets

Investing in emerging markets may involve special risks and considerations not typically associated with investing in developed markets. These risks include revaluation of currencies, high rates of inflation or deflation, 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 that are more volatile or less easily assessed than those of comparable securities of issuers in developed markets.

F. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

DWS Strategic Income VIP: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 61% and 37%.

G. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

H. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Portfolio Management Team Update

The current portfolio management team is as follows:

Deutsche Investment Management Americas Inc., Advisor to the Portfolio

Gary Russell, CFA*

William Chepolis, CFA

John D. Ryan

Portfolio Managers

QS Investors, LLC, Subadvisor to the Portfolio (effective August 1, 2010)

Robert Wang
Head of Portfolio Management and Trading

Thomas Picciochi
Head of GTAA Management and Implementation

* Gary Sullivan, CFA, has changed his name to Gary Russell.

New Sub-Advisory Agreement Approval

The Board of Trustees, including the Independent Trustees, unanimously approved the New Sub-Advisory Agreement (the "New Agreement") between Deutsche Investment Management Americas Inc. ("DWS") and QS Investors, LLC ("QS Investors") in May 2010.

In terms of the process that the Board followed prior to approving the New Agreement, shareholders should know that:

- In May 2010, all but one of the Fund's Trustees were independent of DWS and its affiliates.
- The Board engaged in a comprehensive review of the operational, financial and investment capabilities of QS Investors and the terms of the proposed Separation. As part of this review, the Board also reviewed and considered the terms of the New Agreement.
- To facilitate its review, the Board created several ad hoc subcommittees, each focused on different aspects of the Board's consideration of the Separation, and each comprised solely of Independent Trustees.
- The Board and its subcommittees conducted numerous meetings between January 2010 and May 2010 to review and discuss the Separation, including the New Agreement, and were assisted in this review by their independent legal counsel and fund counsel.
- In the course of its review, the Board requested and received substantial additional information.
- As part of its review process, the Board and its subcommittees met with various representatives of DWS and QS Investors, including key investment personnel and other members of senior management.
- The Board requested and evaluated all information that it deemed reasonably necessary to evaluate the New Agreement.

In connection with the approval of the New Agreement, the Board considered the factors described below, among others.

Continuity of Investment Management Services. In reviewing the New Agreement, the Board considered that it had renewed the investment management agreement between DWS and the Fund as part of the annual contract renewal process (the "Annual Review") in September 2009, at which time it had determined that such renewal was in the best interests of the Fund, given the nature, quality and extent of services provided by DWS (among other considerations). In considering the New Agreement, the Board noted that in light of the transition of the group within DWS responsible for day-to-day portfolio management of the Fund to a separate, unaffiliated firm (i.e., QS Investors), it was necessary to approve a sub-advisory agreement between DWS and QS Investors to secure continued access to these same personnel and services. The Board also considered that, despite the change in corporate identity of the portfolio management services provider and the fact that it would no longer be affiliated with DWS, the nature, quality and extent of services provided to the Fund are not expected to change under the New Agreement.

Fees and Expenses. The Board noted that it had concluded during the Annual Review that the overall investment management fees paid by the Fund are reasonable and appropriate in light of the nature, quality and extent of services provided. The Board considered that, under the New Agreement, QS Investors' sub-advisory fee would be paid by DWS out of its management fee and not directly by the Fund, and therefore there would be no change in the Fund's overall investment management fees under the New Agreement.

Profitability. The Board noted that it had considered the profitability of DWS during the Annual Review. The Board did not consider the profitability of QS Investors to be a material factor. In particular, the Board noted that QS Investors has not yet commenced operations, and that any projections of profitability are likely to be of limited value. The Board also noted that DWS would pay QS Investors' sub-advisory fee out of its management fee, and further noted that the sub-advisory fee arrangement with respect to the Fund was the product of an arm's length negotiation.

Other Benefits to QS Investors. The Board noted that it had considered fallout benefits to DWS during the Annual Review in its determination that management fees paid were reasonable. The Board also considered the character and amount of incidental benefits expected to be realized by QS Investors in light of the New

Agreement, including the incidental public relations benefits to QS Investors related to DWS US mutual funds advertising and cross-selling opportunities among DWS products and services. The Board noted that QS Investors did not propose to implement a "soft dollar" program. The Board reaffirmed its determination from the Annual Review process that management fees paid were reasonable in light of fallout benefits to its investment advisory service providers.

Compliance. The Board considered QS Investors' proposed compliance program and resources. The Board also considered that DWS would oversee QS Investors' compliance program and its compliance with applicable Fund policies and procedures, and considered the attention and resources DWS would dedicate to that oversight. The Board also noted that it had considered DWS's compliance monitoring capabilities in connection with the Annual Review, at which time it had noted (i) the experience and seniority of both DWS's chief compliance officer and the Fund's chief compliance officer; (ii) the large number of DWS compliance personnel; and (iii) the substantial commitment of resources by DWS and its affiliates to compliance matters.

Based on all of the information considered and the conclusions reached, the Board unanimously (including the Independent Trustees) determined that the terms of the New Agreement are fair and reasonable and that the approval of the New Agreement is in the best interests of the Fund. In reaching this conclusion, the Board did not give particular weight to any single factor identified above. It is possible that individual Trustees may have weighed these factors differently in reaching their individual decisions to approve the New Agreement.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 Funds are reasonable.

Thomas H. Mack

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

VS2SI-3 (8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Strategic Value VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

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

A member of
Deutsche Bank Group

DWS INVESTMENTS
Deutsche Bank Group

DWS Strategic 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.

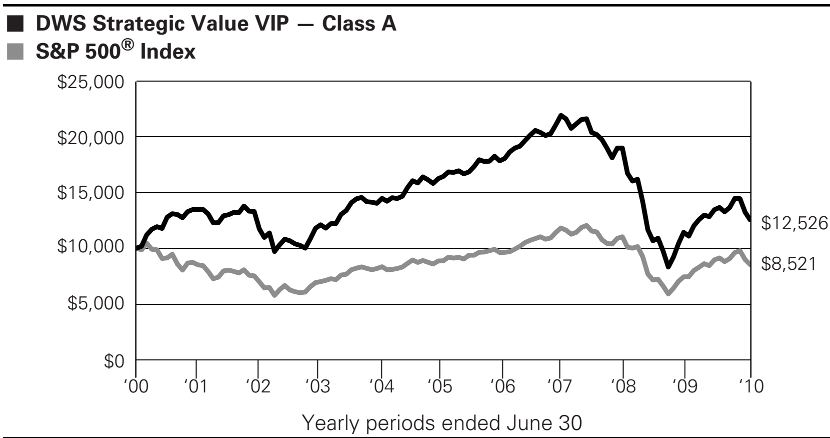
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 0.80% and 1.11% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

Investing in derivatives entails special risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. Stocks may decline in value. See the prospectus for details.

Portfolio returns shown during each period 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 Value 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 Strategic Value VIP		6-Month‡	1-Year	3-Year	5-Year	10-Year
Class A	Growth of $10,000	$9,176	$11,313	$5,804	$7,624	$12,526
	Average annual total return	–8.24%	13.13%	–16.58%	–5.28%	2.28%
S&P 500 Index	Growth of $10,000	$9,335	$11,443	$7,336	$9,609	$8,521
	Average annual total return	–6.65%	14.43%	–9.81%	–.79%	–1.59%

DWS Strategic Value VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$9,163	$11,290	$5,753	$7,491	$10,467
	Average annual total return	–8.37%	12.90%	–16.83%	–5.61%	.57%
S&P 500 Index	Growth of $10,000	$9,335	$11,443	$7,336	$9,609	$12,200
	Average annual total return	–6.65%	14.43%	–9.81%	–.79%	2.52%

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 Strategic 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$ 917.60	$ 916.30
Expenses Paid per $1,000*	$ 3.80	$ 5.32
Hypothetical 5% Portfolio Return	**Class A**	**Class B**
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,020.83	$1,019.24
Expenses Paid per $1,000*	$ 4.01	$ 5.61

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	**Class A**	**Class B**
DWS Variable Series II — DWS Strategic Value VIP	.80%	1.12%

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.

Portfolio Summary

DWS Strategic Value VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	92%	98%
Cash Equivalents	8%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/10**	**12/31/09**
Financials	16%	16%
Information Technology	16%	15%
Energy	15%	13%
Industrials	13%	12%
Health Care	12%	14%
Consumer Staples	8%	12%
Consumer Discretionary	8%	7%
Telecommunication Services	6%	6%
Utilities	4%	1%
Materials	2%	4%
	100%	100%

Asset allocation and sector diversification are subject to change.

For more complete details about the Portfolio's investment portfolio, see page 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Strategic Value VIP

	Shares	Value ($)
Common Stocks 91.6%		
Consumer Discretionary 7.7%		
Auto Components 0.4%		
Goodyear Tire & Rubber Co.*	82,796	**822,992**
Automobiles 1.0%		
Daimler AG (Registered)*	48,592	**2,456,326**
Hotels Restaurants & Leisure 2.2%		
Carnival Corp. (Units)	23,175	700,812
McDonald's Corp.	69,298	4,564,659
		5,265,471
Media 2.2%		
Time Warner, Inc.	97,533	2,819,679
Walt Disney Co. (a)	75,962	2,392,803
		5,212,482
Multiline Retail 0.8%		
Target Corp. (a)	38,236	**1,880,064**
Textiles, Apparel & Luxury Goods 1.1%		
VF Corp.	37,203	**2,648,110**
Consumer Staples 7.8%		
Beverages 3.1%		
PepsiCo, Inc.	121,199	**7,387,079**
Food & Staples Retailing 1.0%		
CVS Caremark Corp.	79,490	**2,330,647**
Tobacco 3.7%		
Altria Group, Inc.	277,470	5,560,499
Philip Morris International, Inc.	69,028	3,164,243
		8,724,742
Energy 13.4%		
Energy Equipment & Services 3.0%		
Ensco PLC (ADR)	69,457	2,728,271
National-Oilwell Varco, Inc.	68,935	2,279,680
Transocean Ltd.*	46,900	2,172,877
		7,180,828
Oil, Gas & Consumable Fuels 10.4%		
Apache Corp. (a)	55,441	4,667,578
Chevron Corp.	69,460	4,713,556
ConocoPhillips	152,353	7,479,009
Hess Corp.	76,380	3,844,969
Marathon Oil Corp.	124,905	3,883,296
		24,588,408
Financials 14.6%		
Capital Markets 3.0%		
Invesco Ltd. (a)	100,930	1,698,652
State Street Corp.	48,769	1,649,368
The Goldman Sachs Group, Inc.	29,146	3,825,995
		7,174,015
Commercial Banks 1.3%		
Wells Fargo & Co.	115,575	**2,958,720**
Consumer Finance 0.6%		
Capital One Financial Corp.	35,000	**1,410,500**
Diversified Financial Services 7.7%		
Bank of America Corp.	455,788	6,549,674
Citigroup, Inc.*	833,241	3,132,986
JPMorgan Chase & Co.	235,510	8,622,021
		18,304,681

	Shares	Value ($)
Insurance 1.9%		
Hartford Financial Services Group, Inc. (a)	67,506	1,493,908
Lincoln National Corp.	125,294	3,043,391
		4,537,299
Thrifts & Mortgage Finance 0.1%		
Washington Mutual, Inc.*	1,394,944	**230,166**
Health Care 11.3%		
Health Care Providers & Services 3.0%		
Aetna, Inc.	131,850	3,478,203
Medco Health Solutions, Inc.*	14,105	776,903
UnitedHealth Group, Inc.	97,361	2,765,053
		7,020,159
Life Sciences Tools & Services 1.0%		
Thermo Fisher Scientific, Inc.*	49,036	**2,405,216**
Pharmaceuticals 7.3%		
Abbott Laboratories	55,464	2,594,606
Merck & Co., Inc. (a)	166,042	5,806,489
Mylan, Inc.* (a)	210,506	3,587,022
Novartis AG (ADR) (a)	54,883	2,651,947
Pfizer, Inc.	190,129	2,711,239
		17,351,303
Industrials 11.6%		
Aerospace & Defense 7.0%		
Boeing Co.	30,474	1,912,244
Honeywell International, Inc.	166,390	6,494,202
ITT Corp.	53,344	2,396,212
United Technologies Corp.	90,179	5,853,519
		16,656,177
Construction & Engineering 2.0%		
Fluor Corp. (a)	54,943	2,335,077
URS Corp.*	62,174	2,446,547
		4,781,624
Industrial Conglomerates 1.1%		
Tyco International Ltd.	76,001	**2,677,515**
Machinery 1.5%		
Deere & Co.	63,573	**3,539,745**
Information Technology 14.5%		
Communications Equipment 1.0%		
QUALCOMM, Inc.	70,928	**2,329,275**
Computers & Peripherals 3.7%		
Dell, Inc.*	93,165	1,123,570
Hewlett-Packard Co.	166,412	7,202,311
Lexmark International, Inc. "A"*	13,940	460,438
		8,786,319
IT Services 3.6%		
Accenture PLC "A"	97,254	3,758,867
International Business Machines Corp.	38,441	4,746,695
		8,505,562
Office Electronics 0.9%		
Xerox Corp.	278,472	**2,238,915**
Software 5.3%		
BMC Software, Inc.*	76,470	2,648,156
CA, Inc.	124,296	2,287,047

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

	Shares	Value ($)
Microsoft Corp.	332,925	7,660,604
		12,595,807
Materials 2.0%		
Chemicals 0.5%		
Monsanto Co.	27,835	**1,286,534**
Metals & Mining 1.5%		
BHP Billiton Ltd. (ADR) (a)	55,387	**3,433,440**
Telecommunication Services 5.4%		
Diversified Telecommunication Services 4.2%		
AT&T, Inc.	138,355	3,346,808
CenturyLink, Inc. (a)	82,898	2,761,332
Verizon Communications, Inc.	138,665	3,885,393
		9,993,533
Wireless Telecommunication Services 1.2%		
Vodafone Group PLC (ADR) (a)	137,330	**2,838,611**
Utilities 3.3%		
Electric Utilities 2.4%		
Exelon Corp. (a)	69,435	2,636,447
NextEra Energy, Inc. (a)	62,553	3,050,084
		5,686,531
Multi-Utilities 0.9%		
PG&E Corp.	55,528	**2,282,201**
Total Common Stocks (Cost $217,953,807)		**217,520,997**
Securities Lending Collateral 16.0%		
Daily Assets Fund Institutional, 0.27% (b) (c) (Cost $37,867,190)	37,867,190	**37,867,190**
Cash Equivalents 8.0%		
Central Cash Management Fund, 0.21% (b) (Cost $19,091,323)	19,091,323	**19,091,323**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $274,912,320)†	115.6	**274,479,510**
Other Assets and Liabilities, Net	(15.6)	**(36,989,678)**
Net Assets	100.0	**237,489,832**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $278,079,405. At June 30, 2010, net unrealized depreciation for all securities based on tax cost was $3,599,895. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $23,243,664 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $26,843,559.*

(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, 2010 amounted to $36,654,416, which is 15.4% of net assets.*

(b) *Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.*

(c) *Represents collateral held in connection with securities lending. Income earned by the Portfolio is net of borrower rebates.*

ADR: American Depositary Receipt

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks (d)	$ 217,520,997	$ —	$ —	$ 217,520,997
Short-Term Investments (d)	56,958,513	—	—	56,958,513
Total	**$ 274,479,510**	**$ —**	**$ —**	**$ 274,479,510**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(d) *See Investment Portfolio for additional detailed categorizations.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets	
Investments:	
Investments in securities, at value (cost $217,953,807) — including $36,654,416 of securities loaned	$ 217,520,997
Investment in Daily Assets Fund Institutional (cost $37,867,190)*	37,867,190
Investment in Central Cash Management Fund (cost $19,091,323)	19,091,323
Total investments at value (cost $274,912,320)	274,479,510
Cash	10,000
Receivable for investments sold	2,526,730
Dividends receivable	462,635
Interest receivable	4,779
Foreign taxes recoverable	2,107
Other assets	1,840
Total assets	277,487,601
Liabilities	
Payable upon return of securities loaned	37,867,190
Payable for Portfolio shares redeemed	265,790
Payable for investments purchased	1,637,172
Accrued management fee	137,761
Other accrued expenses and payables	89,856
Total liabilities	39,997,769
Net assets, at value	**$ 237,489,832**
Net Assets Consist of	
Undistributed net investment income	1,735,085
Net unrealized appreciation (depreciation) on investments	(432,810)
Accumulated net realized gain (loss)	(153,163,428)
Paid-in capital	389,350,985
Net assets, at value	**$ 237,489,832**
Class A	
Net Asset Value, offering and redemption price per share ($235,927,922 ÷ 35,586,434 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 6.63**
Class B	
Net Asset Value, offering and redemption price per share ($1,561,910 ÷ 234,555 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$ 6.66**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income	
Income:	
Dividends (net of foreign taxes withheld of $38,294)	$ 3,090,452
Income distributions — Central Cash Management Fund	7,891
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates	14,783
Total Income	3,113,126
Expenses:	
Management fee	904,671
Administration fee	136,616
Services to shareholders	8,907
Custodian fee	8,832
Distribution service fee (Class B)	2,285
Record keeping fees (Class B)	503
Professional fees	32,122
Trustees' fees and expenses	7,761
Reports to shareholders	25,832
Other	9,660
Total expenses before expense reductions	1,137,189
Expense reductions	(36,436)
Total expenses after expense reductions	1,100,753
Net investment income (loss)	**2,012,373**
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments	6,659,121
Change in net unrealized appreciation (depreciation) on investments	(29,698,481)
Net gain (loss)	**(23,039,360)**
Net increase (decrease) in net assets resulting from operations	**$ (21,026,987)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ 2,012,373	$ 5,183,044
Net realized gain (loss)	6,659,121	(11,128,319)
Change in net unrealized appreciation (depreciation)	(29,698,481)	65,208,508
Net increase (decrease) in net assets resulting from operations	(21,026,987)	59,263,233
Distributions to shareholders from:		
Net investment income:		
Class A	(5,244,990)	(12,778,810)
Class B	(28,738)	(81,600)
Total distributions	(5,273,728)	(12,860,410)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	1,871,928	5,209,923
Reinvestment of distributions	5,244,990	12,778,810
Cost of shares redeemed	(26,715,854)	(90,662,545)
Net increase (decrease) in net assets from Class A share transactions	(19,598,936)	(72,673,812)
Class B		
Proceeds from shares sold	141,048	544,525
Reinvestment of distributions	28,738	81,600
Cost of shares redeemed	(399,520)	(1,038,519)
Net increase (decrease) in net assets from Class B share transactions	(229,734)	(412,394)
Increase (decrease) in net assets	(46,129,385)	(26,683,383)
Net assets at beginning of period	283,619,217	310,302,600
Net assets at end of period (including undistributed net investment income of $1,735,085 and $4,996,440, respectively)	**$ 237,489,832**	**$ 283,619,217**

Other Information		
Class A		
Shares outstanding at beginning of period	38,269,626	49,642,073
Shares sold	251,682	874,127
Shares issued to shareholders in reinvestment of distributions	674,163	2,576,373
Shares redeemed	(3,609,037)	(14,822,947)
Net increase (decrease) in Class A shares	(2,683,192)	(11,372,447)
Shares outstanding at end of period	**35,586,434**	**38,269,626**
Class B		
Shares outstanding at beginning of period	265,888	327,546
Shares sold	18,930	86,408
Shares issued to shareholders in reinvestment of distributions	3,675	16,352
Shares redeemed	(53,938)	(164,418)
Net increase (decrease) in Class B shares	(31,333)	(61,658)
Shares outstanding at end of period	**234,555**	**265,888**

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

Financial Highlights

Class A

Period Ended June 30,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 7.36**	**$ 6.21**	**$14.40**	**$15.02**	**$13.41**	**$12.65**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.05	.12	.22	.29	.27	.24
Net realized and unrealized gain (loss)	(.63)	1.31	(5.80)	(.56)	2.21	.75
Total from investment operations	(.58)	1.43	(5.58)	(.27)	2.48	.99
Less distributions from:						
Net investment income	(.15)	(.28)	(.36)	(.22)	(.28)	(.23)
Net realized gains	—	—	(2.25)	(.13)	(.59)	—
Total distributions	(.15)	(.28)	(2.61)	(.35)	(.87)	(.23)
Net asset value, end of period	**$ 6.63**	**$ 7.36**	**$ 6.21**	**$14.40**	**$15.02**	**$13.41**
Total Return (%)	(8.24)[c]**	25.30[c]	(45.98)[c]	(1.86)	18.74	7.92
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	236	282	308	792	992	785
Ratio of expenses before expense reductions (%)	.83*	.80	.81	.78	.77	.78
Ratio of expenses after expense reductions(%)	.80*	.76	.80	.78	.77	.78
Ratio of net investment income (%)	1.48*	1.89	2.21	1.94	1.87	1.84
Portfolio turnover rate (%)	39**	91	28	27	20	10

a *For the six months ended June 30, 2010 (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

Period Ended June 30,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 7.38**	**$ 6.22**	**$14.41**	**$15.02**	**$13.39**	**$12.63**
Income (loss) from investment operations:						
Net investment income (loss)[b]	.04	.10	.16	.24	.22	.19
Net realized and unrealized gain (loss)	(.64)	1.32	(5.79)	(.56)	2.19	.75
Total from investment operations	(.60)	1.42	(5.63)	(.32)	2.41	.94
Less distributions from:						
Net investment income	(.12)	(.26)	(.31)	(.16)	(.19)	(.18)
Net realized gains	—	—	(2.25)	(.13)	(.59)	—
Total distributions	(.12)	(.26)	(2.56)	(.29)	(.78)	(.18)
Net asset value, end of period	**$ 6.66**	**$ 7.38**	**$ 6.22**	**$14.41**	**$15.02**	**$13.39**
Total Return (%)	(8.37)[c]**	24.94[c]	(46.16)[c]	(2.19)[c]	18.21[c]	7.51
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	2	2	2	37	191	135
Ratio of expenses before expense reduction (%)	1.15*	1.11	1.21	1.15	1.16	1.17
Ratio of expenses after expense reduction (%)	1.12*	1.08	1.17	1.13	1.16	1.17
Ratio of net investment income (%)	1.16*	1.57	1.84	1.59	1.48	1.45
Portfolio turnover rate (%)	39**	91	28	27	20	10

a *For the six months ended June 30, 2010 (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*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

Multiple Classes of Shares of Beneficial Interest. Certain portfolios of the Trust offer 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 Rule 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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

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 they trade and are classified as Level 1 securities. 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, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

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 income to its shareholders.

At December 31, 2009, the Portfolio 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 Strategic Value VIP	68,443,000	12/31/2016
	88,212,000	12/31/2017

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 remains open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio may take into account capital gains and losses in its daily dividend declarations. The Portfolio 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 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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. 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, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Strategic Value VIP	101,498,903	137,807,763

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
DWS Strategic Value 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%

For the period from January 1, 2010 through April 30, 2010, the Advisor has contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of each class as follows:

Portfolio	Annual Rate
DWS Strategic Value VIP	
Class A	.78%
Class B	1.11%

Accordingly, for the six months ended June 30, 2010, the total management fee, management fee waived and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Strategic Value VIP	904,671	36,216	.64%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Strategic Value VIP	136,616	20,723

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Unpaid at June 30, 2010 ($)
DWS Strategic Value VIP Class A	220	220	—
DWS Strategic Value VIP Class B	105	—	52

Distribution Service Agreement. Under the Portfolio's Class B 12b-1 plans, DWS Investments Distributors, Inc. ("DIDI") received a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the six months ended June 30, 2010, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Strategic Value VIP	2,285	353

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Strategic Value VIP	9,357	3,267

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

DWS Strategic 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 56% and 30%. Six Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 23%, 19%, 17%, 16%, 11% and 10%.

E. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

F. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 Funds are reasonable.

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.

DWS Investments Distributors, Inc.
222 South Riverside Plaza
Chicago, IL 60606
(800) 778-1482

VS2SV-3 (8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Technology VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

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

A member of
Deutsche Bank Group

DWS
INVESTMENTS
Deutsche Bank Group

Performance Summary

June 30, 2010

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.

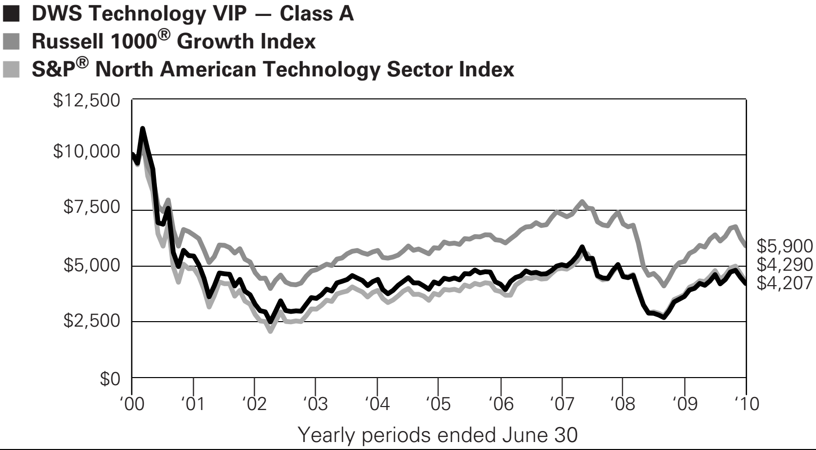
The gross expense ratios of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 are 0.84% and 1.18% for Class A and Class B shares, respectively, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report.

Risk Considerations

Any portfolio that concentrates in a particular segment of the market will generally be more volatile than a fund that invests more broadly. This portfolio is non-diversified and can take larger positions in fewer issues, increasing its potential risk. Stocks may decline in value. See the prospectus for details.

Portfolio returns shown during the 3-year, 5-year and 10-year/Life of Class periods reflect a fee waiver and/or expense reimbursement for Class A shares. Without this waiver/reimbursement, returns would have been lower.

Growth of an Assumed $10,000 Investment in DWS Technology VIP



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 North American Technology Sector Index is the technology subindex of the S&P North American Sector Indices. The S&P North American Technology Sector Index family is designed as equity benchmarks for US-traded technology-related securities.

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	10-Year
Class A	Growth of $10,000	$9,127	$11,600	$8,325	$10,040	$4,207
	Average annual total return	–8.73%	16.00%	–5.93%	.08%	–8.29%
Russell 1000 Growth Index	Growth of $10,000	$9,235	$11,362	$8,067	$10,191	$5,900
	Average annual total return	–7.65%	13.62%	–6.91%	.38%	–5.14%
S&P North American Technology Sector Index	Growth of $10,000	$8,960	$11,583	$8,776	$11,625	$4,290
	Average annual total return	–10.40%	15.83%	–4.26%	3.06%	–8.11%

DWS Technology VIP		6-Month‡	1-Year	3-Year	5-Year	Life of Class*
Class B	Growth of $10,000	$9,091	$11,533	$8,216	$9,832	$12,991
	Average annual total return	–9.09%	15.33%	–6.34%	–.34%	3.33%
Russell 1000 Growth Index	Growth of $10,000	$9,235	$11,362	$8,067	$10,191	$12,574
	Average annual total return	–7.65%	13.62%	–6.91%	.38%	2.90%
S&P North American Technology Sector Index	Growth of $10,000	$8,960	$11,583	$8,776	$11,625	$15,238
	Average annual total return	–10.40%	15.83%	–4.26%	3.06%	5.40%

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 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	Class A	Class B
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$ 912.70	$ 909.10
Expenses Paid per $1,000*	$ 4.41	$ 6.06

Hypothetical 5% Portfolio Return	Class A	Class B
Beginning Account Value 1/1/10	$1,000.00	$1,000.00
Ending Account Value 6/30/10	$1,020.18	$1,018.45
Expenses Paid per $1,000*	$ 4.66	$ 6.41

* *Expenses are equal to the Portfolio's annualized expense ratio for each share class, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by 365.*

Annualized Expense Ratios	Class A	Class B
DWS Variable Series II — DWS Technology VIP	.93%	1.28%

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.

Portfolio Summary

DWS Technology VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	100%	98%
Cash Equivalents	0%	2%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/10**	**12/31/09**
Information Technology:		
Computers & Peripherals	24%	25%
Software	19%	18%
Semiconductors & Semiconductor Equipment	17%	16%
Communications Equipment	16%	17%
Internet Software & Services	13%	14%
IT Services	8%	7%
Electronic Equipment, Instruments & Components	1%	2%
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 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Technology VIP

	Shares	Value ($)
Common Stocks 99.2%		
Consumer Discretionary 2.1%		
Hotels Restaurants & Leisure 0.3%		
Ctrip.com International Ltd. (ADR)*	4,800	**180,288**
Internet & Catalog Retail 1.8%		
Amazon.com, Inc.* (a)	7,600	830,376
Priceline.com, Inc.*	2,000	353,080
		1,183,456
Information Technology 97.1%		
Communications Equipment 15.8%		
Acme Packet, Inc.*	3,663	98,461
Aviat Networks, Inc.*	2,533	9,195
Cisco Systems, Inc.*	150,200	3,200,762
Comverse Technology, Inc.*	87,434	681,985
F5 Networks, Inc.*	9,300	637,701
Juniper Networks, Inc.*	32,500	741,650
Motorola, Inc.*	61,100	398,372
Polycom, Inc.*	24,500	729,855
QUALCOMM, Inc.	81,916	2,690,122
Research In Motion Ltd.*	13,600	669,936
Sonus Networks, Inc.*	118,400	320,864
		10,178,903
Computers & Peripherals 24.2%		
Apple, Inc.*	32,300	8,124,419
EMC Corp.*	57,697	1,055,855
Hewlett-Packard Co.	95,100	4,115,928
Isilon Systems, Inc.*	80,418	1,032,567
QLogic Corp.*	19,000	315,780
SanDisk Corp.*	18,700	786,709
Xyratex Ltd.*	13,500	191,025
		15,622,283
Electronic Equipment, Instruments & Components 1.0%		
Corning, Inc.	40,400	**652,460**
Internet Software & Services 13.0%		
Akamai Technologies, Inc.* (a)	6,900	279,933
Digital River, Inc.*	17,100	408,861
eBay, Inc.* (a)	31,300	613,793
Equinix, Inc.* (a)	5,800	471,076
Google, Inc. "A"*	9,900	4,405,005
LogMeIn, Inc.*	25,013	656,091
Open Text Corp.* (a)	7,100	266,534
QuinStreet, Inc.* (a)	28,698	330,314
Tencent Holdings Ltd.	18,600	306,721
VistaPrint NV* (a)	3,100	147,219
Yahoo!, Inc.*	37,400	517,242
		8,402,789
IT Services 8.3%		
Accenture PLC "A"	10,100	390,365
Amdocs Ltd.*	15,800	424,230
Cognizant Technology Solutions Corp. "A"*	27,200	1,361,632
Fiserv, Inc.*	11,200	511,392
International Business Machines Corp.	13,100	1,617,588
MasterCard, Inc. "A"	2,000	399,060
Visa, Inc. "A" (a)	8,800	622,600
		5,326,867
Semiconductors & Semiconductor Equipment 16.4%		
Altera Corp. (a)	12,000	297,720
Applied Materials, Inc. (a)	24,700	296,894
ASML Holding NV (NY Registered Shares) (a)	14,600	401,062
Atheros Communications*	2,300	63,342
Avago Technologies Ltd.*	17,629	371,267
Broadcom Corp. "A"	30,500	1,005,585
FormFactor, Inc.*	10,600	114,480
Integrated Device Technology, Inc.*	76,800	380,160
Intel Corp.	157,389	3,061,216
KLA-Tencor Corp.	13,100	365,228
Marvell Technology Group Ltd.*	16,000	252,160
MaxLinear, Inc. "A"*	19,800	276,804
Microchip Technology, Inc. (a)	8,500	235,790
Micron Technology, Inc.*	37,500	318,375
Microsemi Corp.*	14,700	215,061
MKS Instruments, Inc.*	10,400	194,688
National Semiconductor Corp.	14,400	193,824
Netlogic Microsystems, Inc.* (a)	11,700	318,240
Novellus Systems, Inc.*	17,400	441,264
NVIDIA Corp.*	5,600	57,176
ON Semiconductor Corp.* (a)	14,300	91,234
Texas Instruments, Inc.	53,800	1,252,464
Xilinx, Inc.	13,400	338,484
		10,542,518
Software 18.4%		
Activision Blizzard, Inc.	30,100	315,749
Adobe Systems, Inc.*	21,600	570,888
ANSYS, Inc.*	5,300	215,021
ArcSight, Inc.*	19,822	443,815
Ariba, Inc.*	57,300	912,789
BMC Software, Inc.*	19,600	678,748
Check Point Software Technologies Ltd.*	11,400	336,072
Citrix Systems, Inc.*	4,900	206,927
Informatica Corp.*	21,400	511,032
McAfee, Inc.*	2,000	61,440
Microsoft Corp.	132,400	3,046,524
Oracle Corp.	144,300	3,096,678
Rovi Corp.*	13,910	527,328
Salesforce.com, Inc.*	1,600	137,312
Symantec Corp.*	19,100	265,108
Taleo Corp. "A"*	5,970	145,011
VanceInfo Technologies, Inc. (ADR)* (a)	17,400	405,072
		11,875,514
Total Common Stocks (Cost $45,966,232)		**63,965,078**
Securities Lending Collateral 8.3%		
Daily Assets Fund Institutional, 0.27% (b) (c) (Cost $5,368,772)	5,368,772	**5,368,772**
Cash Equivalents 0.2%		
Central Cash Management Fund, 0.21% (b) (Cost $99,643)	99,643	**99,643**

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

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $51,434,647)†	107.7	**69,433,493**
Other Assets and Liabilities, Net	(7.7)	**(4,950,006)**
Net Assets	100.0	**64,483,487**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $56,386,288. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $13,047,205. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $19,767,345 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $6,720,140.*

(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, 2010 amounted to $5,223,019, which is 8.1% 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.*

ADR: American Depositary Receipt

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks (d)				
Consumer Discretionary	$ 1,363,744	$ —	$ —	$ 1,363,744
Information Technology	62,294,613	306,721	—	62,601,334
Short-Term Investments (d)	5,468,415	—	—	5,468,415
Total	**$ 69,126,772**	**$ 306,721**	**$ —**	**$ 69,433,493**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(d) *See Investment Portfolio for additional detailed categorizations.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $45,966,232) — including $5,223,019 of securities loaned	$	63,965,078
Investment in Daily Assets Fund Institutional (cost $5,368,772)*		5,368,772
Investment in Central Cash Management Fund (cost $99,643)		99,643
Total investments, at value (cost $51,434,647)		69,433,493
Foreign currency, at value (cost $28,598)		28,531
Receivable for investments sold		534,500
Receivable for Portfolio shares sold		666
Interest receivable		512
Dividends receivable		8,840
Other assets		581
Total assets		70,007,123
Liabilities		
Payable for Portfolio shares redeemed		69,767
Payable upon return of securities loaned		5,368,772
Accrued management fee		37,050
Other accrued expenses and payables		48,047
Total liabilities		5,523,636
Net assets, at value	**$**	**64,483,487**
Net Assets Consist of		
Accumulated distributions in excess of net investment income	$	(119,129)
Net unrealized appreciation (depreciation) on:		
Investments		17,998,846
Foreign currency		(67)
Accumulated net realized gain (loss)		(200,111,375)
Paid-in capital		246,715,212
Net assets, at value	**$**	**64,483,487**
Class A		
Net Asset Value, offering and redemption price per share ($64,363,480 ÷ 7,636,001 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.43**
Class B		
Net Asset Value, offering and redemption price per share ($120,007 ÷ 14,643 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**8.20**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $607)	$	233,966
Income distributions — Central Cash Management Fund		528
Securities lending income, including income from Daily Assets Fund Institutional, net of borrower rebates		1,966
Total Income		236,460
Expenses:		
Management fee		248,915
Administration fee		37,431
Distribution service fee (Class B)		2,290
Record keeping fees (Class B)		962
Services to shareholders		1,601
Trustees' fees and expenses		3,391
Reports to shareholders		14,411
Custodian fee		6,066
Legal fees		4,585
Audit and tax fees		24,073
Other		6,507
Total expenses		350,232
Net investment income (loss)		**(113,772)**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments		3,820,114
Foreign currency		3,633
		3,823,747
Change in net unrealized appreciation (depreciation) on:		
Investments		(9,905,709)
Foreign currency		(5,253)
		(9,910,962)
Net gain (loss)		**(6,087,215)**
Net increase (decrease) in net assets resulting from operations	**$**	**(6,200,987)**

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, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ (113,772)	$ 43,997
Net realized gain (loss)	3,823,747	(13,132,543)
Net unrealized appreciation (depreciation)	(9,910,962)	45,141,538
Net increase (decrease) in net assets resulting from operations	(6,200,987)	32,052,992
Distributions to shareholders from:		
Net investment income:		
Class A	(30,198)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,306,866	8,267,890
Reinvestment of distributions	30,198	—
Cost of shares redeemed	(9,688,876)	(20,829,816)
Net increase (decrease) in net assets from Class A share transactions	(7,351,812)	(12,561,926)
Class B		
Proceeds from shares sold	153,549	696,779
Cost of shares redeemed	(2,907,739)	(561,458)
Net increase (decrease) in net assets from Class B share transactions	(2,754,190)	135,321
Increase (decrease) in net assets	(16,337,187)	19,626,387
Net assets at beginning of period	80,820,674	61,194,287
Net assets at end of period (including accumulated distributions in excess of net investment and undistributed net investment income of $119,129 and $24,841, respectively)	**$ 64,483,487**	**$ 80,820,674**

Other Information		
Class A		
Shares outstanding at beginning of period	8,447,123	10,336,451
Shares sold	252,936	1,071,894
Shares issued to shareholders in reinvestment of distributions	3,066	—
Shares redeemed	(1,067,124)	(2,961,222)
Net increase (decrease) in Class A shares	(811,122)	(1,889,328)
Shares outstanding at end of period	**7,636,001**	**8,447,123**
Class B		
Shares outstanding at beginning of period	309,078	290,168
Shares sold	17,043	100,046
Shares redeemed	(311,478)	(81,136)
Net increase (decrease) in Class B shares	(294,435)	18,910
Shares outstanding at end of period	**14,643**	**309,078**

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 9.24**	**$ 5.76**	**$10.71**	**$ 9.37**	**$ 9.30**	**$ 9.01**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.01)	.01	(.00)***	(.02)	(.01)[d]	(.03)
Net realized and unrealized gain (loss)	(.80)	3.47	(4.95)	1.36	.08	.36
Total from investment operations	(.81)	3.48	(4.95)	1.34	.07	.33
Less distributions from:						
Net investment income	(.00)***	—	—	—	—	(.04)
Net asset value, end of period	**$ 8.43**	**$ 9.24**	**$ 5.76**	**$10.71**	**$ 9.37**	**$ 9.30**
Total Return (%)	(8.73)**	60.42	(46.22)[c]	14.30	.75[d]	3.74
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	64	78	60	153	165	199
Ratio of expenses before expense reductions (%)	.93*	.84	1.01	.91	.89	.86
Ratio of expenses after expense reductions (%)	.93*	.84	1.00	.91	.89	.86
Ratio of net investment income (loss) (%)	(.30)*	.08	(.01)	(.15)	(.12)[d]	(.36)
Portfolio turnover rate (%)	11**	45	71	91	49	135

a *For the six months ended June 30, 2010 (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*

*** *Amount is less than $0.005.*

Class B

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 9.02**	**$ 5.64**	**$10.53**	**$ 9.25**	**$ 9.21**	**$ 8.93**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.03)	(.02)	(.03)	(.05)	(.04)[d]	(.07)
Net realized and unrealized gain (loss)	(.79)	3.40	(4.86)	1.33	.08	.36
Total from investment operations	(.82)	3.38	(4.89)	1.28	.04	.29
Less distributions from:						
Net investment income	—	—	—	—	—	(.01)
Net asset value, end of period	**$ 8.20**	**$ 9.02**	**$ 5.64**	**$10.53**	**$ 9.25**	**$ 9.21**
Total Return (%)	(9.09)**	59.93	(46.44)[c]	13.84	.43[d]	3.27
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	.1	3	2	3	14	16
Ratio of expenses (%)	1.28*	1.18	1.35	1.29	1.28	1.26
Ratio of net investment income (loss) (%)	(.65)*	(.27)	(.35)	(.53)	(.51)[d]	(.76)
Portfolio turnover rate (%)	11**	45	71	91	49	135

a *For the six months ended June 30, 2010 (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*

Notes to Financial Statements (Unaudited)

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a non-diversified, open-end management investment company.

Multiple Classes of Shares of Beneficial Interest. Certain portfolios of the Trust offer 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 Rule 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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

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 they trade and are classified as Level 1 securities. 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. For certain 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, a fair valuation model may be used. This fair valuation model takes into account comparisons to the valuation of American Depository Receipts (ADRs), exchange-traded funds, futures contracts and certain indices and these securities are classified as Level 2.

Money market instruments purchased with an original or remaining maturity of sixty days or less, maturing at par, are valued at amortized cost, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

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.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

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 income to its shareholders.

At December 31, 2009, the Portfolio 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 Technology VIP	93,499,000	12/31/2010
	71,517,000	12/31/2011
	13,148,000	12/31/2016
	20,753,000	12/31/2017

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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. 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, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Technology VIP	7,750,447	17,132,326

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
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%

Accordingly, for the six months ended June 30, 2010, the total management fee and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Annualized Effective Rate
DWS Technology VIP	248,915	.67%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Technology VIP	37,431	5,672

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Technology VIP Class A	72	43
DWS Technology VIP Class B	61	30

Distribution Service Agreement. Under the Portfolio's Class B 12b-1 plans, DWS Investments Distributors, Inc. ("DIDI") received a fee ("Distribution Service Fee") of 0.25% of average daily net assets of Class B shares. For the six months ended June 30, 2010, the Distribution Service Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Technology VIP	2,290	15

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Technology VIP	6,078	110

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

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 57% and 37%. Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, owning 76% and 17%.

E. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 20 percent of its net assets under this agreement.

F. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 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.

DWS Investments Distributors, Inc.
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VS2TEC-3 (8/10)

DWS INVESTMENTS
Deutsche Bank Group

JUNE 30, 2010

SEMIANNUAL REPORT

DWS VARIABLE SERIES II

DWS Turner Mid Cap Growth VIP

This report must be preceded or accompanied by a prospectus. To obtain an additional prospectus or summary prospectus, if available, 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 summary prospectus and prospectus contain this and other important information about the Portfolio. Please read the prospectus carefully before you invest.

Investments in variable portfolios involve risk. Some portfolios have more risk than others. These include portfolios that allow exposure to or otherwise concentrate investments in certain sectors, geographic regions, security types, market capitalization or foreign securities (e.g., political or economic instability, which can be accentuated in Emerging Market countries). Please read the prospectus for specific details regarding its investments and risk profile.

DWS 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.

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

A member of
Deutsche Bank Group

DWS INVESTMENTS
Deutsche Bank Group

Performance Summary

June 30, 2010

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.

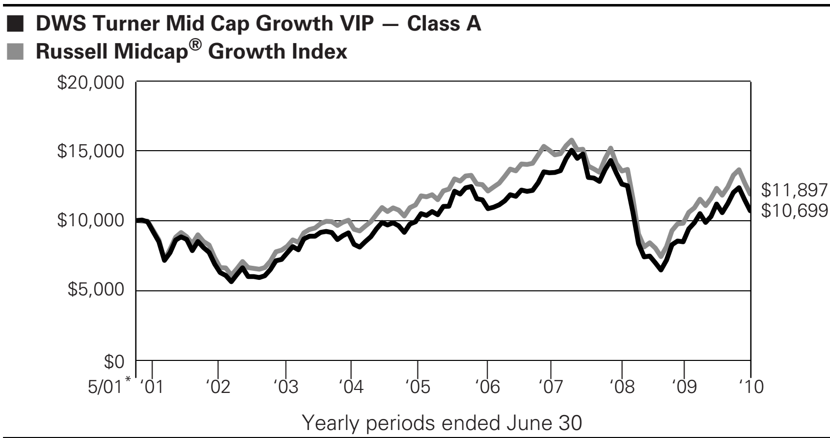
The gross expense ratio of the Portfolio, as stated in the fee table of the prospectus dated May 1, 2010 is 0.89% for Class A shares and may differ from the expense ratio disclosed in the Financial Highlights table in this report.

Risk Considerations

Stocks of medium-sized companies involve greater risk than securities of larger, more-established companies. Stocks may decline in value. See the prospectus for details.

Portfolio returns shown for the 3-year, 5-year and 10-year periods reflect a fee waiver and/or expense reimbursement for Class A shares. 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 6/30/2010



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 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	$9,567	$12,628	$7,973	$10,796	$10,699
	Average annual total return	–4.33%	26.28%	–7.27%	1.54%	.74%
Russell Midcap Growth Index	Growth of $10,000	$9,669	$12,130	$7,908	$10,702	$11,897
	Average annual total return	–3.31%	21.30%	–7.53%	1.37%	1.91%

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.*

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 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, 2010 to June 30, 2010).

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, 2010

Actual Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$ 956.70
Expenses Paid per $1,000*	$ 4.90

Hypothetical 5% Portfolio Return	**Class A**
Beginning Account Value 1/1/10	$1,000.00
Ending Account Value 6/30/10	$1,019.79
Expenses Paid per $1,000*	$ 5.06

* *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 six-month period, then divided by 365.*

Annualized Expense Ratio	**Class A**
DWS Variable Series II — DWS Turner Mid Cap Growth VIP	1.01%

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

These tables do not reflect charges and fees ("contract charges") associated with the separate account that invests in the Portfolio or any variable life insurance policy or variable annuity contract for which the Portfolio is an investment option.

Portfolio Summary

DWS Turner Mid Cap Growth VIP

Asset Allocation (As a % of Investment Portfolio excluding Securities Lending Collateral)	**6/30/10**	**12/31/09**
Common Stocks	97%	99%
Cash Equivalents	3%	1%
	100%	100%

Sector Diversification (As a % of Common Stocks)	**6/30/10**	**12/31/09**
Information Technology	25%	27%
Consumer Discretionary	17%	16%
Health Care	15%	15%
Industrials	12%	10%
Financials	11%	10%
Consumer Staples	7%	7%
Materials	6%	6%
Energy	5%	7%
Utilities	1%	1%
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 5.

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. A complete list of the portfolio holdings of the Portfolio is also posted on www.dws-investments.com from time to time. Please see the Portfolio's current prospectus for more information.

DWS Turner Mid Cap Growth VIP

	Shares	Value ($)
Common Stocks 97.8%		
Consumer Discretionary 17.0%		
Auto Components 0.6%		
BorgWarner, Inc.*	7,790	**290,879**
Hotels Restaurants & Leisure 5.9%		
Ctrip.com International Ltd. (ADR)*	6,380	239,633
Starwood Hotels & Resorts Worldwide, Inc.	23,190	960,761
WMS Industries, Inc.*	16,775	658,419
Wynn Resorts Ltd.	10,970	836,682
		2,695,495
Household Durables 0.7%		
Stanley Black & Decker, Inc.	6,670	**336,968**
Media 0.9%		
Focus Media Holding Ltd. (ADR)*	26,910	**417,912**
Multiline Retail 2.0%		
Dollar Tree, Inc.*	9,605	399,856
Nordstrom, Inc.	15,560	500,877
		900,733
Specialty Retail 5.1%		
Abercrombie & Fitch Co. "A"	13,870	425,670
Bed Bath & Beyond, Inc.*	14,970	555,088
Guess?, Inc.	12,310	384,564
hhgregg, Inc.*	11,600	270,512
Urban Outfitters, Inc.*	20,250	696,398
		2,332,232
Textiles, Apparel & Luxury Goods 1.8%		
Coach, Inc.	23,230	**849,056**
Consumer Staples 6.5%		
Beverages 1.3%		
Brown-Forman Corp. "B"	6,650	380,580
Hansen Natural Corp.*	6,020	235,442
		616,022
Food & Staples Retailing 1.6%		
Whole Foods Market, Inc.*	20,470	**737,329**
Food Products 3.6%		
Green Mountain Coffee Roasters, Inc.*	18,010	462,857
Mead Johnson Nutrition Co.	14,080	705,689
The Hershey Co.	10,020	480,259
		1,648,805
Energy 5.3%		
Oil, Gas & Consumable Fuels		
Alpha Natural Resources, Inc.*	10,860	367,828
Cimarex Energy Co.	7,810	559,040
Concho Resources, Inc.*	9,200	509,036
Oasis Petroleum, Inc.*	14,720	213,440
Range Resources Corp.	11,764	472,325
Whiting Petroleum Corp.*	4,190	328,580
		2,450,249
Financials 10.6%		
Capital Markets 3.0%		
Affiliated Managers Group, Inc.*	7,830	475,829
T. Rowe Price Group, Inc.	20,340	902,893
		1,378,722
Commercial Banks 2.1%		
Bank of Hawaii Corp.	8,630	417,260
Comerica, Inc.	14,420	531,089
		948,349
Diversified Financial Services 2.5%		
IntercontinentalExchange, Inc.*	7,130	805,904
MSCI, Inc. "A"*	12,530	343,322
		1,149,226
Insurance 0.6%		
Lincoln National Corp.	10,960	**266,218**
Real Estate Investment Trusts 1.2%		
Digital Realty Trust, Inc. (REIT) (a)	9,990	**576,223**
Real Estate Management & Development 1.2%		
CB Richard Ellis Group, Inc. "A"*	40,670	**553,519**
Health Care 14.9%		
Biotechnology 3.2%		
Alexion Pharmaceuticals, Inc.*	12,590	644,482
Dendreon Corp.*	4,050	130,937
Human Genome Sciences, Inc.*	11,870	268,974
United Therapeutics Corp.*	8,430	411,468
		1,455,861
Health Care Equipment & Supplies 4.0%		
CareFusion Corp.*	11,790	267,633
Edwards Lifesciences Corp.*	12,340	691,287
Intuitive Surgical, Inc.*	1,960	618,615
Sirona Dental Systems, Inc.*	7,900	275,236
		1,852,771
Health Care Providers & Services 5.4%		
AmerisourceBergen Corp.	20,330	645,477
CIGNA Corp.	10,200	316,812
DaVita, Inc.*	8,080	504,515
Henry Schein, Inc.*	8,830	484,767
Universal Health Services, Inc. "B"	13,450	513,118
		2,464,689
Health Care Technology 0.8%		
Cerner Corp.*	4,720	**358,201**
Life Sciences Tools & Services 1.0%		
Waters Corp.*	7,300	**472,310**
Pharmaceuticals 0.5%		
Biovail Corp.	12,560	**241,655**
Industrials 11.5%		
Aerospace & Defense 2.4%		
Goodrich Corp.	13,350	884,437
Precision Castparts Corp.	2,050	210,986
		1,095,423
Airlines 1.3%		
Continental Airlines, Inc. "B"*	27,460	**604,120**
Building Products 0.7%		
Owens Corning, Inc.*	10,670	**319,140**
Construction & Engineering 1.0%		
Quanta Services, Inc.*	22,040	**455,126**
Machinery 4.2%		
Cummins, Inc.	12,560	818,033
Joy Global, Inc.	11,890	595,570
Parker Hannifin Corp.	9,480	525,761
		1,939,364

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

	Shares	Value ($)
Road & Rail 0.5%		
Canadian Pacific Railway Ltd.	4,260	**228,421**
Trading Companies & Distributors 1.4%		
Fastenal Co. (a)	13,390	**672,044**
Information Technology 24.6%		
Communications Equipment 3.7%		
Aruba Networks, Inc.*	22,410	319,118
F5 Networks, Inc.*	20,140	1,381,000
		1,700,118
Computers & Peripherals 2.4%		
NetApp, Inc.*	29,120	**1,086,467**
Internet Software & Services 3.4%		
Akamai Technologies, Inc.*	8,090	328,211
GSI Commerce, Inc.*	17,430	501,984
MercadoLibre, Inc.* (a)	7,660	402,533
VeriSign, Inc.*	12,300	326,565
		1,559,293
Semiconductors & Semiconductor Equipment 12.2%		
ASML Holding NV (NY Registered Shares) (a)	17,080	469,187
Atheros Communications*	21,670	596,792
Broadcom Corp. "A"	21,170	697,975
Cree, Inc.*	7,100	426,213
Lam Research Corp.*	21,430	815,626
Marvell Technology Group Ltd.*	38,230	602,505
Micron Technology, Inc.*	83,130	705,774
Netlogic Microsystems, Inc.*	22,230	604,656
Varian Semiconductor Equipment Associates, Inc.*	24,940	714,780
		5,633,508
Software 2.9%		
Salesforce.com, Inc.*	12,200	1,047,004
SuccessFactors, Inc.*	13,240	275,260
		1,322,264
Materials 5.6%		
Chemicals 2.6%		
Ecolab, Inc.	16,450	738,770
Valspar Corp.	14,320	431,318
		1,170,088
Metals & Mining 3.0%		
Cliffs Natural Resources, Inc.	4,380	206,561
Silver Wheaton Corp.*	19,550	392,955
United States Steel Corp. (a)	7,000	269,850
Walter Energy, Inc.	8,580	522,093
		1,391,459
Telecommunication Services 0.8%		
Wireless Telecommunication Services		
Crown Castle International Corp.*	9,540	**355,461**
Utilities 1.0%		
Gas Utilities		
Questar Corp.	10,170	**462,633**
Total Common Stocks (Cost $34,797,783)		**44,988,353**
Securities Lending Collateral 5.1%		
Daily Assets Fund Institutional, 0.27% (b) (c) (Cost $2,338,817)	2,338,817	**2,338,817**
Cash Equivalents 3.2%		
Central Cash Management Fund, 0.21% (c) (Cost $1,504,268)	1,504,268	**1,504,268**

	% of Net Assets	Value ($)
Total Investment Portfolio (Cost $38,640,868)†	106.1	**48,831,438**
Other Assets and Liabilities, Net	(6.1)	**(2,828,028)**
Net Assets	100.0	**46,003,410**

* *Non-income producing security.*

† *The cost for federal income tax purposes was $39,587,522. At June 30, 2010, net unrealized appreciation for all securities based on tax cost was $9,243,916. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $11,343,112 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $2,099,196.*

(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, 2010 amounted to $2,270,291, which is 4.9% 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

Fair Value Measurements

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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, 2010 in valuing the Portfolio's investments. For information on the Portfolio's policy regarding the valuation of investments, please refer to the Security Valuation section of Note A in the accompanying Notes to Financial Statements.

Assets	Level 1	Level 2	Level 3	Total
Common Stocks (d)	$ 44,988,353	$ —	$ —	$ 44,988,353
Short-Term Investments (d)	3,843,085	—	—	3,843,085
Total	**$ 48,831,438**	**$ —**	**$ —**	**$ 48,831,438**

There have been no significant transfers in and out of Level 1 and Level 2 fair value measurements during the period ended June 30, 2010.

(d) *See Investment Portfolio for additional detailed categorizations.*

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

Statement of Assets and Liabilities

as of June 30, 2010 (Unaudited)

Assets		
Investments:		
Investments in securities, at value (cost $34,797,783) — including $2,270,291 of securities loaned	$	44,988,353
Investment in Daily Assets Fund Institutional (cost $2,338,817)*		2,338,817
Investment in Central Cash Management Fund (cost $1,504,268)		1,504,268
Total investments, at value (cost $38,640,868)		48,831,438
Receivable for investments sold		773,157
Dividends receivable		16,967
Interest receivable		550
Due from Advisor		35
Total assets		49,622,147
Liabilities		
Payable upon return of securities loaned		2,338,817
Payable for investments purchased		1,049,976
Payable for Portfolio shares redeemed		157,020
Accrued management fee		30,990
Other accrued expenses and payables		41,934
Total liabilities		3,618,737
Net assets, at value	**$**	**46,003,410**
Net Assets Consist of		
Accumulated distributions in excess of net investment income		(136,631)
Net unrealized appreciation (depreciation) on:		
Investments		10,190,570
Foreign currency		(19)
Accumulated net realized gain (loss)		(20,319,612)
Paid-in capital		56,269,102
Net assets, at value	**$**	**46,003,410**
Class A		
Net Asset Value, offering and redemption price per share ($46,003,410 ÷ 6,334,586 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	**$**	**7.26**

* *Represents collateral on securities loaned.*

Statement of Operations

for the six months ended June 30, 2010 (Unaudited)

Investment Income		
Income:		
Dividends (net of foreign taxes withheld of $852)	$	122,650
Income distributions — Central Cash Management Fund		1,154
Total Income		123,804
Expenses:		
Management fee		182,086
Administration fee		25,467
Services to shareholders		961
Custodian fee		5,476
Reports to shareholders		9,959
Trustees' fees and expenses		2,842
Legal fees		4,644
Audit and tax fees		23,892
Other		3,137
Total expenses before expense reductions		258,464
Expense reductions		(1,252)
Total expenses after expense reductions		257,212
Net investment income (loss)		**(133,408)**
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from investments		2,298,491
Change in net unrealized appreciation (depreciation) on:		
Investments		(4,271,344)
Foreign currency		(19)
		(4,271,363)
Net gain (loss)		**(1,972,872)**
Net increase (decrease) in net assets resulting from operations	**$**	**(2,106,280)**

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009
Operations:		
Net investment income (loss)	$ (133,408)	$ 10,140
Net realized gain (loss)	2,298,491	(5,079,785)
Change in net unrealized appreciation (depreciation)	(4,271,363)	23,095,058
Net increase (decrease) in net assets resulting from operations	(2,106,280)	18,025,413
Distributions to shareholders from:		
Net investment income:		
Class A	(7,813)	—
Total distributions	(7,813)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,167,960	3,565,715
Shares issued to shareholders in reinvestment of distributions	7,813	—
Cost of shares redeemed	(4,721,566)	(19,620,216)
Shares converted*	—	5,097
Net increase (decrease) in net assets from Class A share transactions	(2,545,793)	(16,049,404)
Class B		
Cost of shares redeemed	—	(21)
Shares converted*	—	(5,097)
Net increase (decrease) in net assets from Class B share transactions	—	(5,118)
Increase (decrease) in net assets	(4,659,886)	1,970,891
Net assets at beginning of period	50,663,296	48,692,405
Net assets at end of period (including accumulated distributions in excess of net investment and undistributed net investment income of $136,631 and $4,590, respectively)	**$ 46,003,410**	**$ 50,663,296**

Other Information		
Class A		
Shares outstanding at beginning of period	6,675,631	9,629,198
Shares sold	267,192	533,210
Shares issued to shareholders in reinvestment of distributions	907	—
Shares redeemed	(609,144)	(3,488,014)
Shares converted*	—	1,237
Net increase (decrease) in Class A shares	(341,045)	(2,953,567)
Shares outstanding at end of period	**6,334,586**	**6,675,631**
Class B		
Shares outstanding at beginning of period	—	1,306
Shares redeemed	—	(5)
Shares converted*	—	(1,301)
Net increase (decrease) in Class B shares	—	(1,306)
Shares outstanding at end of period	—	—

* *On March 6, 2009, Class B shares converted into Class A shares.*

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

Financial Highlights

Class A

Years Ended December 31,	2010[a]	2009	2008	2007	2006	2005
Selected Per Share Data						
Net asset value, beginning of period	**$ 7.59**	**$ 5.06**	**$12.55**	**$10.92**	**$11.02**	**$ 9.86**
Income (loss) from investment operations:						
Net investment income (loss)[b]	(.02)	.00***	(.01)	(.04)	(.01)	(.05)
Net realized and unrealized gain (loss)	(.31)	2.53	(5.28)	2.64	.77	1.21
Total from investment operations	(.33)	2.53	(5.29)	2.60	.76	1.16
Less distributions from:						
Net investment income	(.00)***	—	—	—	—	—
Net realized gains	—	—	(2.20)	(.97)	(.86)	—
Tax return of capital	—	—	(.00)***	—	—	—
Total distributions	—	—	(2.20)	(.97)	(.86)	—
Net asset value, end of period	**$ 7.26**	**$ 7.59**	**$ 5.06**	**$12.55**	**$10.92**	**$11.02**
Total Return (%)	(4.33)[c]**	50.00	(49.49)[c]	25.75	6.52	11.76
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period ($ millions)	46	51	49	129	117	122
Ratio of expenses before expense reductions (%)	1.01*	.89	1.03	.95	.97	1.11
Ratio of expenses after expense reductions (%)	1.01*	.89	1.00	.95	.97	1.11
Ratio of net investment income (loss) (%)	(.52)*	.02	(.14)	(.36)	(.06)	(.56)
Portfolio turnover rate (%)	46**	86	156	133	148	151

a *For the six months ended June 30, 2010 (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.*

A. Organization and 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 seventeen portfolios (hereinafter referred to individually as "Portfolio" or collectively as "Portfolios"). The Portfolio is classified as a diversified open-end management investment company.

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. 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.

Various inputs are used in determining the value of the Portfolio's investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, and credit risk). Level 3 includes 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.

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 they trade and are classified as Level 1 securities. 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, which approximates value, and are categorized as Level 2. Investments in open-end investment companies are valued at their net asset value each business day and are categorized as Level 1.

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 Board and are generally categorized as Level 3. In accordance with the Portfolio's valuation procedures, factors used in determining value may include, but are not limited to, the type of the security, the size of the holding, the initial cost 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 issuer 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 or issuer'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. The value determined under these procedures may differ from published values for the same securities.

Disclosure about the classification of fair value measurements is included in a table following the Portfolio's Investment Portfolio.

Securities Lending. The Portfolio may lend securities to certain 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 either cash or liquid, unencumbered assets having a value at least equal to the value of the securities loaned. When the collateral falls below specified amounts, the lending agent will use its best effort to obtain additional collateral on the next business day to meet required amounts under the security lending agreement. 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. There may be risks of delay and costs in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. The Portfolio is also subject to all investment risks associated with the reinvestment of any cash collateral received, including, but not limited to, interest rate, credit and liquidity risk associated with such investments.

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 income to its shareholders.

At December 31, 2009, the Portfolio 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 Turner Mid Cap Growth VIP	6,753,000	12/31/2016
	14,918,000	12/31/2017

The Portfolio has reviewed the tax positions for the open tax years as of December 31, 2009 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 open subject to examination by the Internal Revenue Service.

Distribution of Income and Gains. Distributions of net investment income of the Portfolio, if any, are made 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 Portfolio 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 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.

Expenses. Expenses arising in connection with a specific Portfolio are allocated to that Portfolio. Trust expenses are allocated between the Portfolio in proportion to its relative net assets.

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.

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. 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, 2010, purchases and sales of investment transactions (excluding short-term investments) were as follows:

Portfolio	Purchases ($)	Sales ($)
DWS Turner Mid Cap Growth VIP	22,956,724	26,295,940

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.

Under the Investment Management Agreement with the Advisor, the fee is equivalent to the annual rates shown below of the Portfolio's average daily net assets, computed and accrued daily and payable monthly:

Portfolio	Annual Management Fee Rate
DWS Turner Mid Cap Growth VIP	
$0–$250 million	.715%
next $250 million	.700%
next $500 million	.685%
over $1 billion	.670%

Turner Investment Partners, Inc. serves as subadvisor to the Portfolio and is paid by the Advisor for its services.

For the period from January 1, 2010 through September 30, 2010, the Advisor has contractually agreed to waive its fee and/or reimburse certain operating expenses to the extent necessary to maintain the operating expenses (excluding certain expenses such as extraordinary expenses, taxes, brokerage and interest expense) of the class as follows:

Portfolio	Annual Rate
DWS Turner Mid Cap Growth VIP	
Class A	1.01%

Accordingly, for the six months ended June 30, 2010, the total management fee, management fee waived and effective management fee rate were as follows:

Portfolio	Total Aggregated ($)	Waived ($)	Annualized Effective Rate
DWS Turner Mid Cap Growth VIP	182,086	1,196	.71%

Administration Fee. Pursuant to an 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, 2010, the Administration Fee was as follows:

Portfolio	Total Aggregated ($)	Unpaid at June 30, 2010 ($)
DWS Turner Mid Cap Growth VIP	25,467	4,084

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 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 the Portfolio. For the six months ended June 30, 2010, the amounts charged to the Portfolio by DISC were as follows:

Portfolio	Total Aggregated ($)	Waived ($)
DWS Turner Mid Cap Growth VIP Class A	56	56

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, 2010, the amount charged to the Portfolio by DIMA included in the Statement of Operations under "reports to shareholders" was as follows:

Portfolio	Amount ($)	Unpaid at June 30, 2010 ($)
DWS Turner Mid Cap Growth VIP	5,723	130

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.

Affiliated Cash Management Vehicles. The Portfolio may invest uninvested cash balances in Central Cash Management Fund and other affiliated money market funds managed by the Advisor. The Portfolio indirectly bears its proportionate share of the expenses of the underlying money market funds. Central Cash Management Fund does not pay the Advisor an investment management fee. Central Cash Management Fund seeks a high level of current income consistent with liquidity and the preservation of capital.

D. Ownership of the Portfolio

At June 30, 2010, the beneficial ownership in the Portfolio was as follows:

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 74% and 25%.

E. Line of Credit

The Trust and other affiliated funds (the "Participants") share in a $450 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 a rate per annum equal to the sum of the Federal Funds Rate plus 1.25 percent plus if LIBOR exceeds the Federal Funds Rate the amount of such excess. The Portfolio may borrow up to a maximum of 33 percent of its net assets under this agreement.

F. Review for Subsequent Events

Management has evaluated the events and transactions subsequent to period end through the date the financial statements were available to be issued, and has determined that there were no material events that would require disclosure in the Portfolio's financial statements.

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.

Summary of Management Fee Evaluation by Independent Fee Consultant

October 9, 2009, As Revised November 20, 2009

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 Funds (formerly 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 2009, including my qualifications, the evaluation process for each of the DWS Funds, consideration of certain complex-level factors, and my conclusions. I served in substantially the same capacity in 2007 and 2008.

Qualifications

For more than 35 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 ten 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 and serve in various leadership and financial oversight capacities with non-profit organizations.

Evaluation of Fees for each DWS Fund

My work focused primarily on evaluating, fund-by-fund, the fees charged to each of the 124 publicly offered Fund portfolios in the DWS 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 Fund. These similar products included the other DWS 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 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 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 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 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

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This report must be preceded or accompanied by the current prospectus. Read it carefully before investing.

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